

# Guatemala—Our Blow at Pan-Americanism

By ARTHUR WARNER

Speak roughly to your little boy,  
And beat him when he sneezes;  
He only does it to annoy,  
Because he knows it teases.

POSSIBLY the Central American Union was predestined to a short life. It was the aspiration of a small number of men in a group of countries that have not yet developed national cohesion, much less international solidarity. But it need not have been done to death in the cradle—and that by the most brazen-throated booster of Pan-Americanism in the Western Hemisphere, these United States. For such will probably be the coroner's verdict of history.

It has been assumed all along that Nicaragua and probably Costa Rica were chiefly influenced in staying out of the Central American Union by the United States Government or by business interests of this country. This reduced the federation to Salvador, Honduras, and Guatemala; and from facts coming out in connection with the recent government upheaval in the latter country it is now apparent that Washington diplomacy dealt the final blow that put the Union out of existence.

It will be recalled that on December 5, last, President Herrera of Guatemala was ousted by a military coup, General Orellana taking possession of the office. Orellana is a follower of Cabrera, the latter having been President of Guatemala for twenty-two years until in 1920 he was deposed by the National Assembly as mentally unfit. Cabrera's overthrow was the consequence of long-gathering feeling against him, accomplished through the formation of a new party, the Unionist, consisting of adherents of both Liberals and Conservatives, the older groups (which names are arbitrary designations giving no indication of the parties' character). Cabrera had been easily influenced, not to say dictated to, by the United States, an example of which was Guatemala's declaration of war against Germany soon after our entrance into the conflict. The administration of Herrera cut loose from United States leading-strings, aiming rather to develop Guatemala's national sense, while the Unionist Party, in his regime, became the chief sponsor of the plan for Central American federation.

Both these considerations, it may be assumed, caused misgivings in Washington. For since Wilson's New Freedom and Harding's Modern Morality the United States Government has not been interested in a Pan-Americanism in which it would play an equal role, or even that of a big brother, among the Caribbean republics. The idea has been a Pan-Americanism imposed by ukase from Washington upon pliant and powerless vassals. The Central American Union was not in line with such a policy, and it was further objectionable in that it was favored by, and regarded as favorable toward, the Mexico of President Obregon. Of course Washington did lip service to the idea of Central American federation, but with tongue in cheek. And knowing persons were not surprised when on April 15, last, the United States officially recognized the four-months-old government of Orellana in striking contrast to the protracted refusal to do likewise by President Obregon.

But these are only the superficial facts. Behind them

is some diplomatic history which, as announced in Washington, was much beclouded but has gradually been relayed back from Central America with an unpleasantly naked clarity. On December 23, last, for instance, an Associated Press dispatch from Washington said: "Immediately after the outbreak in Guatemala City the United States Government sent a note to Salvador and Honduras expressing the hope that peace would be preserved by them in accordance with their treaties with Guatemala." To the average reader this sounds like a pious resolution in favor of peace, most exemplary in purpose even if a little meddlesome in method. The note has never been made public in this country, but as printed in the Central American newspapers the document was a definite notice to Salvador and Honduras to leave Orellana alone and not to make any attempt to restore Herrera. Moreover, it was everywhere accepted as an official sign of "Thumbs down" for the Central American Union by the United States. For it must be understood that at the time of the Orellana coup the federation was provisionally in effect and the forcible overthrow of Herrera was an act against the Central American Union as well as against Guatemala. In view of the provisional state of the federation, opinion differs as to whether Salvador and Honduras would have been legally justified in using force to restore the authority of Herrera, but the note from Washington blocked even any moral suasion that they might have exercised.

Furthermore, Orellana's attitude toward the federation seems to have been powerfully influenced, if not determined, by Washington. Upon coming into power he aligned himself with the friends of federation, although he insisted that Guatemala's three Senators to the Federal Council should be chosen by Cabrera's old National Assembly, which had been called back into power. Salvador and Honduras argued that the men already elected by the Herrera National Assembly should serve, but on January 22 they finally acceded to Orellana's view. In the meanwhile, however, we had sent our note to Salvador and Honduras, and two days after those countries yielded to Orellana in regard to the Senators he caused the flag of the Central American Union to be hauled down in Guatemala and announced the withdrawal of the republic from the federation. This meant the death of federation, and on January 29, three days before the Central American Union was to have become finally and completely effective, the provisional Federal Council met at Tegucigalpa, Honduras, and declared the arrangement dissolved.

"Trade follows the flag," a maker of phrases once remarked. He would have been nearer right had he said "The flag follows trade." The foreign policy of modern governments is so generally dictated by commercial interests that the first duty of one who would interpret it is to look for such motives. Applying this method to the new Orellana regime in Guatemala, and its surprisingly prompt and unequivocal backing by the Department of State in Washington, one finds the now familiar Caribbean joker at the bottom of the political pack of cards: a Wall Street loan. Thus the course of financial empire takes its way among the weaker republics of the West Indies and Central America.

This newly developed Caribbean finance should not be confused with legitimate foreign investment. It does not consist in putting money into business abroad and taking one's chance with other foreigners and the natives; it does not consist in lending money to governments upon their credit and standing, as in the case of recent loans to Brazil and Chile. It consists usually in artificially stimulating a demand for a loan, finding or setting up a native government to support it, taking over the control of the customs or other financial resources of the country as security, and calling upon Washington to guarantee and, if necessary, to collect the debt by means of the Department of State and the Marine Corps in the name of protecting national rights. This is the process already accomplished in Santo Domingo and Nicaragua and on the way in Haiti and elsewhere. To the list of once independent republics of the Caribbean thus dismantled and demolished Guatemala is now apparently to be added.

In Santo Domingo it is the National City Bank with pickings for Speyer and Company; in Nicaragua it is Brown Brothers with J. and W. Seligman and Company as runner-up; in Guatemala it is apparently to be Blair and Company. When information in regard to the proposed loan to Guatemala was asked for at the New York office of Blair and Company it was refused on the ground that a statement at the time would be "premature," but stress was laid on the fact that the Department of State knew all about the negotiations and there was no possibility therefore that the plan was in any way objectionable. The assertion that the Department of State knows all about the negotiations fits accurately into recent diplomatic history, but the assumption that this guarantees the plan as 100 per cent pure is a *non sequitur* which persons familiar with recent Caribbean history will find it difficult to swallow.

The purpose of the proposed loan is to rehabilitate the national finances and issue a new national currency, based on gold, in place of the present debased paper money. According to the latest proposals the loan, or credit, is fixed at 11½ million dollars. It was originally set at \$15,000,000 but reduced in later negotiations. The rate of interest is 6 per cent and the maturity twenty-seven years. The proposals further provide that of the total loan, \$2,500,000 will constitute the capital of a Guatemalan national bank, \$2,000,000 will be used for the redemption of an internal bonded debt, and \$7,000,000 (of which 65 per cent is to remain as a reserve in the United States, invested in Liberty, State, or municipal bonds) will be used as a basis for a new issue of paper currency. This new currency, in turn, will be used to redeem that now outstanding at the rate of fifty paper pesos to the dollar.

Now for more dangerous features—to Guatemala and to the United States. The proposed loan is a lien upon the full financial resources of the state (consisting almost wholly of import and export taxes), and the national bank, which will be the fiscal agent of the Guatemalan Government, is placed in control of five voting directors, *three of whom must be approved by Blair and Company*. The manager of the national bank must also be approved by this firm. At this writing the loan has not been approved by the National Assembly. Martial law was declared in Guatemala about the middle of May. According to advices reaching this country in spite of rigid press censorship, the Government's action was due to popular protest against the loan.

As for the Central American Union, it will soon be forgotten in this country; but among the Caribbean republics it will be added to the long record of imperialistic aggressions by the United States that some day will rise up to confound us.

## In the Driftway

LORD NORTHCLIFFE, who was the first to introduce the 5-day week into London journalism, has now gone a step, or a day, further and established a 4-day week for the editorial workers of his *Evening News*. The increasing pressure under which men on evening newspapers work justifies, he thinks, this special dispensation in their behalf. While admitting the correctness of the premises, the Drifter is not sure that a shorter working week is as good an offset as would be a shorter working day. At the same time he does not imagine that there will be a strike in the offices of the *Evening News* because of difference of opinion in regard to method, nor would he advise one if some American publisher undertook a similar experiment. What the Drifter does feel strongly is that the public is as deserving of a 4-day reading week as the journalists are of a 4-day working week. For America he is forthright in his demand for this boon. For London he is more hesitant to suggest it because, without the *Evening News* and the *Star* on three days of the seven, he cannot imagine what the food shops of the East End would find as wrapping for their fried fish.

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SPEAKING of Lord Northcliffe recalls his recent encounter with other London newspaper editors in regard to cutting the wages of printers. Lord Northcliffe refused to follow his colleagues in this, which must be put down as offsetting much in his journalistic career that has been less worthy. In consequence, of course, he was violently assailed. He retaliated by some thoughts on "Newspapers and Their Millionaires" which, collected as a pamphlet, have fallen into the hands of the Drifter. Lord Northcliffe complains that in recent years all the London dailies, excepting his own, a few sporting publications, and labor's *Daily Herald*, have fallen into the hands of wealthy owners who themselves are not journalists and frequently are without regard for the traditions of their properties or the profession into which they have fortuitously bought their way. "We journalists," he writes, "have no objection whatever to capitalists owning newspapers and thus creating employment. But I object to being a member of a combination [the Newspaper Proprietors' Association] in which capitalists ignorant of Fleet Street dictate terms to those who have spent their lives trying to understand the complex questions of a newspaper." Go softly, Lord Northcliffe! Your doctrine is splendid, but isn't it stronger than you realize? It leads straight to the philosophy that an industry should be controlled by the workers in it; and that the workers should hire capital on their own terms instead of being hired by it on its terms. That is strong meat—not too tough for the Drifter, but how about Lord Northcliffe?

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POSSIBLY the most entertaining paragraphs in the pamphlet are the author's anecdotes of personal newspaper experiences. Shortly after Lord Northcliffe had bought the *Times*, but before his ownership of it was known, a man visited him to discuss the possibility of buy-