

industrial development, general diplomacy and advance in education.

Peace as firmly established as war was formerly universal, filled coffers and prosperity instead of debt and debauchery.

Thus, at the close of 1905, we must take leave of the greatest ruler of modern times in the full power of all his faculties and strength in his seventy-sixth year.

APPENDIX.

As has been mentioned in the earlier pages of this book, the history of President Diaz' long administration lasting over a quarter of a century has been that of the commercial and industrial development of Mexico. The days of battles, "plans," and "pronunciamentos" came to an end when he was established in the Presidential chair. It is impossible to fully realise how great his constructive work has been except one can get an impression of the prosperous condition of Mexico to-day, compared with what the country was when he first rose to the head of affairs, and impossible to give that impression without calling in the aid of statistical matter and trade returns.

On the other hand, as this volume progressed I felt strongly the danger of burying the personality of the man beneath the weight and detail of his work. The best way out of the dilemma seemed to be to give this matter in an appendix, and the following pages will, I trust, prove useful.

First, a few words about silver, which affects everything. Since I was in Mexico on the dawn of 1905, a new Currency Law has been promulgated which has caused a revolution in the finance of the country. It came into force on May 1st, 1905, and has already proved of enormous advantage in Mexican investments. One day I asked Señor José Limantour, the Minister of Finance, to explain to me the new measure, which had just been presented to Congress, and he most kindly did so.

"Coming to Mexico by way of the United States," he said, "you doubtless had occasion to exchange your American money into Mexican coinage, and you observed that for each American dollar you received as much as two dollars fifteen cents, sometimes even more, in Mexican money. Again, on returning to the United States and changing your Mexican coins into American money, you will find that you only get forty-six or forty-seven cents in American money for each Mexican dollar. This practically illustrates the effect of the depreciation of silver. Before silver began to decline in gold value, the Mexican

dollar was not only equal to the American dollar, but was at a small premium above it in value. The Mexican dollar, in fact, still contains more silver than the American silver dollar, and yet to get one American dollar one has to pay more than two Mexican dollars. The reason for this is that the American dollar is convertible into gold, or, at any rate the United States Government guarantees its ultimate convertibility into gold, whereas the Mexican dollar is worth no more than the silver which it contains.

"For thirty years the gold value of silver has been declining.

"There was a time, before silver fell from its high estate, when five Mexican dollars were equivalent to £1 (one pound sterling). At present five Mexican dollars are worth only ten shillings, and even less, so that to get one pound sterling one has to give not five dollars as formerly, but over ten dollars in Mexican currency.

"But this is not the worst feature of Mexico's silver currency, for silver has not only depreciated in terms of gold, but is constantly fluctuating. Consequently, Mexico's currency fluctuates from day to day as measured in gold.

"It is not necessary to remark how trade and national interests are prejudiced by these fluctuations. If a currency serves the purpose of a little rod whereby the value of all other things is measured, it is presupposed that that little rod must always be of the same length, otherwise its acceptability as a measure is obviously impaired. Now the "little rod" we use in Mexico for currency *does* vary in length from day to day, and what is more, one can never foresee either the direction or extent of its variations.

"By way of showing the fluctuation of the silver dollar I may tell you that its value in 1890 was 91 cents (U.S.A.), while twelve years later it had dropped to 37 cents, or little more than one-third of its former value.

"The remedy is fully explained in the Bill now before Congress and in the *exposé de motifs* which accompanies it. In effect, it consists in suppressing what is known as the free coinage of silver, or, in other words, the right of any one possessing silver bullion of the requisite fineness to present it at the mint and have it converted into coined dollars on demand. When this Bill is passed that will cease to be possible. Government will then have control of the mintage and the issue of coined money, and the supply of dollars will be limited and adjusted strictly to the needs of the market; the value of the dollar will rise and the fluctuations of exchange will be kept within very narrow limits. In other words, the value of the Mexican dollar for exchange purposes will be made stable.

"Of course, the measure does not aim at redressing the great depreciation of silver—that would be an impossibility. On the contrary, the depreciation of silver is an accepted fact, but in spite of this, Mexican currency will be raised above its bullion value, and, above all, will be made independent of the daily fluctuations of the value of silver.

"Under the new arrangement the Mexican dollar will have a fixed value, about equivalent to the American half-dollar, and ten Mexican dollars, more or less, will be equal to £1 (one pound sterling)."

Broadly speaking the new Currency Law gives Mexico the 50-cent dollar. It declares that the theoretical unit of the monetary system of the United Mexican States is represented by seventy-five centigrammes of pure gold, and that the silver *peso*, or dollar, which has hitherto been coined with a weight of 24.4386 grammes of pure silver, will have a legal value equivalent to seventy-five centigrammes of pure gold.

The coins henceforward to be struck are as follows:—

Gold—Ten pesos; five pesos.

Silver—One peso, fifty cents, twenty cents, ten cents.

Nickel—Five cents.

Bronze—Two cents, one cent.

The *peso*, the national coin, has a curious origin. Mexico was conquered by Cortéz in 1519, and until 1535 the current coins circulating were sent over from Spain. But as the supply often fell short holders of silver broke up the coins into pieces, called *peso* (weight), the name still in use to-day. Frauds ensued, and accordingly, by Royal Letters Patent, the first mint of Mexico was built in 1535. For many years the mint was leased, but in 1895 it became national property, and it is an institution of which Mexico may justly be proud.

Advantage has been taken of the issue of a new monetary law to rid Mexico's currency of some minor but not unimportant blemishes and anomalies. The chief of these related to the subsidiary coins. Under the former system the silver 50-cent, 20-cent, 10-cent and 5-cent pieces were of the same fineness as the dollar, viz., 0.90277, and of proportional weight, so that in consequence they were unlimited legal tender.

This was all wrong. Destined as the subsidiary coins are to facilitate the small transactions of daily life, their legal-tender capacity ought to be limited, and the value of the metal which they contain

ought to be less than their value as coins. Otherwise they are liable to be exported, causing a scarcity of small change. These desiderata have been kept in view in the new system. The fineness of the subsidiary silver coins is to be $\frac{800}{1000}$ only, and their legal-tender capacity is limited to \$20 in a single payment. Of course, the gold coins and the silver *peso* are unlimited legal tender. The silver 5-cent piece is abolished and is replaced by a nickel coin of the same value, which is destined to be a serviceable and popular coin.

At the time when the enabling Act was passed the creation of a reserve or exchange fund was left to the discretion of the Executive, and the opinion seemed to prevail that it would not be established at once. This view, however, proved erroneous, as the creation of the fund synchronised with the promulgation of the new currency measure. Ten million *pesos* from the treasury reserves constitute the foundation of the fund, which will gradually be increased from other sources, chiefly the seigniorage and other profits of coinage.

Bankers and financial authorities in general are glad that the exchange fund has been made an initial feature of the plan of currency reform, for it will give an immediate character of stability and permanence and obviate the drawbacks incidental to the enhancement of the monetary circulation through the single influence of scarcity value, drawbacks that were for a time severely felt in India as the result of the currency measures of 1893.

The exchange fund is handled by a Special Commission, of which the President ex-officio is the Minister of Finance, and which, in addition, has a membership of nine persons. Two of these nine are ex-officio members, viz., the Treasurer-General of the Nation and the Director of the Mint. Three members are appointed by the three chief banks of the capital, and the remaining four are appointed by the Executive. It is an illustration of the broad spirit in which public affairs are now conducted in Mexico that five of the nine members, including two of the four appointed by the Government, are foreigners. The commission performs the functions of a general board of currency control.

Allied with the currency reforms are enactments designed to afford relief and offset the loss to the silver mining industry incidental to the suspension of the free coinage of silver, facilities being afforded to holders of bullion for disposing of the same on the best possible terms and without delay.

Is it likely that Mexico will offer an increasing field for trade with foreign countries, and a secure and profitable outlet for foreign capital?

Mixed up with this question is another which not infrequently is

interposed. It is admitted that Mexico is a rich and growing country, but it is also said that it is a one man country, and that when President Diaz has ceased to control affairs it will, or may, go to pieces again.

This is not, I am convinced, the correct view. One of the chief signs of ability in the rule of President Diaz is that he has known how to surround himself with good men to assist him in the government of the country. One man, however able, cannot do everything, and it is happy for him if he possess the gift of selecting the right men to work under him. This the President has done, with the result that the country has been well managed for many years, and every one in Mexico has had an object lesson which has shown him that his own prosperity exists, and can only exist, under a strong and upright government. Mexico has attained the habit of pure and patriotic administration, and she cannot readily lose that habit.

Again, the idea is firmly fixed in the minds of Mexicans that the United States will not allow any disturbance to take place in a country whose frontier forms her own southern boundaries. This belief that anything in the nature of civil turmoil will only be playing into the hand of the United States acts as a great deterrent against any ebullition of unruly spirits.

Let us now take a rapid glance at the condition of things in 1876, when Diaz first assumed power, and to-day; in other words, let us see how the country has profited by the thirty years of peace which it has enjoyed.

For the figures contained in the following pages of this Appendix I am largely indebted to Mr. Lucien Jerome, the able British Consul in Mexico City, who is always anxious to bring openings for trade under the notice of his countrymen:

In 1876 the population was 9,300,000; to-day it is estimated at nearly twenty millions.

In 1876 there were 567 kilometres of railway constructed; to-day there are 16,285 kilometres.

The combined value of exports and imports in 1876 was \$65,000,000 silver. During the year 1903 it had increased to \$400,000,000 in Mexican silver.

The imports for the fiscal year of 1874-5 amounted to \$18,793,493.61 in gold, whilst for the fiscal year of 1902-3, they amounted to \$75,904,807.58 gold.

The exports for the fiscal year of 1874-5 amounted to \$27,318,788.10 silver, whilst for the fiscal year of 1902-3 they were \$207,377,793.17 silver.

Neither the depreciation of the white metal, which has raised the price of foreign merchandise in silver to two or three times what it was when exchange was at par, nor the development of national manufactures, which throw on the market an immense volume of goods that compete in quality and price with similar imported goods, have been able to reduce the volume of the imports; on the contrary, they have increased in volume year by year, showing that there is enlarged consumption, and consequently greater purchasing capacity. There can be no better evidence of the gradual improvement in the general welfare of the country.

The public revenues increased from \$19,088,158 in the fiscal year 1877-8, to \$81,061,078 for the fiscal year 1904-5.

In 1876 Mexico had debt, but no credit. To-day its credit is entirely rehabilitated, and at the close of the fiscal year 1903-4 the public debt of Mexico, upon which interest has been punctually paid, was as follows:—

	1903-4
Gold Debt	£28,084,808
Silver Debt	14,478,552
Floating Debt	129,188
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	£42,692,548

In the same way through these comparative statistics improvement is shown in all branches, and in addition to this, very large sums of money have been spent on sanitation and public improvements of various kinds. For instance, about £2,500,000 has been expended in constructing an excellent harbour at Vera Cruz, and over £6,000,000 has already been spent on the National Railway on the Isthmus of Tehuantepec and its two harbours of Salina Cruz and Coatzacoalcos, on the Pacific Ocean and Mexican Gulf respectively, by which an enormous inter-ocean freight traffic is likely to be carried.

One of the most important undertakings in Mexico, begun by General Diaz about twenty years ago, is now completed and is to be publicly opened for traffic in the autumn of 1906. This is the Tehuantepec Railway.

The Isthmus of Tehuantepec is one of the narrowest strips of land between the Atlantic and Pacific. It is about a thousand miles further north than the projected Panama Canal, which, in all probability, will not be finished before 1920. Therefore, for the next

fifteen years Tehuantepec will have the bulk of the transport trade across the continent from ocean to ocean. I travelled over this route with Mexican Ministers, engineers, and the contractor, Sir Weetman Pearson, and know what enormous difficulties have had to be surmounted, and what a wonderful engineering scheme this really is. The railway itself is under two hundred miles in length, but the harbours at either end (Coatzacoalcos on the Atlantic and Salina Cruz on the Pacific) are so enormous and so deep they are capable of holding the biggest ships afloat.

The quays and warehouses are arranged so that ships can load or unload at the same time, while huge cranes quickly convey the cargoes from boat to rail or warehouse, and back again to the ship. These harbours are up-to-date in every respect, even from the highest European standard, both for solidity of construction and facilities for handling freight, whilst at Salina Cruz a dry dock is being constructed which will be 180 metres long and 30 metres wide, with a depth of 9.50 metres below low water.

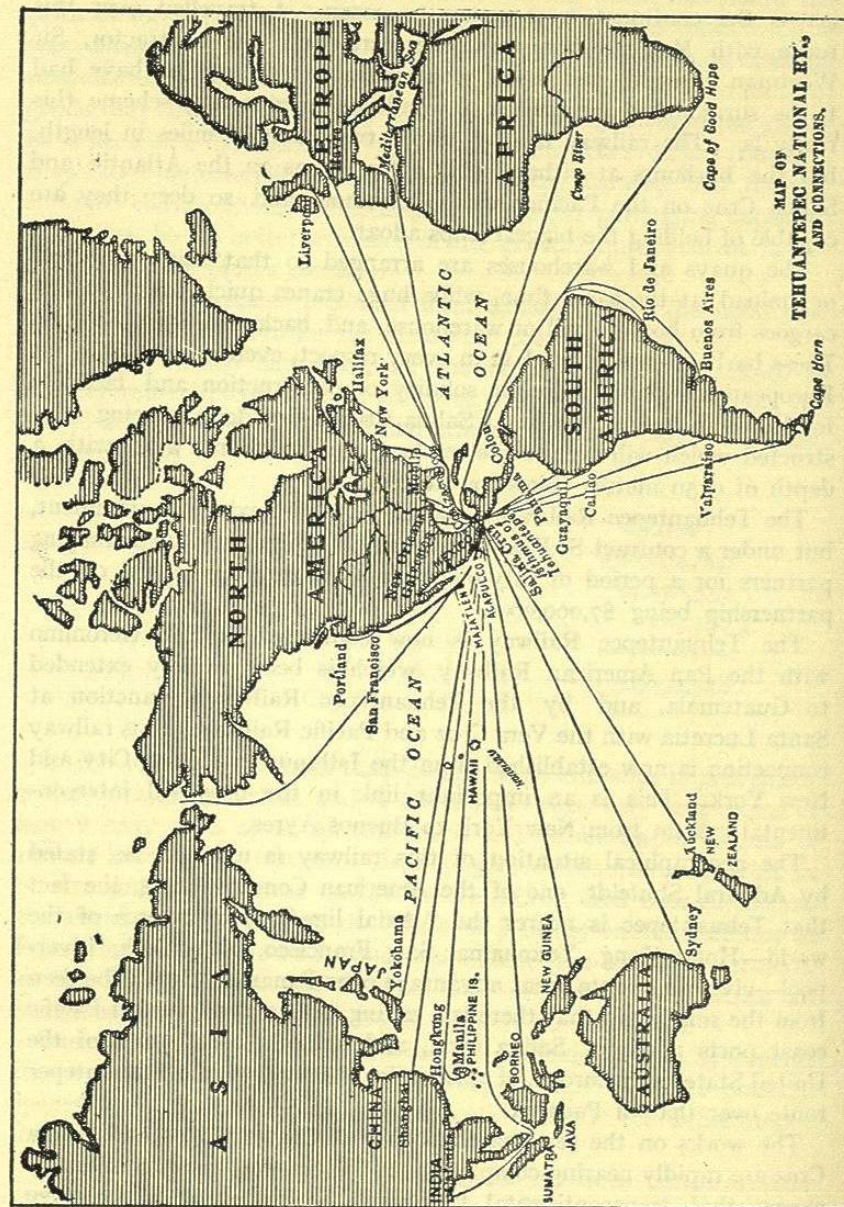
The Tehuantepec Railway is owned by the Mexican Government, but under a contract S. Pearson and Son, Limited, are the managing partners for a period of fifty-one years, the working capital of the partnership being \$7,000,000.

The Tehuantepec Railway is now connected at San Geronimo with the Pan American Railway, which is being rapidly extended to Guatemala, and by the Tehuantepec Railway's junction at Santa Lucretia with the Vera Cruz and Pacific Railway; thus railway connection is now established from the Isthmus to Mexico City and New York. This is an important link in the proposed intercontinental system from New York to Buenos Ayres.

The geographical situation of this railway is unique. As stated by Admiral Shufeldt, one of the American Commissioners, the fact that Tehuantepec is nearer the "Axial line" of commerce of the world—Hong Kong, Yokohama, San Francisco, New York, Liverpool—gives this route great advantage over Panama. It will be seen from the small map that there is a saving in distance between Pacific coast ports north of Salina Cruz, and Atlantic coast ports of the United States and Europe, of 1,200 miles in favour of the Tehuantepec route over that of Panama.

The works on the terminal harbours at Coatzacoalcos and Salina Cruz are rapidly nearing completion, and the management confidently expect that transcontinental traffic will be inaugurated on a large scale during 1906.

To show the rapidity with which cargoes can be handled, freight



DISTANCES IN NAUTICAL MILES.

	Via Tehuantepec.	Via Panama.
New York to San Francisco	4,226	5,495
Acapulco	2,363	3,613
Mazatlan	3,017	4,055
Yokohama	8,666	9,835
Honolulu	5,699	6,688
New Orleans to San Francisco	3,091	4,700
Acapulco	1,262	2,861
Mazatlan	1,759	3,458
Liverpool to San Francisco	7,182	8,038
Acapulco	5,274	6,035
Honolulu	8,511	9,263
Yokohama	11,478	12,500