

Latin America's Debts to the British Empire: Simón Bolívar in the Debt Labyrinth

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From the start of the struggle for independence, Simón Bolívar [1], like other independentist leaders, launched a policy of internal indebtedness (which ended up benefiting the local ruling class) and external indebtedness toward Britain and its bankers. In order to borrow abroad, he engaged part of the nation's wealth as collateral and agreed to free-trade agreements with Britain.

The bulk of the sums borrowed never reached Latin America because the bankers in London skimmed off enormous commissions, charged actual interest rates that were abusive, and sold the securities for well below their face value. Certain Latin American representatives appointed by the independentist leaders also withheld large commissions at the source, or else simply stole part of the amounts borrowed. As for the rest, another large share of the borrowed amounts was used directly to purchase weapons and military equipment from British merchants at exorbitant prices.

Out of what eventually made it to Latin America – that is, only a small percentage of the loan amounts –, large sums were misappropriated by certain of the new authorities, military leaders and the local dominant classes. A series of quotations from Simón Bolívar accompanied by commentary by Luis Britto clearly show that the Libertador gradually became aware of the debt trap into which he and the new independent States had fallen. Simón Bolívar did not seek to enrich himself personally by taking advantage of his functions as head of State, unlike many leaders who came to power thanks to struggles for independence.

The terms of external indebtedness were highly favourable to Britain

In November 1817, Simón Bolívar appointed a special envoy to London to obtain external financing on credit. In the letter of accreditation he wrote, he granted enormous powers:

“And in order that he may propose, negotiate, adapt, conclude and sign in the name and under the authority of the Republic of Venezuela any pact, convention and treaty founded on the principle of its recognition as a free and independent State, and in order to provide support and protection, stipulating to that end all the necessary conditions for indemnifying Great Britain for its generous sacrifices and provide it with the most positive and solemn proofs of a noble gratitude and perfect reciprocity of services and of sentiments” (Luis Britto, p. 395). Luis Britto [2] makes the following comment: “The accreditation is conceived in very broad terms: it is possible to agree to “any condition necessary.”

The representative and the lenders may make use of it with the greatest freedom." (Britto p. 395). Initially, the debts contracted were exclusively to serve the war effort.

Referring to the creation of Gran Colombia (Venezuela, Colombia, Panama, Ecuador) in 1819, Britto notes: *"This integration has as its consequence the amalgamation of the debts contracted by each of the political bodies. Accordingly, Article 8 of the Constitution clearly stipulates: "All debts which the two peoples have contracted separately shall be recognised jointly and severally as the national debt of Colombia; and all the goods of the Republic shall be collateral for their repayment."* Britto continues:

"Not only were the debts constitutionally consolidated; by virtue of the Constitution, all public commodities of the nascent political body were to constitute guarantees. Unfortunately this operation was not carried out with the transparency that would have been desirable, since the registers of the operations were incomplete and confused."

Rosa Luxemburg, nearly a century later, considered that these loans, while necessary, had served as an instrument of subordination of the young States being created: *"Though foreign loans are indispensable for the emancipation of the rising capitalist states, they are yet the surest ties by which the old capitalist states maintain their influence, exercise financial control and exert pressure on the customs, foreign and commercial policy of the young capitalist states."* [3] I have analyzed the link between the policy of indebtedness and free trade agreements in the first half of the 19th century in Latin America in [*"How Debt and Free Trade Subordinated Independent Latin America,"*](#).

The new elites profit from internal debt and refuse to pay taxes

The British Consul, Sir Robert Ker Porter, mentions conversations with Simón Bolívar in his journal, and in the entry for Wednesday 15 February, 1827, observes that *"Bolívar confesses to an internal debt of 71 millions of dollars, in paper, to be paid by the Govt. Hundreds of individuals have speculated deeply, and most usuriously in the paper..."* According to the Consul, the paper was sold for US dollars by persons in urgent need at 60% of its value, and in certain cases 25% and even 5% of its face value. He goes on to explain that according to his sources almost no officials had kept any cash, spending it all in this *"immoral and antipatriotic speculation."* He says that Vice-President Santander is said to possess two million in these bonds, which he is said to have purchased for \$200,000 (see Britto, op. cit. p. 378). Luis Britto adds the following comment: *"These speculators are in turn closely related to numerous officers and republican politicians, who are making large fortunes at the expense of the blood of their troops"* (p. 380). And he adds: *"The mere announcement of rigorous tax measures strikes fear into the hearts of civil servants like the Intendant Cristóbal Mendoza, who suddenly tendered his resignation."* (p. 380).

The national debt will oppress us

The words written by Simón Bolívar in a letter sent on 14 June, 1823 to Vice-President Francisco de Paula Santander (the one mentioned by the British Consul in his notes in 1827) are striking: *"In the end we will do everything, but the national debt will oppress us."* And, referring to the members of the local ruling class and the new powers:

"The national debt engenders a chaos of horrors, calamities and crimes and

Monsieur Zea is the spirit of evil, and Méndez the spirit of error, and Colombia is a victim whose entrails these vultures are tearing to shreds: they have already devoured the sweat of the Colombian people; they have destroyed our moral credit, and in exchange we have received meagre support. Regardless of the decision taken regarding this debt, it will be horrible: if we recognise it, we cease to exist, and if we do not... this nation will be the object of opprobrium." (Britto, p. 405).

We see clearly that Simón Bolívar, who had become aware of the debt trap, rejects the prospect of repudiation.

Two months later, Simón Bolívar again wrote to Vice-President Santander on the subject of the debt and referred to the situation of the new authorities in Peru:

"The government of Riva Agüero is the government of a Catilina associated with that of a Chaos; you cannot imagine worse scoundrels or worse thieves than the ones Peru has at its head. They have devoured six million pesos in loans, scandalously. Riva Agüero, Santa Cruz and the Minister of War alone have stolen 700,000 pesos, solely in contracts let for equipping and embarking troops. The Congress has demanded to be shown accounts and has been treated like the Divan of Constantinople. The manner in which Riva Agüero has behaved is truly infamous. And the worst thing is that between the Spanish and the patriots, they have brought about the death of Peru through their repeated pillaging. The country is the most costly on earth and there is not a maravedí left for its maintenance." (in Britto, p. 406)

Simón Bolívar, pushed to the wall by the creditors, was prepared to cede public commodities to them. In 1825, he offered to repay the debt by transferring a part of Peru's mines, which had been abandoned during the war of independence (see Britto p. 408 and following); in 1827, he attempted to develop a quality tobacco crop to sell to Britain to pay the debt (Britto, p. 378-382); in 1830 he offered to sell unused public land to the creditors (Britto, p. 415-416).

Simón Bolívar threatens to denounce the oppressive debt system to the people

On 22 July, 1825, Simón Bolívar wrote to Hipólito Unanue, Peru's Prime Minister:

"The masters of the mines, the masters of the Andes of silver and gold, are seeking loans of millions in order to poorly pay their little army and their miserable administration. Let all this be told to the people, and let our abuses and our ineptness be forcefully denounced, so that it may not be said that government protects the abominable system that is ruining us. I repeat, let our abuses be denounced in the "Government Gazette"; and let pictures be painted there that offend the imagination of the citizens." (Britto, p. 408).

In December 1830, Simón Bolívar died in Santa Marta (on the Caribbean coast of Colombia), at a time when Gran Colombia was in strife and abandoned by the ruling classes of the region.

Translated by Snake Arbusto and Christine Pagnoulle

Thanks to Lucile Daumas for her French translations of quotations in Spanish, which served as basis for the English translations (by CADTM).

[1] Simón Bolívar, who was born 24 July, 1783 in Caracas, Venezuela and died on 17 December 1830 at Santa Marta, Colombia was a Venezuelan general and politician. He is an emblematic figure, with the Argentine José de San Martín and the Chilean Bernardo O'Higgins, of the emancipation of the Spanish colonies in South America from 1813. He participated decisively in the independence of present-day Bolivia, Colombia, Ecuador, Panama, Peru and Venezuela. Bolívar also played a part in the founding of Gran Colombia, which he wished to see become a great political and military confederation including all of Latin America, and of which he was the first President.

The honorary title of *Libertador* was given him initially by the Cabildo of Mérida (Venezuela), then ratified in Caracas (1813), and is still associated with him today. Bolívar encountered so many obstacles in bringing his projects to fruition that he referred to himself as "the man of difficulties" in a letter to Francisco de Paula Santander in 1825.

As a major figure of universal history, Bolívar is today a political and military icon in many countries in Latin America and around the world, who have given his name to many squares, streets and parks. His name is also borne by a State of Venezuela, a department in Colombia, and even a country - Bolivia. Statues of him are found in most large cities in Latin America, but also in New York, New Orleans, Lisbon, Paris, London, Brussels, Cairo, Tokyo, Québec, Ottawa, Algiers, Madrid, Tehran, Barcelona, Moscow and Bucharest.

Wikipedia entry: https://en.wikipedia.org/wiki/Sim%C3%B3n_Bol%C3%ADvar

[2] Luis Britto García is a Venezuelan man of letters, playwright, historian and essayist born in Caracas on 9 October 1940. In 2010 he published, in Spanish, a work devoted to Simón Bolívar: *El pensamiento del Libertador - Economía y Sociedad*, BCV, Caracas, 2010 <http://blog.chavez.org.ve/temas/libros/pensamiento-libertador/>. In May 2012, Luis Britto García was appointed to the Venezuelan Council of State, "the highest circle of advisers to the president," by President Hugo Chávez. See: https://en.wikipedia.org/wiki/Luis_Britto_Garc%C3%ADa

[3] Rosa Luxemburg. 1913. *The Accumulation of Capital*, London, Routledge and Kegan Paul Ltd, 1969, Chapter 30 II, p. 89 <https://www.marxists.org/archive/luxemburg/1913/accumulation-capital/>

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