

THE WAR OF THE PACIFIC

The Empire Crushes Peru's American System Project

by Cynthia R. Rush

La Verdad Detrás de la Guerra del Pacífico: el imperio británico contra el sistema Americano de economía en Sudamérica

by Luis E. Vásquez Medina

Lima, Peru: Arquitas EIRL, June 2012¹

Jan. 16—In his groundbreaking book (in English, *The Truth Behind the War of the Pacific: the British Empire Against the American System of Economics in South America*), historian Luis Vásquez Medina, the founder in Peru of statesman Lyndon LaRouche's political movement, has already rattled his country's academic and political establishment.

In this seminal work, the result of years of exhaustive research, Vásquez polemically debunks the predominant reductionist anglophile historiography, and its Marxist "anti-imperialist" variant, which have portrayed the 1879-81 War of the Pacific as merely a regional raw materials grab by competing British and U.S. commercial and financial interests, through which Peru lost its nitrate-rich province of Tarapacá, and Bolivia lost Antofagasta, which also left it a land-locked nation.

1. Available in [pdf](#) form at larouchepub.com (click on "Buy Publications").



Using original sources, often-ignored, if not deliberately suppressed by many so-called historians, Vásquez demonstrates that, far from being a regional conflict, the War of the Pacific, like the 1861-65 U.S. Civil War before it, was part of the global strategic confrontation between the British Empire's oligarchical system, based on free trade and economic plundering and oppression, and the American System of Political

Economy, and the system of sovereign republics it fostered.²

The Empire's war of extermination against Peru, using the Chilean client state it had thoroughly bankrupted and subjugated by no later than 1860, had, as its sole purpose, the dismantling of every last vestige of the extraordinary American System-inspired economic, scientific, and industrial development program that four nationalist Presidents—Ramón Castilla (1845-51, 1855-62, and briefly in 1863); Rufino Echenique (1851-55); José Balta (1868-72), and Manuel Pardo (1872-76)—had implemented in the country between the mid-1840s and the late 1870s, *in alliance with the collaborators and cothinkers of Abraham Lincoln, and John Quincy Adams before him.*

The purpose of writing this book now, wasn't just to set the historical record straight, Vásquez explains. It's important to know who the real enemy was, "because the British Empire is still around today and is a threat to the entire human species. Its oligarchic financial system is not only manipulating local wars in all corners of the globe; it is also on the verge of unleashing a global confrontation that will sink the world in a Malthusian hell, all in the fanatical pursuit of preserving its power. The enemy that South America faced in 1879 is the same one we must confront today."

Burying the American System

The Leibnizian alliance between Peruvian and American nationalists transformed the physical economy of a backward, largely indigenous, agricultural nation, and produced a stunning example of the success of American System methods. The cultural and scientific optimism it sparked spread well beyond Peru, to Bolivia and the rest of the region, attracting experts as well as laborers from around South America who wanted to participate in this extraordinary project.

Less than a decade after the war had crushed Peru, the American System project that President José Manuel Balmaceda tried to create in Chile, was violently crushed by the same British networks that leveled Peru's magnificent accomplishments. As Vásquez explains, the reasons were the same, "the

battle between two powerful systems—the American System on one side and British imperialism on the other." Chile's alliance with Britain in the war against Peru did not save it from the incredibly bloody toll that the 1891 "revolution" against Balmaceda took on Chile.

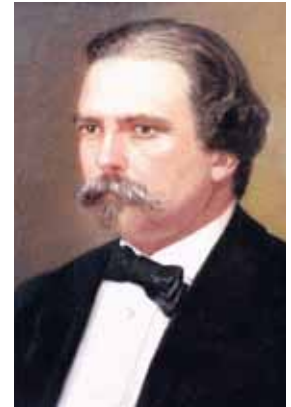
London could never abide any challenge to its bestial British East India Company doctrine, which viewed human beings as cattle, and nations merely as sources of loot. It mercilessly squeezed Peru with financial blackmail, threats of military conquest, and assassination. José Balta and Manuel Pardo were both murdered under circumstances which pointed to British authorship and the role of the City of London's local asset, Nicolás de Piérola.

The Peruvian nationalists were intent on using the export revenue from the country's vast deposits of *guano* (bird droppings which became an extremely valuable strategic asset internationally in the form of fertilizer), and later nitrates, key components in the production of explosives and munitions, to finance their ambitious industrialization program and lift the nation out of underdevelopment. London demanded these receipts be used instead to pay the usurious loans into which British and European financiers had roped Peru, beginning in the earliest days of the republic.

To enforce its dictates, the Empire repeatedly tried to bludgeon Peru into submission. In 1849, when Peru tried to restructure an 1822 loan on which it had defaulted in 1825, British Prime Minister Lord Palmerston responded with the warning, accompanied by the deployment of warships to the port of Callao, that the defense of the interests of British bondholders McClean, Rowe & Co. was considered to be a "matter of state" for Her Majesty's government. Faced with the "Palmerston Memorandum's" threat of invasion, the government was forced to agree to a ten-year contract with the London House of Anthony Gibbs & Sons, making it Peru's chief financial agent in Europe, as well as the sole agent for marketing Peru's valuable *guano* deposits in Europe.

In 1860, President Ramón Castilla, an outstanding military leader and advocate of a strong independent state, defied the Empire and wrested control of the *guano* industry from the House of Gibbs and Sons, and created the Peruvian-controlled National Consignees Company in its stead, whose ideological leader was the

2. For more on the history of the Ibero-American republics, see Anton Chaitkin, "The American Republics' Fight for Sovereignty, Since 1776," [EIR](#), Oct. 3, 2003, pp. 45-59.



The four American System-inspired Presidents of Peru: Ramón Castilla (1845-51; 1855-62 and briefly in 1863); Rufino Echenique (1851-55); José Balta (1868-72), and Manuel Pardo (1872-76).

future President Manuel Pardo. As President, the Colbertian Pardo continued to assert Peru's right to control its export revenues, first creating in 1873 the state Nitrate Monopoly of Tarapacá—site of Peru's extensive nitrate deposits—and then fully nationalizing the nitrate industry in 1875.

Bolivian President Gen. Hilarión Daza was inspired to emulate Pardo's actions in 1878, when he attempted to establish a state nitrate monopoly in that country.

But the imperial usurers were unrelenting. Peru was forced again in 1868 to hand over its financial sovereignty to the French House of Dreyfuss, which was linked to Britain's Rothschild banking interests. Later, the treacherous W.R. Grace & Co. acted on behalf of British bondholders to sabotage Peru's efforts to obtain weapons during the war, and then imposed the infamous "Grace Contract" on the nation to secure its submission to the financial vultures in the postwar period.

Economic Sovereignty: a *Casus Belli*

Vásquez documents that for the British Empire and its oligarchical allies on the European continent, any attempt to defy the City of London and achieve economic sovereignty, particularly if modeled on the American System, was a *casus belli*. Dating back even to before Ibero-America's 1810-25 wars of Independence, the Empire resorted to every form of political, economic, and military treachery—assassination included—to ensure that no republican forces would

ever succeed in modeling their new nations on the United States.

Vásquez highlights perverted intelligence chieftain Jeremy Bentham's determined cultivation of Chilean "Liberator" Bernardo O'Higgins, whose admiration for Great Britain was so great that he proposed creating a British-Chilean empire that would "ban the flag of the United States from the Pacific." O'Higgins corresponded with Bentham for years.

While backing the slave-owning interests of the Confederacy in the U.S. Civil War, the Empire and its allies in the Holy Alliance launched a series of coordinated military assaults throughout Ibero-America—a blatant violation of the Monroe Doctrine—to smash any nationalist forces, particularly those that collaborated with Lincoln and allied networks.

In 1862, British, French, and Spanish forces invaded Mexico to forcibly collect the debt on which the renowned republican leader Benito Juárez had declared a moratorium. France's Napoleon III then occupied the country militarily to overthrow Juárez, a close Lincoln ally, and install the Hapsburg Emperor Maximilian in his place.

In 1864-66, Spain, backed by the British Foreign Office and France, attempted to reconquer Peru, Ecuador, Bolivia, and Chile militarily.

One of the most savage examples of imperial bloodlust was the London-orchestrated 1865-70 "Triple Alliance War" of Brazil, Uruguay, and Argentina against Paraguay, a genocide financed by the same Baring

Brothers and Rothschild banks that would bankroll the War of the Pacific a decade later. The British-directed “Alliance” forces brutally demolished what was then one of the most advanced expressions in South America of American System economic policies, forged by Presidents Carlos Antonio López (1840-59) and his son Marshall Francisco Solano López (1859-70). Heavy industry, infrastructure, and scientific and educational facilities were leveled, and three-quarters of the male population exterminated.

Peru Defies Imperial Blackmail

For a period spanning 30 years (1845-76), Presidents Castilla, Echenique, Balta, and Pardo fought to free Peru from the death grip of British finance, and build an independent sovereign nation in alliance with a unique group of foreigners dedicated to the republican worldview.

Central to this grouping were the American politicians, entrepreneurs, engineers, and former Union military officers, who were heirs to Abraham Lincoln’s legacy of defending the U.S. Republic from British-led subversion and attempted dismemberment. Railroad entrepreneur Henry Meiggs’s name stands out among the many hundreds of American experts who were involved in Peru’s American System project.

The European scientists and engineers who participated were steeped in the teachings of German philosopher Gottfried Leibniz and French economist Jean-Baptiste Colbert, many of them graduates of France’s Ecole Polytechnique. Among those who began to arrive in the early 1850s under President Echenique, was the Polish engineer Ernesto Malinowski, a graduate of the Ecole des Ponts et Chaussées, who, for 25 years, was instrumental in the founding of new educational and scientific institutions, and building infrastructure, most importantly, railroads.

Malinowski’s bold plan to build a trans-Andean and transcontinental railroad, inspired Meiggs, who was hired by President Balta in 1868 to begin that task. So crucial was Malinowski to the development of Peru’s infrastructure that he was named chief engineer of the nation. By 1856, he had outlined a plan to build a national railroad grid of at least 16 lines. Like American engineer Alfred Duval, who had surveyed large sections of northern Peru between 1852-60, Malinowski and Meiggs envisioned a rail line that would unite Piura in the north, to a navigable point on the

Marañón River and then connect with the Amazon River to create a transcontinental link to the Atlantic Ocean.

By the eve of the war in 1879, despite imperial pressures, Peru had become a continental leader in science, culture, engineering, and medicine, and had progressed toward creating a national banking system. The port of Callao was the site of the most advanced machine-tool center on the subcontinent, allowing it to produce the artillery Peru would later use in the war against the British artillery supplied to Chile.

Vásquez cites the work of the brilliant Peruvian engineer Jorge Grieve, whose economic analysis of the prewar period 1869-76 documented in exhaustive detail that Peru was “a nation advancing toward a process of industrial development,” with an expanding economy, constantly increasing rates of energy (coal) consumption, diversifying exports, and increased mechanization of agriculture and raw materials extraction. Economic growth was such that Peru actually had a shortage of labor.

In an undated interview with *The New York Sun*, John G. Meiggs, brother and collaborator of Henry Meiggs, reported that even in 1876, when his brother’s work was still moving forward, Americans’ interest in Peru’s future was so great that “we received hundreds of letters every day from people in the United States, anxious to travel to Peru to work with Mr. Meiggs.”

‘A Railroad to the Moon’

Pardo’s Presidency saw the greatest rates of economic development and railroad construction, exemplified by Henry Meiggs’s extraordinary effort to build the trans-Andean Peruvian Central Railroad.

Much earlier, in his 1860 work, *Estudios sobre la provincia de Jauja* (Studies on the Province of Jauja), a manual on physical-economic planning, Pardo argued that a U.S.-style railroad program could help create a “new Peru—” populating the remote interior, building new towns and cities, creating a strong internal market, and integrating the nation through expanded communication and transportation that would help raise living standards.

In addition to the three main rail arteries he initially proposed, Pardo suggested joining “the three central lines by means of the fourth, and decide if in ten years, a revolution will not have occurred in Peru, a revolution at once both physical and moral, because the loco-



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The Polish-Peruvian engineer Ernest Malinowski (right) developed a bold plan to build a trans-Andean and transcontinental railroad, which inspired the American railroad builder Henry Meiggs (left), who was hired by President Balta in 1868 to begin construction. Shown: The railroad bridge across the Verrugas Canyon, built by Meiggs.



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motive—which like magic, changes the face of the country through which it passes—also civilizes. And that is perhaps its main advantage: populations are put into contact. It does more than civilize; it educates. All the primary schools of Peru could not teach in a century, what the locomotive could teach them in ten years.”

The law, passed by Congress in 1868, introduced by Manuel Cisneros, a member of Pardo’s Civil Party, stated that “the nation declares the construction of rail lines, especially those from the coast to the interior of

the country, to be of an interest superior to any other, for its moral and political future as well as for its material prosperity.”

The purpose of the Peruvian Central Railroad that Meiggs built was to link the port of Callao with the trans-Andean city of La Oroya, passing through the capital of Lima. The link to La Oroya would provide access to the inter-Andean central *meseta* of the Jauja Valley, the country’s breadbasket, and to the country’s premier mining region of Cerro de Pasco.

Because of British financial pressures and Meiggs’s untimely death in 1877, the project was abandoned. But the portion that was completed still stands today as an unparalleled engineering marvel and monument to Meiggs’s courage and inventiveness. With a continental workforce, Meiggs laid 87 miles of track inland from the Pacific Coast, conquering some of the world’s most challenging geography—the track reached 15,865 feet

above sea level at its highest point—through Meiggs’s development of the innovative “V-switch” technology which tamed the Andes mountains.

The London *Times* ridiculed Meiggs’s rail plan as “the railroad to the Moon,” sneering that Peru was suffering from the “tragic illness of railroad fever.” But the Empire was alarmed, not only at the railroad-building program, but also at the fact that the Peruvian nationalists had provided Meiggs with the opportunity to build large public works projects, to research and plan for industrial exploitation of Peru’s

vast mineral resources, and most especially, offered him and his allies the chance to establish a monopoly for the exploitation of *guano* in the North, a project that would directly challenge the control of Gibbs & Sons.

Of particular concern to London were Meiggs's plans to work with American engineers and businessmen to develop a great steel-producing and ship-building industrial complex in the northern city of Chimbote, which would be "a new Manchester."

A War of Extermination

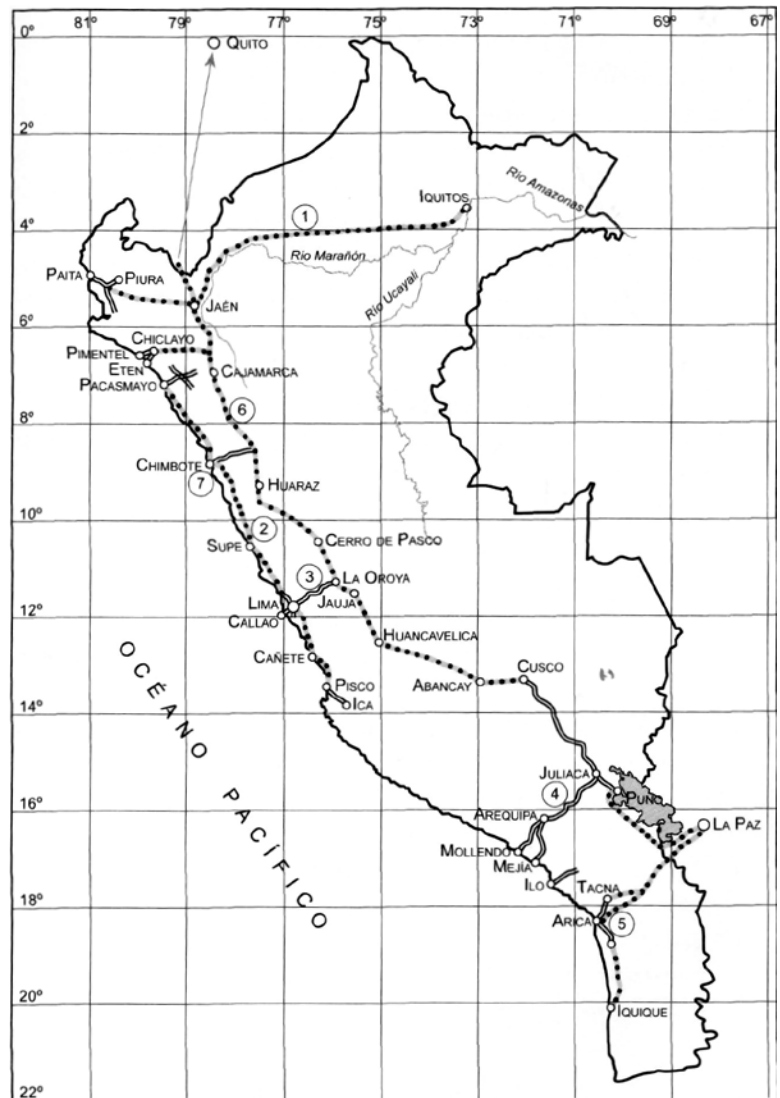
The ostensible reason for Chile's April 5, 1879 declaration of war against Peru and Bolivia was a set of alleged treaty and demarcation violations committed by both nations. In reality, the *casus belli* was the entire American System project. When Manuel Pardo nationalized the nitrate industry in 1875, followed by a debt moratorium in 1876, British bondholders demanded blood. They got it two years later, in 1878, when Pardo was assassinated, just as he was planning another bid for the Presidency.

As soon as the Anglo-Chilean invaders had seized the Bolivian province of Antofagasta and Peru's Tarapacá province, a representative of the British bondholders arranged for immediate shipments of *guano* and nitrates from Chile to ensure payment of the bondholders' debts. The House of Gibbs oversaw the shipments, and payments were made through Barings Bank.

But London had really begun planning for war as early as 1870, when it started to arm and modernize Chile's Navy. During the war itself, it supplied British naval officers and technical personnel to man Chilean ships, while deploying seven of its own warships to patrol the area between the port of Callao and Valparaíso to the south to more closely monitor the vindictive and bloody assault on Peru led by "Chilean" Adm. Patricio Lynch.

Lynch (who later joined forces with "Nitrate King" and speculator John North, who took control of the seized Peruvian nitrate region), was born in Chile, but spent most of his adult life in Britain, fighting its colo-

FIGURE 1
Map of the Peru Railroad Plan 1879



The London Times ridiculed Meiggs' rail plan as "the railroad to the Moon," sneering that Peru was suffering from the "tragic illness of railroad fever."

nial wars in the Royal Navy. He was a veteran of the Empire's First Opium War against China, during which he participated in the slaughter of untold numbers of defenseless Chinese.

Lord Palmerston found Lynch's performance on behalf of the Empire so admirable that he personally deployed him back to Chile in 1848, where he rose through the ranks to become the officer appointed to wipe Peru off the face of the map. He did so with such

bloodthirsty zeal that he appalled even some of his own countrymen.

The fact that London rejected U.S. efforts to mediate an end to the war, on terms that would have been both beneficial and even generous to Chile, while sparing Peru any loss of territory, underscored that the Empire's only goal was Peru's annihilation. U.S. Secretary of State James Blaine worked closely with President James Garfield to bring the war to an end, an effort that was aborted following Garfield's British-directed assassination in 1881. Garfield's successor Chester Arthur, and Blaine's replacement, Frederick Frelinghuysen, together sabotaged any possibility of stopping the Anglo-Chilean genocide against Peru.

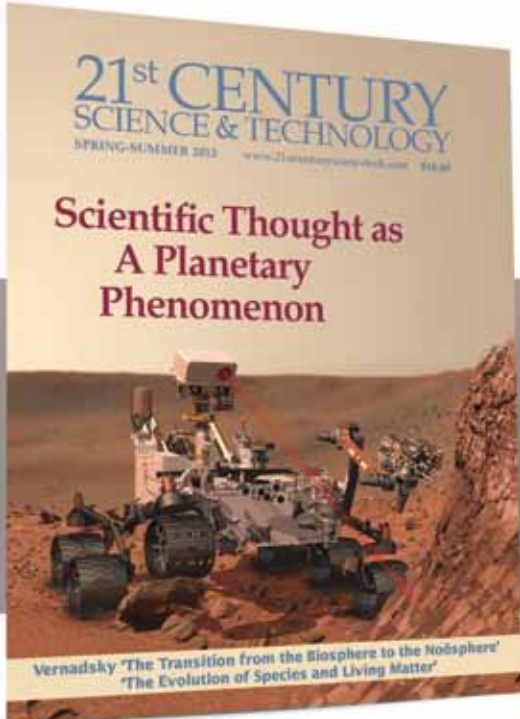
The invading Anglo-Chilean forces preserved the railroads that Meiggs had built, only because they were needed to facilitate the British model of raw-materials looting imposed after the war. Otherwise, Lynch made sure that every last expression of industrial, scientific, and cultural progress was demolished—sacking Lima's National Library, smashing physics and chemistry labs at its universities and medical schools, stealing instruments from the Mining School's laboratories, and valu-

able works of art from national galleries. Statues and sculptures which once graced Lima's avenues were shipped out to Santiago, as were the doors of the National Cathedral.

In northern Peru, Lynch showed the same genocidal proclivities which had earned him Palmerston's admiration in China, killing defenseless populations, smashing sophisticated machinery at several sugar refineries, and destroying numerous ports. He took special aim at Chimbote, at which significant industrial development had occurred as per Meiggs's and Malinowski's plans.

Blaine, would later testify in Congress about what had happened in Peru:

"The ... English bondholders ... put up the job of this war on Peru.... England sweeps it all in.... The ironclads that destroyed the Peruvian Navy were furnished by England.... It is a perfect mistake to speak of this as a Chilean war on Peru. It is an English war on Peru, with Chile as the instrument.... Chile would never have gone into this war one inch but for her backing by English capital, and there was never anything played out so boldly in the world as when they came to divide the loot and the spoils."



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