V

ARMED INTERVENTION

1. *The Strategic Importance of the Caribbean Area to the United States*

Between spheres of influence like China and the Near East, and outright colonial possessions like the Philippines and Porto Rico, stand the protectorates, which, though not owned by the United States, are under its political and economic control. Three of these protectorates—Santo Domingo, Haiti, and Nicaragua—have been acquired through armed intervention. All three are in the area around the Caribbean Sea, whose strategic and economic importance doomed it as an inevitable prey to American expansion.

The importance of the Caribbean region to the United States lies in its proximity, its commercial advantages as a source of raw materials and a market for manufactured goods, and as a strategic military addition to the Panama Canal. The opening of the Panama Canal raised the Caribbean "to a commanding position among the trade routes of the world." [1] Central America, President Woodrow Wilson declared, "is about to be touched by the great routes of the world's trade and intercourse running from ocean to ocean at the Isthmus." [2] In addition the Caribbean is the gateway to the Panama Canal, and expansionists have advocated turning it into an "American lake." [3]

The strategic importance of the Caribbean has impelled the United States to acquire naval footholds in that region. In addition to several good harbours on the Gulf of Mexico and the naval base at Key West, Florida, in its own territory, it

[1] Academy of Political Science, "Proceedings," v. 7, p. 383.
[2] U. S. "Congressional Record," v. 50, pp. 3803–4.
[3] Academy of Political Science, "Proceedings," v. 7, p. 393.

has acquired ports belonging to the little republics to the south.[1] From Guantanamo, Cuba, the United States commands the Windward Passage between Cuba and Santo Domingo; from Porto Rico it controls the Mona passage; by turning Haiti and Santo Domingo into protectorates, the United States has acquired the Mole St. Nicholas in the former, and Samana Bay in the latter, as first class naval bases. A treaty with Nicaragua gives the United States possession of the Great Corn and Little Corn Islands and the right to build a naval station on the Gulf of Fonseca. The Virgin Islands, acquired from Denmark in 1917, also offer facilities for an excellent naval base; while the Panama Canal itself forms the centre of American naval power.[2]

In addition to these strategic considerations, the outbreak of the World War forced the Caribbean countries to turn to the United States for economic relationships, not only in matters of trade but also for loans. "In several cases, our government has already taken a guiding hand in the negotiations. Conferences for the adjustment of the debt of Nicaragua, Haiti and Santo Domingo have taken place, not in those countries, nor in the offices of New York bankers, but in the Department of State and the Bureau of Insular Affairs."[3]

One American authority has summarized the matter by describing the Caribbean area as "a tropic belt similar to that which European nations have acquired long ago in other parts of the world. . . . They are so many natural markets lying upon one of the greatest commercial highways of the present and future—to and from the Panama Canal. From them come raw materials and secondary foodstuffs requisite for our factories and exchangeable for our basic foodstuffs and manufactured articles. They have become localities, also, for the investment of American capital under circumstances that may invite the exercise of political influence to a greater or less degree."[4]

[1] Blakeslee, "Mexico and the Caribbean," p. 320.
[2] Ibid., pp. 303–4.
[3] Academy of Political Science, "Proceedings," v. 7, p. 390.
[4] Blakeslee, supra, p. 187.

The importance of the Caribbean economically and strategically has caused it to be called "the Mediterranean of the New World," and the countries around it "the American tropics." The necessity for expansion on the part of the United States, and the need for the rapidly accumulating capital of its financiers to find the nearest and easiest possible outlet, gave rise to a diplomacy which in one form or another has brought a number of the Caribbean countries under the direct control of the United States. As one historian has put it, "Cuba is no more independent than Long Island. The island of San Domingo, with its two Negro republics, is no more independent than the State of New York. Nicaragua and Panama are only nominal republics, and nominal sovereignties. . . . If we are to have a Caribbean empire, we must get it by destroying the republican independence of the powers concerned. . . . We must make up our minds that if we acquire these islands we shall eventually have practically to annex the whole of Central America." [1]

The Caribbean policy of the United States has touched directly or indirectly all of the republics bordering on the Caribbean and the Gulf. Its character can best be described by considering its application to three countries, Santo Domingo, Haiti, and Nicaragua.

2. *The Financial Conquest of Santo Domingo*

The first of the Caribbean countries to suffer American military intervention and the practical establishment of a protectorate was Santo Domingo.

Armed intervention in Santo Domingo and its domination as an American protectorate becomes clearer when its position in the American empire is fully realized. When President Grant proposed the annexation of the republic he declared:

> "The acquisition of Santo Domingo is desirable because of its geographical position. It commands the entrance to the Caribbean Sea and the Isthmus transit of commerce. It possesses the richest soil, the most capacious harbours, most salubrious climate

[1] Academy of Political Science, "Proceedings," v. 7, p. 423.

and the most valuable products of the forests, mines and soil of all the West Indian islands. Its possession by us will in a few years build up a coastwise commerce of immense magnitude. . . . In case of foreign war it will give us command of all the islands referred to and thus prevent an enemy from ever possessing herself of rendezvous on our very coast." [1]

In 1893 the San Domingo Improvement Company, an American concern with offices in New York, bought the debt of 170,000 pounds sterling which a Dutch company had loaned to the Dominican Government, and with it the right to collect all customs revenues to satisfy this claim.[2] In 1909 President Jiminez of the Dominican Republic appointed a board of his own to collect customs. The American company thereupon appealed to the State Department at Washington to protect its interests, and after negotiations the Dominican Government was induced to offer to buy the company's debt for $4,500,000. On January 1, 1903, representatives of both governments signed a protocol providing for this settlement and for a board of arbitrators to fix the details of payment. It was also agreed that in case Santo Domingo failed to pay, the United States was to appoint a financial agent to take over certain customs houses. This was the first economic hold on the little republic.[3]

Financial difficulties prevented Santo Domingo from paying its debts and reports were circulated that French and Italian vessels were on their way to the island to collect the debts by force.[4] Taking advantage of this opportunity, Secretary of State Hay instructed the American Minister, Thomas C. Dawson, to suggest to the Dominican Government that it "request" the United States to take over its customs houses.[5] Pressed on all sides by foreign investors, President Morales had no choice but to make "the appeal."

On February 4, 1905, a protocol was drawn up between the two governments by which the United States was to act as

[1] Inman, "Problems in Pan Americanism," p. 273.
[2] Jones, "Caribbean Interests of the U. S.," p. 110 ff.
[3] U. S. "Treaties, Conventions, etc.," v. 1, p. 414.
[4] U. S. "Foreign Relations," 1905, p. 334.
[5] Ibid., p. 298, 334, 342.

bankrupt's receiver for Santo Domingo, taking over all its customs houses, administering its finances, and settling the claims of foreign and domestic creditors. Of the revenues which the United States should collect, 55 per cent were to be used for paying bondholders and the remainder was to be turned over to the Dominican Government for administrative expenses.[1] The Senate at Washington refused to ratify this drastic protocol, but President Roosevelt entered into an "executive agreement" with the president of the Dominican Republic which achieved the same results. Under this agreement the customs collectors were to be American and to have the support of American warships.[2] In that same year an American receiver-general named by President Roosevelt proceeded to collect customs "under the protection of the United States Navy," [3] and to issue bonds for the purpose of paying foreign creditors. Roosevelt's tactics were severely criticized in and out of Congress, but finally the Senate decided to give the arrangement a coat of legality. On February 25, 1907, it ratified a revised treaty which provided: (1) that the President of the United States should appoint a customs collector for Santo Domingo and assistants; (2) that the United States government should afford them such protection as might be necessary; (3) that the Dominican Government could not increase its debts or lower its taxes without the consent of the United States.[4] By the provisions of this treaty the American receiver-general was to issue twenty million dollars gold bonds for paying off Santo Domingo's public debt. The sum total of revenues collected was to be applied as follows: First, to paying the expenses of the receivership; second, to paying the interest on the bonds; third, to the payment of the annual sums provided for the amortization of the bonds; fourth, to the purchase, cancellation and retirement of the bonds; fifth, what was left was to be given to the Dominican Government. The

[1] U. S. "Foreign Relations," 1905, p. 342.
[2] Jones, supra, p. 110 ff.
[3] Latané, "U. S. and Latin America," p. 279.
[4] U. S. "Foreign Relations," 1907, pp. 307–9.

loan of twenty million dollars provided in the treaty was made by Kuhn, Loeb & Co. The treaty is still in force, and under its provisions the United States Government is "to collect customs for fifty years" in order to pay interest to the New York bankers.[1]

American financial control of Santo Domingo was soon followed by interference with its political life. In 1911 the Dominican president was shot and a provisional government established. In the fall of the following year President Taft sent two special commissioners to investigate the situation. They were to make the trip in a gunboat accompanied by 750 marines.[2] At the suggestion of the American commissioners the provisional president resigned. This interference by the United States led only to further revolutionary outbreaks.

An example of the workings of the Dominican treaty may be seen in the loan contract made in 1914 by the National City Bank of New York with the approval of the State Department by which the bank loaned Santo Domingo $1,500,000 at six per cent. The contract[3] specifically stated that the loan was made "in conformity to the Convention between the United States of America and the Dominican Republic ratified July 8, 1907, the payment of the principal and interest of which notes is secured by the pledge by the Republic of its customs revenues subject to an existing charge thereon securing the $20,000,000 Five per cent Customs Administration Sinking Fund Gold Loan of the Republic under and pursuant to the terms of the said convention," etc.[4] The $20,000,000 loan which had first claim on the customs was the one issued by Kuhn, Loeb & Co.

The inauguration of Woodrow Wilson in 1913 did not change the attitude of Washington regarding government interference on behalf of American finance. On September 9, Secretary of State Bryan notified Santo Domingo that the influence of

[1] U. S. "Foreign Relations," 1907, pp. 307–9. Jones, supra, p. 118.
[2] U. S. "Foreign Relations," 1912, p. 367.
[3] Ibid., 1913, pp. 459–60, 465–6.
[4] Idem.

the United States would be exerted to discourage revolutions and to support the "lawful authorities." As revolutionary activities continued, the United States sent a warship, and Secretary Bryan notified the revolutionary elements that if they succeeded the State Department would not recognize them and would "withhold the portion of the customs collections belonging to Santo Domingo."[1] The American minister in Santo Domingo proceeded to arrange for new elections, and over the vigorous protests of the Dominican Government, three American commissioners arrived on warships to watch the elections.[2] The following year the elections were again supervised by American commissioners.

3. *Armed Political Control*

American financial and political interference in Santo Domingo finally led to armed intervention. In April 1916 another insurrection took place in Santo Domingo, and this time, on May 4, 1916, United States marines were landed. "Stealthily American battleships entered the roadstead of Santo Domingo City, and under cover of a score or more long-range, big-caliber guns the American admiral, with a large force of marines, landed on Dominican territory."[3]

President Jiminez resigned and the Dominican Congress elected Dr. Henriquez y Carvajal temporary president. The State Department refused to recognize this legally chosen president unless he signed a treaty with the United States which Washington had been pressing on Santo Domingo since 1915.[4] This treaty was even more drastic than the one forced on the republic in 1907, and was similar in nature and intent to the one forced by the Wilson administration on Haiti. It called for the control by American officials of the Dominican customs, treasury, army and police. President Henriquez refused recognition by the State Department on such terms; whereupon,

[1] U. S. "Foreign Relations," 1912, pp. 425–7.
[2] Ibid., pp. 441–53.
[3] U. S. "Haiti Hearings," p. 49. "Current History Magazine," v. 15, p. 893.
[4] Ibid., p. 894. U. S. "Haiti Hearings," p. 93.

on October 17, following instructions from Washington, the American customs collector refused to pay the duly elected Dominican Government the revenues to which it was entitled.[1]

A deadlock ensued. The entire country rallied around the president; political differences were forgotten, and officials performed their duty without pay as far as they could, owing to the refusal of the American officials to turn their salaries over to them until the treaty was signed. "The resistance to the American demands, though passive, was general." [2] This deadlock was finally broken by the flourish of American rifles. Captain H. S. Knapp, in command of the marines, declared martial law on November 29, 1916. He ousted the Dominican officials, dissolved the national legislature, forbade elections and declared himself "supreme legislator, supreme judge, and supreme executor," [3] established a regime of military force and courts martial, set up a rigid censorship, levied taxes and increased the public debt. This military dictatorship was, according to the official proclamation of martial law, set up under instructions from Washington because the "United States government . . . has urged upon Santo Domingo certain necessary measures which that government has been unwilling or unable to adopt." [4] Thus the United States frankly set up a military dictatorship for the purpose of forcing Santo Domingo to sign a treaty giving American investors complete control over the finances and administration of the republic.

The military dictatorship lasted until 1924. "A rear-admiral of the American navy is military governor and exercises full executive and legislative functions, the Dominican congress being suspended. The posts of cabinet ministers are filled by officers of the American navy and marine corps." [5] There is an American minister in Santo Domingo but naturally his duties are nominal. The military regime was to last until Santo Domingo was willing to sign the proposed treaty, thus

[1] U. S. "Haiti Hearings," p. 93.
[2] Blakeslee, "Mexico and the Caribbean," p. 208.
[3] U. S. "Haiti Hearings," pp. 51–2.
[4] Ibid., pp. 93–4.
[5] Blakeslee, supra, p. 208.

allowing the United States to do "legally" what it had been doing by force. "The result of the operations of this arrangement," Secretary of State Knox declared in 1912, when he tried to obtain the Senate's assistance in forcing a similar arrangement on Nicaragua and Honduras, "has been that the creditors now punctually receive their interest." [1]

As a result of the American occupation, the Dominican Government was expelled, "The Government treasury was seized; the national congress was dismissed; elections were prohibited; thousands of marines were spread over the country and with unlimited authority over the natives; public meetings were not permitted; . . . destructive bombs were dropped from airplanes upon towns and hamlets; every home was searched for arms, weapons, and implements; homes were burned; natives were killed; tortures and cruelties committed; and 'Butcher' Weyler's horrible concentration camps were established. . . . Repressions and oppressions followed in succession. When protests were made the protestants were fined heavily and also imprisoned, and when resistance or defense attempted bullets and bayonets were used. Criticism of the acts of the military government were not permitted . . . and those who violated the order were severely punished by fines and imprisonment. . . . The Dominican people have been 'taxed without representation' and the money so raised expended recklessly and without in any way consulting them. . . . For five years this policy of suppression, repression, oppression and maladministration has continued." [2]

4. *American Bankers and Armed Intervention*

The direct connection between American investments and the military regime is indicated in a circular issued by Speyer & Co. and the Equitable Trust Co. of New York on June 20, 1921:

"The United States Military Government of Santo Domingo issues in behalf of the Dominican Republic $2,500,000 Four

[1] U. S. "Foreign Relations," 1912, p. 1089.
[2] U. S. "Haiti Hearings," pp. 50–1.

Years Customs Administration 8% Sinking Fund gold bonds." The bonds, this circular said, will contain the following clause: "With the consent of the United States there is secured the acceptance of and validation of this bond issue by any government of the Dominican Republic as a legal, binding, and irrevocable obligation of the Dominican Republic, and the duties of the General Receiver of Dominican Customs as provided under the American-Dominican Convention of 1907, are extended to this Bond issue." The circular adds this sentence: "Until all these bonds shall have been redeemed the Dominican Republic agrees not to increase its public debt, nor to modify its customs duties without the previous consent of the United States Government; and its customs revenues shall continue to be collected by a General Receiver of Customs appointed by and responsible to the President of the United States."

This circular, explaining the reasons for an American customs receiver, also quotes a letter from Lieutenant Commander Arthur H. Mayo, U. S. Navy officer in charge of the Department of Finance and Commerce of the military government of Santo Domingo, which explains the purposes of the military regime. This letter is dated June 16, 1921, and is addressed to the Equitable Trust Co. and Speyer & Co.

"The Military Government will be withdrawn only upon the consummation of a treaty of evacuation between the Dominican Republic and the United States Government which shall contain among other provisions (a) ratifying all acts of the Military Government; (b) validating the above loan of $2,500,000 and (c) extending the duties and powers of the General Receiver of Dominican Customs until said Bonds shall have been paid."

"The Bonds are secured by a charge upon the customs and other revenues of the Dominican Republic."

Under the caption *Purpose of Loan,* the bankers' circular states: "The proceeds of this loan are to be used mainly for the completion of essential public works . . . and in part for the retirement of certificates of indebtedness." This work will be done under the supervision of American engineers, and such portion of the loan as is used for the purchase of supplies and equipment will be spent in the United States." [1]

A similar circular was issued in 1922 by Lee, Higginson & Co., declaring that: "Acting under Authority of the United States Government the Military Government of Santo Domingo issues on behalf of the Dominican Republic $6,700,000 Twenty-Year Customs Administration 5½% Sinking Fund Gold Bonds. . . ." With the approval of the State Department the bonds stated that the Military Government of Santo Domingo guaranteed "the acceptance and validation of this Bond issue by any Government of the Dominican Republic as a legal, binding, and irrevocable obligation of the Dominican Republic." In a letter to Lee, Higginson & Co. reproduced in the bankers' circular, Lieutenant-Commander D. W. Rose, U. S. naval officer in charge of the Department of Finance and Commerce of the Military Government of Santo Domingo again assured the bankers that during the life of the loan—which was to extend to March, 1942—the Dominican customs duties "shall be collected and applied by an official appointed by the President of the United States and that the loan now authorized shall have a first lien upon such customs revenues." [2]

A plan for the withdrawal of American marines from Santo Domingo was proposed by the Wilson administration in December, 1920, and a similar plan by the Harding administration on June 14, 1921. The plan made the military governor the provisional Dominican executive, and gave him the power to call elections. The Dominicans were to have this slight measure of autonomy provided they drew up an agreement with representatives of the American Government ratifying all acts of the American military occupation, and entrusting the command and organization of Dominican forces to American officials.[3] These proposals were turned down by the people of Santo Domingo, who protested especially against the loans floated in their name by the American Military Government with American bankers,

[1] Speyer & Co., and Equitable Trust Co., "Circular," June 20, 1921.
[2] Lee, Higginson & Co., "Circular," March, 1922.
[3] "Current History Magazine," v. 15, p. 895.

for which Santo Domingo paid interest varying from 9 to 19 per cent.[1] On June 26, 1924, the Dominican Republic "ratified the treaty with the United States providing for the evacuation of the Dominican Republic by American military forces which have been stationed there since 1916. Simultaneously, it was announced from Washington that the withdrawal of the 1,800 marines in the Dominican Republic would be begun as soon as possible after July 10." [2] Later it was announced in the press that "General Horacio Vasquez and Frederico Velásquez were formally inaugurated as President and Vice President, respectively, of the Dominican Republic on July 12. At the same time, the American flag was lowered from the fort and the Dominican emblem was hoisted. These acts brought to an end the military administration of the United States in the Dominican Republic." [3] Santo Domingo has thus been given a formal kind of partial independence in return for signing a treaty which makes it an actual protectorate.

5. *The Military Conquest of Haiti*

The military invasion of Haiti by the United States and the establishment of a virtual protectorate is the result of two parallel lines of policy, one political and one financial, which converged and became amalgamated in one unified policy carried out jointly by American financiers and the State Department.

A report of twenty-four distinguished American lawyers [4] on Haiti points out that Haiti was a sovereign state under a

[1] "Current History Magazine," v. 15, p. 895.

[2] Ibid., v. 20, p. 845. [3] Ibid., p. 1011.

[4] The twenty-four lawyers were Frederick Bausman, Seattle; Alfred Bettman, Cincinnati; William H. Brynes, New Orleans; Charles C. Burlingham, New York; Zechariah Chafee, Jr., Cambridge; Michael Francis Doyle, Philadelphia; Walter L. Flory, Cleveland; Raymond B. Fosdick, New York; Felix Frankfurter, Cambridge; Herbert J. Friedman, Chicago; John P. Grace, Charleston, S. C.; Richard W. Hale, Boston; Frederick A. Henry, Cleveland; Jerome S. Hess, New York; William H. Holly, Chicago; Charles P. Howland, New York; Francis Fisher Kane, Philadelphia; George W. Kirchwey, New York; Louis Marshall, New York; Adelbert Moot, Buffalo; Jackson H. Ralston, Washington, D. C.; Nelson S. Spencer, New York; Moorfield Storey, Boston; Tyrrell Williams, St. Louis.

republican form of government from 1804, when she won her independence from France, until 1915, when the United States forced her to sign a treaty even more drastic than that foisted on Santo Domingo. Haiti has a population of three million people living under more or less primitive economic conditions and subject to occasional political disturbances. Despite these disturbances, the report declares, no American citizen has ever been injured in person or property, and even during revolutionary outbreaks no foreigner was molested. Foreign investments were at all times respected and the interest on Haiti's foreign debt scrupulously paid. "Her relations with other governments have been free from adverse criticism. She has never manifested hostility to the United States and has given no occasion for our intervention in her affairs." [1]

America's earlier interest in Haiti was naval. In 1847 the United States attempted to obtain control of the harbours of Samana Bay, on the eastern coast of Santo Domingo, and of Mole St. Nicholas, on the northwest coast of Haiti, for avowed use as naval bases. In 1891 the United States sent Admiral Gharardi with a considerable fleet to Port au Prince, capital of Haiti, to negotiate for the cession of Mole St. Nicholas, but the Haitian government refused to discuss the matter and the fleet was recalled.

6. *Enter the National City Bank*

It was with the entrance of the National City Bank into Haiti that State Department interference became a definite policy. In 1881 the National Bank of Haiti, founded with French capital, was entrusted with the administration of the Haitian treasury. In 1910 this bank was reorganized in connection with a new government loan taken by French bankers, and replaced by the National Bank of the Republic of Haiti, which, like the old institution, was entrusted with the administration of the Haitian treasury. Under the contract with the

[1] Foreign Policy Association, "Seizure of Haiti."

French bankers the bank was to make certain annual loans to the Haitian government.[1]

At this juncture the National City Bank became interested, and Secretary of State Knox, pursuing his policy of "dollar diplomacy," intervened in the matter and objected to the contract saying that "some American banking interests ought to be represented." He called a conference of the New York bankers, with the result that in 1911 the National City Bank, Speyer & Co., Hallgarten & Co., and Ladenburg, Thalman & Co. each became subscribers to 2000 shares of the new bank.[2]

Shortly after the European War broke out, Secretary of State Bryan in several interviews with the American bankers "suggested the advisability of the American interests acquiring the French shares in the bank, and making it an American bank. That suggestion was repeated from time to time, and after some extended conferences, . . . the National City Bank purchased the stock held by the other three American parties." This was in 1917. Two years later, "after several suggestions from the State Department . . . the National City Bank purchased all the assets of the French institution" for $1,400,000.[3] Thus the National Bank of Haiti became the property of the National City Bank of New York.

The State Department began to take steps to insure the bankers' investment. On six occasions during 1914 and 1915 the Department made direct overtures to Haiti to obtain control of the customs, internal political disturbances furnishing the pretext. In October, 1914, Secretary of State Bryan wrote to President Wilson:

> "It seemed to me of the first importance that the naval force in Haitian waters should be at once increased, not only for the purpose of protecting foreign interests, but also as evidence of the earnest intention of this Government to settle the unsatisfactory state of affairs which exists."[4]

[1] U. S. "Haiti Hearings," p. 105.
[2] Idem.
[3] Ibid., p. 106.
[4] Foreign Policy Association, supra, p. 4.

The State Department took advantage of a revolutionary outbreak in the north province to propose to President Zamor that he be kept in power provided he would sign a convention turning over the customs houses to American control. The President refused to compromise the independence of Haiti and resigned. On December 10 the newly chosen president was formally presented with a similar proposal by the American minister in Haiti, and again the proposal was turned down.[1]

One week later a contingent of United States marines landed in Port au Prince,[2] proceeded to the vaults of the National Bank of Haiti, and in broad daylight forcibly seized $500,000 and carried it aboard the gunboat *Machias*. The money was transported to New York and deposited in the vaults of the National City Bank. This money was the property of the Haitian Government and had been deposited for the redemption of paper currency. Haiti at once protested against this violation of her sovereignty and her property rights and requested an explanation from the United States. None was ever given.[3]

According to the testimony of Roger L. Farnham, Vice President of the National City Bank, before a Senate Committee in 1921, this raid of the marines was arranged by the State Department and the National City Bank.[4] The chief object of the State Department and the bankers at this time seems to have been to force the Haitian Government, by depriving it of ready money, to sign a treaty turning over the customs houses to American control. On January 28, 1915, Secretary of State Bryan wired via the Navy Department to Admiral Caperton, in command of American forces in Haitian waters, as follows:

> "You will issue to that Government a warning that any attempt that might be made to remove the funds of the bank will compel you to take into consideration means to prevent such violation of foreign stockholders' rights." [5]

[1] U. S. "Haiti Hearings," pp. 5–6.
[2] U. S. "Foreign Relations," 1915, p. 476.
[3] "Current History Magazine," v. 15, p. 886. U. S. "Haiti Hearings," p. 6. U. S. "Foreign Relations," 1915, pp. 499–500.
[4] U. S. "Haiti Hearings," p. 123.
[5] Ibid., p. 292.

In March, 1915, the United States sent the Ford mission to negotiate with the Haitian government for American control of the customs, and again Haiti turned the proposal down. In May another commission arrived and presented the draft of an agreement providing for (1) military protection and intervention by the United States, (2) arbitration of claims made by foreigners, (3) prohibition of the cession of Mole St. Nicholas or its use to any other government. The last clause would indicate that the political aims of Washington and the financial aims of the National City Bank were now fused into one project.[1]

7. *The Marines Take Possession*

This proposal was being negotiated when on July 27 a revolution broke out in Port au Prince. President Guillaume fled to the French legation, and on the same day a number of political prisoners were massacred in the prison of Port au Prince. On the morning of July 28 President Guillaume was dragged out of hiding and killed. During all these disturbances not a single American or other foreigner was molested.[2] Nevertheless, on the afternoon of July 28 an American warship dropped anchor in the harbour of Port au Prince and marines were landed by Admiral Caperton.[3] The revolution was not the cause for landing marines but merely the "awaited opportunity," for the marines were landed "at the request of the State Department."[4]

The Haitian legislature met to elect a new president to fill the vacancy caused by the assassination of Guillaume. Under orders from the State Department, Admiral Caperton forced the legislature to postpone the election until the American naval officers could canvass the situation. The purpose of this interference with the elections of a nominally independent

[1] Foreign Policy Association, supra, p. 5.

[2] Foreign Policy Association, "Seizure of Haiti." Johnson, "Self-Determining Haiti," p. 7.

[3] U. S. Marine Corps, "Report on Haiti," p. 3. U. S. "Haiti Hearings," p. 306.

[4] Johnson, supra, p. 7. U. S. Marine Corps, supra, p. 4.

republic is shown in the message sent by Admiral Caperton to the Navy Department on August 2, 1915:

"Large number Haitian revolutions, largely due existing professional soldiers called Cacos. . . . They have demanded election Bobo President. . . . Stable government not possible in Haiti unless Cacos are disbanded and power broken.

"Such action now imperative at Port au Prince if United States desires to negotiate treaty for financial control of Haiti. To accomplish this must have regiment of marines in addition to that on Connecticut. . . . As future relations between United States and Haiti depend largely on course of action taken at this time, earnestly request to be fully informed of policy of United States." [1]

Admiral Caperton now attempted to force, at the point of marine bayonets, the treaty which the State Department and the National City Bank had failed to obtain through negotiation and through financial pressure. The first step was to obtain a candidate who would be willing to serve American purposes. Such a candidate was found in the person of Sudre Dartiguenave, who offered, if elected president of Haiti, to accede to any terms made by the United States, including the surrender of customs control and the cession of Mole St. Nicholas.[2] Regarding this candidate Admiral Caperton wired the Navy Department at Washington on August 5, that he "has never been connected with any revolution" and "realizes Haiti must agree to any terms laid down by the United States. . . . If elected must be sustained by American protection." [3] Dartiguenave was acting not out of choice, but out of a realization that before the rifles of American marines Haiti was helpless. He begged only "as far as possible to avoid humiliation." [4]

Admiral Caperton, frankly protecting the interests of the National City Bank, ordered the government of Haiti to restore the treasury service to the National Bank of Haiti, which the

[1] U. S. "Haiti Hearings," p. 313.

[2] Foreign Policy Association, supra, p. 6. U. S. "Haiti Hearings," p. 315.

[3] Ibid., p. 312.

[4] Ibid., p. 325. U. S. "Foreign Relations," 1915, p. 431.

government had withdrawn in January when it discovered that it could not draw money at its own discretion.[1]

Having found a candidate willing to accept Washington's terms, the Navy Department wired on August 10 that Admiral Caperton might "allow election of president to take place whenever Haitians wish. The United States prefers election of Dartiguenave . . . United States will insist that the Haitian government will grant no territorial concessions to any foreign governments. The Government of the United States will take up the question of the cession of Mole St. Nicholas later along with the other questions to be submitted to the reorganized Government."[2] These other questions referred to the control of customs and the protection of the National City Bank's investments. "In order that no misunderstanding can possibly occur after election," the Secretary of State wired on the same day to the American Minister at Port au Prince, "it should be made perfectly clear to candidates, as soon as possible, and in advance of their election, that the United States expects to be entrusted with the practical control of the customs and such financial control over the affairs of the republic of Haiti as the United States may deem necessary for efficient administration." The message added, significantly, that the United States would support a government elected under these terms "as long as necessity may require."[3]

On the day on which the Haitian legislature voted for the new president, marines guarded the doors of the chamber and Admiral Caperton's chief of staff circulated among the congressmen.[4] Dartiguenave was elected.

8. *Martial Law in Haiti*

Two days after the election, Robert Beale Davis, American Chargé d'Affaires at Port au Prince, submitted to the new Haitian Government the draft of a treaty, accompanied by a

[1] U. S. "Haiti Hearings," p. 323.
[2] Ibid., p. 315. U. S. Marine Corps, supra, p. 16.
[3] U. S. "Haiti Hearings," p. 315. U. S. "Foreign Relations," 1915, pp. 479–480.
[4] Foreign Policy Association, supra, p. 6.

memorandum stating that "the State Department at Washington expected that the Haitian National Assembly . . . would immediately pass a resolution authorizing the President of Haiti to accept the proposed treaty without modification." [1] This new draft, resting as it now did on armed force, went much further than previous drafts. Not only did it provide for American control of customs and finances, but in addition called for a native constabulary to be "organized and officered by Americans" and forbade Haiti to sell or lease any of its territory to a foreign government. With these terms, Secretary Lansing observed in his cablegram of August 24, the Haitian Government had been familiar for more than a year.[2]

But Haiti was no more willing than before to give up its life as an independent republic. The State Department seemed to have been aware of this; to insure the acceptance of the treaty by the Haitian Government, Admiral Caperton was ordered to seize ten of the principal customs houses, to collect the customs dues, to organize a constabulary and temporary public works, and to support the new Haitian administration.[3] Admiral Caperton realized the full significance of this order. On August 19 he cabled to Washington:

"United States has now actually accomplished a military intervention in affairs of another nation. Hostility exists now in Haiti and has existed for number of years against such action. Serious hostile contacts have only been avoided by prompt and rapid military action which has given United States control before resistance has had time to organize. We now hold capital of country and two other important sea-ports." [4]

Between August 21 and September 2 the American forces took over the customs houses at the ten leading ports of Haiti.[5] For several months American naval officers collected all customs

[1] U. S. "Haiti Hearings," p. 8.
[2] Ibid., p. 328.
[3] Foreign Policy Association, supra, p. 8. U. S. Marine Corps, "Report on Haiti," p. 19.
[4] U. S. "Haiti Hearings," p. 335.
[5] "Current History Magazine," v. 15, p. 887. U. S. Marine Corps, supra, pp. 19-23.

dues and made all disbursements. Since the customs houses were the only source of national income, this deprived the Haitian Government of all income and added to the already existing pressure for the ratification of the proposed treaty. Opposition to the acts of the United States and to the treaty spread throughout the country. President Dartiguenave and his cabinet threatened to resign. Caperton wired Washington that in case they did resign a military government should be established with an American officer at the head. "Present is most critical time in relations with Haiti," he cabled, "and our decision now will, to a great extent, determine future course. If military government is established, we would be bound not to abandon Haitian situation until affairs of country are set at right and predominant interests of the United States of America secured." [1] These predominant interests which were to be secured by a military dictatorship were embodied in the proposed treaty. To one of his captains in Haitian waters Admiral Caperton explained: "We are having our own troubles in Port au Prince endeavoring to get the treaty through. Things are not entirely satisfactory, and I may be forced to establish a military government here." [2]

By September the forces under Admiral Caperton were in complete control of Haiti, guarding all the principle towns, collecting and spending all revenues, and turning none of the money over to the Haitian Government. "Public order and the public purse were altogether in the mastery of the Navy Department." [3] On September 3, martial law was formally declared.[4] The object was, of course, to push the treaty through. "Successful negotiation of treaty is predominant part of the present mission," Admiral Caperton wired to the commanding officer of the battleship *Connecticut* in northern Haitian waters. "After encountering many difficulties treaty situation at present looks more favorable than usual. This has been effected by exercising military pressure at propitious moments in negotia-

[1] U. S. "Haiti Hearings," p. 338.
[2] Ibid., p. 343.
[3] Foreign Policy Association, "Report on Haiti," p. 9.
[4] U. S. "Foreign Relations," 1915, p. 522.

tions. Yesterday two members of cabinet who have blocked negotiations heretofore resigned. President himself believed to be anxious to conclude treaty. At present am holding up offensive operations and allowing President time to complete cabinet and try again. Am therefore not yet ready to begin offensive operations at Cape Haitien but will hold them in abeyance as additional pressure." [1]

As a result of this "additional pressure" the Haitian Government signed the treaty without modification on September 16, 1915, and a modus vivendi was drawn up for its immediate application. But the work of Washington was not yet done. Under the Haitian constitution, as under that of the United States, no treaty is binding unless ratified by the Senate. The opposition there seemed to be irreconcilable to American conquest. Thereupon Admiral Caperton, acting under instructions from Washington, seized a consignment of unsigned bank notes intended for the Haitian Government and declared that they would be turned over to the Haitian authorities immediately after ratification of the convention.[2] On October 3, Secretary of the Navy Daniels authorized Admiral Caperton to arrange for the payment of a weekly amount to the Haitian Government for current expenses, adding that "question payment back salary will be settled by department immediately after ratification of treaty." [3]

On November 10, Secretary Daniels cabled Admiral Caperton a message which is the epitome of government support of American investments.

"Arrange with President Dartiguenave," the cable read, "that he call a cabinet meeting before the session of senate which will pass upon ratification of treaty and request that you be permitted to appear before that meeting to make a statement to President and to members of cabinet. On your own authority state the following before these officers: 'I have the honor to inform the President of Haiti and the members of his cabi-

[1] U. S. "Haiti Hearings," p. 353.
[2] Ibid., pp. 379–383.
[3] Ibid., p. 383.

net that I am personally gratified that public sentiment continues favorable to the treaty; that there is a strong demand from all classes for immediate ratification and that treaty will be ratified Thursday. I am sure that you gentlemen will understand my sentiment in this matter, and I am confident if the treaty fails of ratification that my Government has the intention to retain control in Haiti until the desired end is accomplished, and that it will forthwith proceed to the complete pacification of Haiti so as to insure internal tranquillity necessary to such development of the country and its industry as will afford relief to the starving populace now unemployed. Meanwhile the present Government will be supported in the effort to secure stable conditions and lasting peace in Haiti, whereas those offering opposition can only expect such treatment as their conduct merits. The United States Government is particularly anxious for immediate ratification by the present senate of this treaty.' . . . It is expected that you will be able to make this sufficiently clear to remove all opposition and to secure immediate ratification." [1]

Admiral Caperton made the situation so clear that the treaty was ratified by the Haitian Senate on the very next day, November 11, 1915.

9. *The Treaty*

Article Two of the treaty, forced upon Haiti by the combined efforts of the State and Navy Departments and Admiral Caperton's marines, provided that "the President of Haiti shall appoint, upon nomination by the President of the United States, a general receiver . . . who shall collect, receive, and apply all customs duties on imports and exports accruing at the several customshouses and ports of entry of the Republic of Haiti." It also provided that "the President of Haiti shall appoint, upon nomination by the President of the United States, financial adviser, who shall be an officer attached to the ministry of finance, to give effect to whose proposals and labors the minister will lend efficient aid."

[1] U. S. "Haiti Hearings" p. 394. U. S. "Foreign Relations," 1915, p. 458.

Article Five provided that "all sums collected and received by the general receiver shall be applied, first, to the payment of the salaries and allowances of the general receiver, his assistants, and employees, and expenses of the receivership, including the salary and expenses of the financial adviser . . . second, to the interest and sinking fund of the public debt of the Republic of Haiti; and, third, to the maintenance of the constabulary . . . and then the remainder to the Haitian Government for the purposes of current expenses."

Under Articles Eight and Nine, Haiti was forbidden to increase its public debt or modify its customs duties without the consent of the United States. Article Ten called for "an efficient constabulary, . . . composed of native Haitians," which shall be "organized and officered by Americans," which shall, among other things, supervise and control arms and ammunition and military supplies. By Article Eleven Haiti was forbidden to surrender "by sale, lease or otherwise" any of its territory. The treaty was to remain in force for ten years, and "further for another term of ten years if . . . either of the high contracting parties" should find that its purpose "has not been fully accomplished." [1]

The treaty was ratified by the United States Senate in May, 1916. It is still in force and American marines still occupy Haiti. Credit for its acceptance by Haiti is not entirely due to the efforts of the Secretary of State, the Secretary of the Navy, and Admiral Caperton. Roger L. Farnham, Vice President of the National City Bank, was "effectively instrumental in bringing about American intervention in Haiti," being transported in his goings and comings between New York and Port au Prince aboard vessels of the United States Navy.[2]

10. *The Military Occupation*

At the suggestion of Mr. Farnham of the National City Bank, and upon nomination of President Woodrow Wilson of the United States, the Haitian government appointed John

[1] U. S. "Haiti Hearings" pp. 204–7.
[2] Johnson, "Self-Determining Haiti," p. 20.

Avery McIlheny of Louisiana as Financial Adviser under Article II of the new treaty. The Financial Adviser, nominally a Haitian official, proceeded to complete the conquest of Haiti by the National City Bank. In July, 1920, he notified the Haitian Government that he had "instructions from the Department of State" that Haiti must give "its immediate and formal approval" to an agreement providing for:

"(1) A modification of the Bank Contract agreed upon by the Department of State and the National City Bank of New York.

"(2) Transfer of the National Bank of the Republic of Haiti to a new bank registered under the laws of Haiti to be known as the National Bank of the Republic of Haiti.

"(3) The execution of Article 15 of the Contract of Withdrawal, prohibiting the importation and exportation of non-Haitian money except that which might be necessary for the needs of commerce in the opinion of the Financial Adviser." [1]

The purpose of this new agreement arranged by the State Department and the National City Bank was to give the latter a monopoly on the financial life of Haiti. Haitians, Europeans, and even American business concerns protested against this arrangement on the ground that such an arrangement would "make all other bankers and merchants the humble tributaries" of the National City Bank. But the American Financial Adviser continued to press for the acceptance of this agreement by Haiti by withholding the salaries of Haitian officials "by order of the American minister." [2] Haiti protested to Washington against this action, but was informed by the State Department that salaries would be withheld until Haiti accepted the Financial Adviser's terms.[3]

While the Financial Adviser was riveting the economic control of the National City Bank over Haiti, the military authorities were fastening political control. Under the eyes of American marines Haiti adopted a new constitution on June 18, 1918, by which "all acts of the Government of the United States

[1] "Nation," v. 111, p. 308.
[2] Johnson, supra, p. 44 ff.
[3] "New York Times," Sept. 20, 1920.

during its military occupation in Haiti are ratified and confirmed." The new constitution also abolished one of Haiti's oldest safeguards, which provided that foreigners could not hold land.

Charges of brutality have been made against the American occupation in Haiti. Over 3,000 "practically unarmed Haitians" have been killed by American marines, according to one observer.[1] The U. S. Marine Corps Report gives the number of Haitians killed as 3,250—"killed either by marines or by the person of the gendarmerie of Haiti." [2] The work of building a highway from Port au Prince to Cape Haitien was in charge of an officer of marines, "who stands out even in that organization for his 'treat 'em rough' methods. He discovered the obsolete Haitian *corvée* and decided to enforce it with the most modern Marine efficiency. The *corvée,* or road law, in Haiti provided that each citizen should work a certain number of days on the public roads to keep them in condition, or pay a certain sum of money. . . . The Occupation seized men whereever it could find them, and no able-bodied Haitian was safe from such raids, which most closely resembled the African slave raids of past centuries. And slavery it was, though temporary. By day or by night, from the bosom of their families, from their little farms or while trudging peacefully on the country roads, Haitians were seized and forcibly taken to toil for months in far sections of the country. Those who protested or resisted were beaten into submission. . . . Those attempting to escape were shot. . . ." [3]

These atrocities resulted in a brief revolt led by an educated and cultured Haitian, Charlemagne Peralte, who had been forced to work in convict clothes on the streets of Cape Haitien. The revolt was crushed and Charlemagne Peralte was killed. "Not in open fight, not in an attempt at his capture," but "while standing over his camp fire, he was shot in cold blood

[1] Johnson, supra, p. 12.
[2] U. S. Marine Corps, "Report on Haiti," p. 108.
[3] Johnson, supra, p. 13.

by an American Marine officer who stood concealed by the darkness, and who had reached the camp through bribery and trickery."[1] A protest lodged by prominent Haitians with the Senate Committee of Inquiry into the occupation of Haiti in 1921 declares that the American Occupation "is the most terrible régime of military autocracy which has ever been carried on in the name of the great American democracy.

"The Haitian people, during these past five years, has passed through such sacrifices, tortures, destructions, humiliations, and misery as have never before been known in the course of its unhappy history."[2] According to an American recently returning from a visit to Haiti in 1920, "if the United States should leave Haiti today, it would leave more than a thousand widows and orphans of its own making, more banditry than has existed for a century, resentment, hatred and despair in the heart of a whole people, to say nothing of the irreparable injury to its own tradition as the defender of the rights of man."[3]

While these atrocities were going on, American business and finance were profiting by the Occupation. The advantages of the treaty were thus described to the Senate Committee which investigated the Occupation in 1921, by H. M. Pilkington, vice-president and manager of the American Development Company of Haiti:

"I next made it my business to come in contact with what we might call the ruling or political class of the country (Haiti), because, at basis, every industrial or other enterprise is fundamentally dependent upon the laws and the execution of those laws in whatever country may be concerned. The original financing of this Haitian-American Corporation was brought about and put to the public directly and definitely upon assurance in Washington, by competent people and competent officials, that the treaty between the United States and Haiti was, in fact, to be a living thing. The largest feature in the floating of the securities of this company . . . was predicted, one might say, wholly as to security,

[1] Johnson, supra, p. 14. U. S. Marine Corps, supra, pp. 70–2.
[2] U. S. "Haiti Hearings," pp. 10–33.
[3] Johnson, supra, p. 19.

upon the implied bona fides of the United States in carrying out this treaty,—the basing of which was security for foreign capital."[1]

The National City Bank continued to tighten its "economic stranglehold" on the little republic. On June 22, 1920, the National Railroad of Haiti, comprising almost the entire railway system of the island, went into bankruptcy as a result of the failure of the Haitian Government to pay the interest and sinking fund charges on outstanding bonds. The concession was held by a syndicate of which Roger L. Farnham was president and which was financed by the National City Bank. When the road failed, the United States federal courts appointed Roger L. Farnham receiver.[2]

On March 28, 1917, Haiti and the United States signed a protocol extending the 1915 treaty for twenty years, and stating that there was "urgent necessity for a loan for a period of more than ten years."[3] Two years later, by a protocol signed on October 3, 1919, Haiti agreed to seek a national loan of $40,000,000 for thirty years. The revenues to secure this loan were to be collected by officers nominated by the United States even after the expiration of the 1915 treaty.[4] Early in 1922 the American financial adviser in Haiti, the National City Bank, the Haitian-American Sugar Corporation and the West Indies Trading Company began negotiations for a loan to Haiti. In March the financial adviser, McIlheny, informed the Senate Committee investigating Haitian affairs that three companies were bidding to float this loan, specifying the National City Bank, Speyer & Co., and Lee, Higginson & Co.[5] This throws an interesting sidelight on the technique of diplomacy, in view of the facts that the National City Bank had a monopoly on Haitian financing, and that McIlheny had been appointed by President Wilson at the suggestion of a National

[1] U. S. "Haiti Hearings," p. 789.
[2] "New York World," Feb. 19, 1924, p. 3. U. S. "Haiti Hearings," p. 121.
[3] U. S. "Treaties, Conventions, etc.," v. 3, p. 2678.
[4] Ibid., pp. 2678–82.
[5] "New York Times," March 17, 1922, p. 30:5.

City Bank official. The appearance of throwing the proposed Haitian loan open to competition was continued in September, when Acting Secretary of State William Phillips formally invited American bankers to bid for a $16,000,000 loan. The loan was being floated, technically, by Haiti, and Haiti was to be responsible for it; nevertheless the bankers were asked to send their bids not to the Haitian Government, but to the American financial adviser through the Division of Latin-American Affairs of the State Department at Washington.[1] The bonds were to be secured by a first lien on Haiti's internal revenue and a second lien on its customs—both sources of income controlled by Americans. The loan was the first bloc of the $40,000,000 loan provided for by the 1919 protocol. Whatever bids may have been offered, needless to say the concession to float the loan was obtained by the National City Company—a subsidiary of the National City Bank.[2]

The bonds were offered in the New York market in October, and among the sales literature was a letter from McIlheny. The letter emphasized that the bonds would be secured by Haiti's internal revenues and customs; that the 1915 treaty, running to 1936, gives the United States the power to nominate the customs receiver and the financial adviser; that the 1919 protocol gives the United States the power to appoint the collector of the revenues securing the 1922 loan even after the treaty of 1915 expires; and that the United States controls the increase of Haitian debts and the reduction of its customs.[3] On October 11, when the contract for the $16,000,000 loan was signed, McIlheny resigned as Haiti's financial adviser. President Harding appointed another American—John L. Hord—as his successor.[4] In addition to an American minister, an American financial adviser, an American receiver-general of customs and American marines, Haiti was saddled from time to time with special military envoys to force through important

1 "New York Times," Sept. 13, 1922, p. 30:2.
2 Ibid., Sept. 29, 1922.
3 Ibid., Oct. 9, 1922.
4 Ibid., Apr. 18, 1923.

plans for the State Department and the American bankers. In September, 1920, when Haiti objected to National City Bank control of the Haitian National Bank, Washington sent Admiral Knapp to liquidate the conflict. His mission was intended to be secret; it became public only as a result of Senator Harding's pre-election attacks on the Wilson administration. Admiral Knapp was vested with powers superior to those of the American minister in Haiti.[1]

In the spring of the following year, when Harding became president, the supreme American official in Haiti was a high commissioner—a title used frequently for proconsuls of the British Empire. This high commissioner was Brigadier-General John H. Russell of the United States Marine Corps. His mission, Secretary of State Hughes explained, was to put the 1915 treaty into effect.[2] General Russell, acting under instructions from Secretary of the Navy Denby, established court martial for civilians and promulgated a law of lese-majesty. On May 26 he issued an order to Haitians which declared that speeches and writings which "reflect adversely upon the United State forces in Haiti, or tend to stir up agitation against the United States officials, or the president of Haiti or the Haitian government" are "prohibited, and offenders against this order will be brought to trial before a military tribunal."[3] In August, 1921, three Haitian journalists were arrested and court martialed for criticising the American occupation in violation of General Russell's order.[4]

Further steps to bring Haiti under American economic control were taken in 1924, when the Haitian Council of State created an Internal Bureau of Revenue to collect all taxes except customs duties. This bureau is to be under the supervision of the American receiver-general appointed under the treaty of 1915, who is to appoint another American as head of

[1] "New York Times," Sept. 21, 1920.
[2] Ibid., Apr. 25, 1921, p. 16:7.
[3] Ibid., June 14, 1921.
[4] Ibid., Aug. 29, 1921, p. 25:3.

the new bureau. On June 18, 1924, the State Department at Washington announced the appointment of Dr. William E. Dunn, acting commercial attaché of the American Embassy at Lima, as director of the Bureau of Revenue.[1]

11. *The Nicaraguan Protectorate*

In Nicaragua, as in Santo Domingo and Haiti, the strategic interests of American diplomats and the financial interests of American bankers combined to produce first diplomatic and later military intervention. The strategic considerations centered around plans for a United States naval base at Fonseca Bay, and, more important still, a canal route across Nicaragua to supplement the advantages of the Panama Canal. The search for a canal route in Nicaragua is of long standing.[2]

The Clayton-Bulwer treaty of 1850 between the United States and England provided for a neutral canal across Nicaragua; later such a canal was seriously considered as an alternative to Panama. It will probably be built by the United States.[3] The route over which the United States proposed to build the canal was, however, contested by other Central American states, with the result that a series of revolutions and wars broke out in 1906, until in the late summer of 1907 a general war involving all five of the Central American republics seemed imminent. President Roosevelt and President Diaz of Mexico brought pressure to bear on the several governments to cease hostilities and offered to mediate the claims.[4] Under the guidance of the United States, delegates of the five republics met in Washington in 1907 and signed a series of eight conventions designed to promote the unity of Central America. The most important of these agreements provided for a Central American Court of Justice, composed of five members, one from each state, to which all disputes would be referred for final judgment. Although the United States signed not a single one of the

[1] "Current History Magazine," v. 20, p. 845.
[2] U. S. Congress, 57:1; "Sen. Doc." 357.
[3] Academy of Political Science, "Proceedings," v. 7, p. 426.
[4] Munro, "Five Republics of Central America," p. 208 ff.

agreements, it nevertheless proceeded to exercise the dominant rôle under the provisions. Thus President Taft, in his annual message to Congress in December, 1909, stated that "since the Washington Conventions in 1907 were communicated to the Government of the United States as a consulting and advising party, this Government has been almost continuously called upon by one or another, and in turn by all of the five Central American Republics, to exert itself for the maintenance of the conventions. Nearly every complaint has been against the Zelaya government of Nicaragua which has kept Central America in constant tension and turmoil."[1]

The government of President José Santos Zelaya opposed attempts on the part of the United States to extend its control over Nicaragua by obtaining Fonseca Bay and a canal route, as well as attempts of American business interests to establish themselves in the republic.

In 1909 a revolution against Zelaya broke out. It was financed by Adolfo Diaz, a local official at Bluefields of La Luz y Los Angeles Mining Company, an American corporation. Diaz was receiving a salary of $1,000 a year. Though he is not known to have had other resources, he was able to advance the revolution $600,000, which he eventually repaid himself.[2]

The American consul at Bluefields, Thomas C. Moffat, knew about the revolution in advance, wiring the State Department on October 7 that it would break out the next day and that the new government would appeal "to Washington immediately for recognition." He was also apparently informed about the secret troop movements of the revolutionists and their plans.[3] Five days later Moffat was able to report to Washington that a provisional government had been established with General Juan Estrada at the head, that this government was "friendly to American interests," and that it guaranteed "annulment of all concessions not owned by foreigners."[4] As the fighting between

[1] U. S. "Foreign Relations," 1909, p. xvii.

[2] U. S. Sen. For. Rel. Com., "Convention Between U. S. and Nicaragua," 1914, Part I, p. 32, Part II, p. 88.

[3] U. S. "Foreign Relations," 1909, p. 452.

[4] Idem.

the Zelaya government and the rebels grew sharper the United States showed its hand more openly. Steamers of the United Fruit Company and other American vessels bearing the Nicaraguan flag transported men and munitions for the revolutionists with the knowledge and assistance of the State Department representatives in Central America.[1]

The pretext for an open break with the Zelaya government came late in 1909, when two American filibusterers, who had been caught trying to dynamite a vessel loaded with Zelaya's men, were court-martialed and executed after a confession.[2] Though these filibusterers had enlisted in the revolutionary forces and had thus assumed all the responsibilities of war, Secretary of State Knox on December 1 sent the Nicaraguan Chargé d'Affaires at Washington a harsh note giving him his passports and openly declaring that the United States was on the side of the revolutionists.[3] The note added: "Although your diplomatic quality is terminated, I shall be happy to receive you as I shall be happy to receive the representative of the revolution each as the unofficial channel of communication between the Government of the United States and the de facto authorities to whom I look for the protection of American interests." [4]

12. *Protecting American Interests*

Zelaya was forced to resign and flee the country. As his successor the Nicaraguan Congress elected Dr. José Madriz. Nevertheless the United States continued to support the Estrada revolution against the Madriz government. President Madriz protested to President Taft against American interference in the domestic affairs of the republic, but the United States insisted that American ships carrying arms and ammunition for the rebels be permitted to pass through the blockade established by the authorized government, and insisted furthermore that

[1] Zelaya, "Revolucion de Nicaragua," pp. 26–40.
[2] U. S. "Foreign Relations," 1909, p. 447.
[3] Ibid., p. 455.
[4] Ibid., p. 457.

customs duties be paid to the revolutionists.[1] Incidentally, the customs revenues at Bluefields had been pledged as a guaranty to a group of American bankers for a loan made in 1904.[2]

The government troops, however, defeated the insurgents and forced Estrada to retreat to Bluefields, where they attempted to blockade him. At once American marines landed. They prevented the government forces from blockading or attacking Bluefields. This gave the insurgents a chance to reorganize their forces, and with the support of American bayonets they were able to seize power. On August 20, after his forces had been defeated by Estrada's army, Madriz resigned. A week later Estrada and General Emiliano Chamorro entered Managua, the capital of Nicaragua.[3]

On October 11, 1910, the State Department appointed Thomas G. Dawson, American minister to Panama and the expert who had arranged for American control of the customs of Santo Domingo, as special agent to Nicaragua. He was instructed that to "rehabilitate the finances and pay the legitimate foreign and domestic claims it would be advisable to negotiate a loan secured by a percentage of the customs revenues to be collected according to agreement between the two Governments, but in such a way as will certainly secure the loan and assure its object." Dawson was also instructed to seek a constitution providing "suitable guarantees for foreigners," and compensation for the deaths of Cannon and Groce. He was to obtain liquidation of fixed claims, such as the Emery claim, and the adjudication of unliquidated claims. The State Department promised that when a plan for a loan to Nicaragua would be drawn up, it would "use its good offices to secure the conclusion of a contract based upon its terms between Nicaragua and some American financiers of high standing." [4]

When Brown Brothers and Company learned of these plans they offered to the State Department to float the Nicaraguan

[1] U. S. "Foreign Relations," 1910, p. 752.
[2] U. S. Sen. For. Rel. Com., supra, p. 227.
[3] U. S. "Foreign Relations," 1910, pp. 738–60.
[4] Ibid., pp. 763–4.

loan. These bankers had entered into an agreement with the George D. Emery Company to collect their claim from Nicaragua, which had been settled for $600,000 in September, 1909, just before Zelaya fell. On February 2, 1911, Brown Brothers and Company wrote to Secretary of State Knox:

"We understand that the Government of Nicaragua is considering the advisability of obtaining a new loan for the purpose of refunding her present indebtedness and of providing for other governmental needs. We also understand that, in order to secure such loan upon advantageous terms, the Government of Nicaragua is desirous of enlisting the good offices of our own Government and of entering into engagements with it which shall furnish a satisfactory basis for such security as may be required. Should this information be substantially correct, we beg to say that, as bankers, we shall be glad to have the opportunity of negotiating for such a loan. Apart from our general interest in a matter of this kind, we beg to add that we are interested in the George D. Emery Co.'s claim against Nicaragua, under the protocol of September 18, 1909 and that we have, therefore, a peculiar interest in the readjustment of that country's finances."[1]

Secretary Knox replied that Brown Brothers would have an equal opportunity with other American bankers to bid for any loan Nicaragua might desire to secure.[2]

Meanwhile Thomas C. Dawson proceeded to carry out his instructions. On October 27, 1910, aboard an American battleship, the principal leaders of the Estrada revolution signed a series of agreements later known as the Dawson Pact. These stipulated that the United States would recognize the revolutionary government which it had assisted to seize power on the following conditions:

1. That a constituent assembly be chosen at once which would elect Estrada president and Adolfo Diaz vice-president, for two years. Estrada could not succeed himself and no Zelayists could enter the administration.

2. That a mixed commission, satisfactory to the United States Department of State, be appointed to settle claims, including the Cannon-Groce indemnity.

[1] U. S. Sen. For. Rel. Com., supra, Part VI, pp. 170–171.
[2] Idem.

3. That Nicaragua would solicit the good offices of the American Government to secure a loan to be guaranteed by a certain per cent of the customs receipts collected in accordance with an agreement "satisfactory to both governments."[1]

Dawson cabled these agreements to the State Department. He added that Nicaragua would embody them in a formal communication in which it would also request the United States to send a financial expert to work out a financial plan. The formal communication arrived in Washington soon afterward.[2]

Dawson's dispatch of October 28 informed the State Department that "a popular presidential election is at present impracticable and dangerous to peace." Therefore, as provided by the Dawson Pact, the Conservative Assembly elected November 27–28 unanimously chose Estrada president and Diaz vice-president. On January 1, 1911, President Taft formally recognized the Estrada Government; three weeks later Secretary Knox instructed the new American minister to Nicaragua to carry out the provisions of the Dawson Pact. The dispatch added that Ernest H. Wands had been appointed by the United States Government as financial expert. Secretary Knox forwarded copies of the Santo Domingo loan convention and of the proposed loan conventions with Honduras and Liberia, saying the Honduras convention would "answer all the requirements of the present case." He further instructed the American minister that "the Government of Nicaragua is to proceed at the earliest possible date to the signature of a convention with the United States which shall authorize the contemplated bankers' loan contract" to be secured by a percentage of the customs receipts. Knox also mentioned that the Nicaraguan minister to the United States, Salvador Castrillo, Jr., had requested his government to authorize him to sign the desired convention.[3]

For a time the Dawson Pact was kept secret, but the defeated

[1] U. S. "Foreign Relations," 1910, pp. 763–4.
[2] Ibid., pp. 765–7. Ibid., 1911, pp. 625–7, 652–4.
[3] Ibid., 1910, pp. 765–7. Ibid., 1911, pp. 649–52.

Liberals in Nicaragua obtained a copy and published it.[1] The terms upon which General Estrada was supported by the United States aroused a storm of opposition in Nicaragua. Many patriotic elements saw in the Dawson Pact, with its provisions for a loan and American control of customs, the establishment of a virtual protectorate. American control of elections aggravated the situation. In February, 1911, the American minister in Nicaragua cabled to Secretary Knox that "the natural sentiment of an overwhelming majority of Nicaraguans is antagonistic to the United States, and even with some members of Estrada's cabinet I find a decided suspicion, if not distrust, of our motives." President Estrada, he added in another wire, dated March 27, was "being sustained solely by the moral effect of our support and the belief that he would unquestionably have that support in case of trouble."[2]

13. *The Knox-Castrillo Convention of 1911*

The chief object of supporting Estrada against the opposition of the Nicaraguan people was the floating of the loan and the control of customs to secure the loan. In April the Nicaraguan National Assembly determined to adopt a constitution guaranteeing the independence of the republic and directed against foreign control through loans. This constitution was opposed by the American representatives, and when it was adopted against their opposition, Estrada dissolved the assembly and called for new elections. The step was approved by the State Department at Washington. These proceedings resulted in protests which led to the resignation of Estrada in favour of vice-president Adolfo Diaz.[3]

But Diaz was no more popular than Estrada, and American support was necessary to keep him in office. "I am assured," the American minister wired the State Department on May 11,

[1] U. S. Sen. For. Rel. Com., "Hearings on Nicaraguan Affairs," 1913, p. 15.

[2] U. S. "Foreign Relations," 1911, pp. 655–6.

[3] Ibid., pp. 657–8, 660.

"the Assembly will confirm Diaz in the presidency according to any one of the . . . plans which the Department may indicate. . . . A war vessel is necessary for the moral effect." [1] On May 25 he wired that "rumours have been current that the Liberals are organizing a concerted uprising all over the country with the declared object of defeating the loan." The Liberals, he added, were "in such a majority over the Conservatives" that he hastened to repeat the suggestion "as to the advisability of stationing permanently, at least until the loan has been put through, a war vessel at Corinto." Secretary Knox replied that Diaz should not be permitted to resign and that a warship had been ordered to Nicaragua.[2]

While the struggle between the people of Nicaragua and the American representatives was in progress, Secretary Knox signed a convention with the Nicaraguan representative of the American-controlled government, at Washington. The Knox-Castrillo agreement of June 6, 1911, provided for the floating of a $15,000,000 loan [3] to Nicaragua by American bankers and the control of Nicaraguan customs houses by the United States. Nicaragua also pledged itself not to alter the customs duties without Washington's consent and to submit financial reports to the State Department.[4] At the same time, the State Department negotiated with the banking houses of Brown Brothers and Company, and J. and W. Seligman and Company for floating the loan, stipulating that the Knox-Castrillo convention should be made an integral part of the contract to be signed by the Nicaraguan Government and the bankers.

The draft of an agreement for the $15,000,000 loan was submitted by the bankers to Nicaragua on June 21. The loan was to be paid out by Brown Brothers and J. and W. Seligman, as bankers, to themselves as creditors of Nicaragua in the following way: to liquidate claims against Nicaragua; to establish a bank which the American bankers should administer; to improve

[1] U. S. "Foreign Relations," 1911, p. 661.
[2] Ibid., 1911, pp. 661–2.
[3] Ibid., 1913, p. 1040.
[4] Ibid., 1912, pp. 1074–5. Blakeslee, "Latin America," p. 246.

the national railway, which they should control; and to build a new railway upon their own terms, a concession for which they were to obtain from Nicaragua and which they were to build with Nicaragua's money.[1]

The United States Senate refused to ratify the Knox-Castrillo convention, turning it down three separate times despite the special urging of President Taft.[2] Consequently, the loan agreement submitted by the bankers on June 21 could not go through. The following month, however, the bankers submitted another agreement which the American-controlled government of Nicaragua signed on September 1. Under this agreement Brown Brothers and J. and W. Seligman were to make a temporary loan of $1,500,000 to Nicaragua.[3] The bankers agreed to reorganize the National Bank, taking over 51 per cent of the stock, and allowing Nicaragua to keep 49 per cent.

The loan convention (known as the "Treasury Bills Agreement") stipulated the following terms: (1) $100,000 of the loan was to be used as initial capital for the proposed bank. (2) The balance was to be used for reforming the currency of Nicaragua. (3) The bankers were to hire monetary experts to reform the currency, but Nicaragua was to pay for them. (4) The bankers were to deposit the sum used for reforming the currency—$1,400,000—with the United States Mortgage and Trust Company. (5) The loan was to be secured by a lien on the customs. (6) The customs were to be collected by an American nominated by the bankers, approved by the Secretary of State, and "appointed" by Nicaragua. (7) The customs were not to be changed without the bankers' consent.[4] The contract also gave the bankers a lien on the liquor tax, and reserved to the bankers the right "to solicit of the United States of America protection against violation of the present

[1] U. S. Sen. For. Rel. Com., "Hearings on Nicaraguan Affairs," 1913, Part VI, pp. 174–202.

[2] U. S. "Foreign Relations," 1912, p. 1076.

[3] Ibid., pp. 1078–9.

[4] U. S. Sen. For. Rel. Com., "Convention Between the U. S. and Nicaragua," Part VI, pp. 205–6.

contract, and aid in enforcing its execution." The bankers and Nicaragua were to submit disputes to arbitration by the Secretary of State of the United States. Secretary Knox ordered the American chargé d'affaires to keep the Nicaraguan legislature in session until the loan agreement of September 1 was approved.

Correspondence between American agents in Nicaragua and the State Department at Washington continued to show that the United States was prepared to force political and financial control upon the little republic in the face of almost nation-wide opposition. On July 12 the American chargé d'affaires notified Secretary Knox that "opinion generally expressed is that the United States Government has repudiated its policy of protecting Nicaragua against foreigners holding rights in ruinous concessions or contracts. . . . I strongly urge that no further action be taken until the assembly approves the loan contract." A month later he cabled that the "opposition to these loan contracts and concessions is becoming more determined." [1]

The State Department replied on September 30: "You are instructed that of the Nicaraguan matters under consideration by the Department, the ratification of the pending loan contract and the amendment of the decree establishing a claims commission are of the first importance and should be disposed of before attention is directed to other subjects." On October 5 the State Department again instructed Gunther that "attention should be steadily directed to the loan and the claims commission matters; they are of the first importance and should be disposed of before consideration of political subjects, which should not be discussed unnecessarily." The Nicaraguan assembly approved the loan contracts on October 9.[2]

Under this agreement Secretary of State Knox appointed Colonel Clifford D. Ham as customs collector of Nicaragua. Colonel Ham was recommended by Brown Brothers and Com-

[1] U. S. Sen. For. Rel. Com., "Convention Between the U. S. and Nicaragua," Part VI, p. 636, 639.
[2] Ibid., pp. 667–70.

pany and J. and W. Seligman and Company as a person "worthy of our confidence."[1] From December 11 on, Colonel Ham collected the entire customs duties of Nicaragua. In December there also arrived in Managua Mr. Charles A. Connant of New York and Mr. Francis C. Harrison, formerly of the British Civil Service in India, to act as monetary experts for the bankers.

14. *A Network of Loans*

Juan Estrada was forced to resign because he sought to prevent the adoption of a constitution protecting Nicaragua's independence. His successor, Adolfo Diaz, supported by the "moral force" of an American battleship, continued Estrada's policy. While the loan contracts were being forced on Nicaragua, the assembly completed a new constitution. Chargé d'Affaires Gunther notified the State Department that this constitution provided that all government employees must be Nicaraguans except those on the Claims Commission, and that after adoption the constitution could be amended only by approval of two successive congresses. Gunther asked that the signing of the constitution be postponed: he had "in mind the customs authorities who are not Nicaraguans," but Americans. President Diaz and General Mena, who controlled the assembly, promised that the constitution would not be promulgated until January 31. Secretary Knox insisted that the promulgation of the constitution be postponed until the arrival of the new American minister, Mr. Weizel, on about January 18.[2]

The Nicaraguan assembly resented American interference. On January 12 it ordered the promulgation of the new constitution in a decree declaring that the "interposition of the Chargé d'Affaires of the United States carries with it, in effect, an insult to the national autonomy and the honor of the assembly."[3]

The new American minister's first act on arriving in Nic-

[1] U. S. "Foreign Relations," 1912, p. 1079.
[2] Ibid., pp. 993–6.
[3] Idem.

aragua was to study the new constitution and to notify the State Department of the provisions which he considered objectionable. He called the Department's attention to Article 2, which provided that "no compacts or treaties shall be concluded which are contrary to the independence and integrity of the Nation, or which in any wise affect its sovereignty." Article 55 provided that "Congress alone may authorize loans and levy contract by indirect measures." [1] The constitution also provided that foreigners must present their claims against the government in the same ways as Nicaraguans, and prohibited monopolies for the benefit of private individuals.

Minister Weizel called the State Department's attention to paragraph 14 of Article 85 as "most susceptible of adverse criticism." This section vested in the assembly the power to alienate or lease national property and to authorize the executive to do so "on conditions suitable to the Republic." It added that "the public revenues or taxes shall not be alienated or leased out." [2]

The constitution was promulgated with these clauses in it but the American bankers disregarded them in subsequent contracts and agreements. On March 26, 1912, they entered into an agreement with Nicaragua for a supplementary loan. Part of this loan—$500,000—was to be used by the monetary experts in stabilizing the exchange; the rest—$225,000—was to be used by the Nicaraguan Government for current expenses. The loan was for six months at six per cent, with an additional bankers' commission of one per cent. It was to be secured by the customs revenues, second only to the 1911 loan; by a lien on all government railway and steamship lines; and by the claims of Nicaragua against the Ethelburga syndicate of London. Proceeds of any sale of railways or steamships or any agreement with the Ethelburga syndicate were to be used for the repayment of the loans under this agreement. Anything left over was to be used for repaying the 1911 loan. This agreement also provided that Nicaragua should transfer all its

[1] U. S. "Foreign Relations," p. 997.
[2] Ibid., p. 997, 1003.

railway and steamship lines to a corporation to be organized in the United States and to be tax free. The bankers were to have a one-year option to buy 51 per cent of the capital stock of this new corporation for $1,000,000. If the bankers exercised this option they were to lend the company $500,000 for extensions and improvements. The bankers were also to have an option on the other 49 per cent; Nicaragua could not sell its share to anyone except the bankers until all the loans were paid up. Pending repayment the American bankers were to manage and control the railways and steamship lines exclusively and to choose the board of directors.[1] These loan negotiations were carried on jointly by the State Department and the bankers.[2]

Two months after this agreement was signed the American bankers signed an agreement with the Ethelburga syndicate of London. The Ethelburga bonds represented a loan contracted by the Zelaya government in 1909 for 1,250,000 pounds. By the agreement signed on May 25, 1912, the London balance, after interest and sinking fund had been paid off on the bonds, was transferred to the American bankers for account of Nicaragua. This balance amounted to about $1,195,000. The May 25 agreement was negotiated by the bankers in the name of Nicaragua. Under its terms the republic was to recognize the right of the American bankers and the London interests to "apply to the United States for protection against violation of the provisions of this agreement and for aid in the enforcement thereof." Among the provisions was that the bonds were to be secured by the Nicaraguan customs to be collected by Americans. The American bankers communicated with the State Department throughout the negotiations.[3]

On the same day that this agreement was signed with the Ethelburga bondholders the American bankers signed another agreement with Nicaragua supplementing the loan agreement of March 26. The March 26 loan was secured, in part, by the

[1] U. S. Sen. For. Rel. Com., "Convention Between U. S. and Nicaragua," Part VI, pp. 210–16.

[2] U. S. "Foreign Relations," 1912, pp. 1093–1100.

[3] Ibid., pp. 1081–2, 1100–1; U. S. Sen. For. Rel. Com., supra, Part VI, pp. 234–5; 239–49.

Ethelburga bonds. The supplementary agreement of May 25 provided that after interest and sinking funds on the bonds had been paid the balance should be used to repay loans made by the American bankers to Nicaragua.[1]

15. *Bullet Diplomacy*

Meantime the unpopularity of President Diaz increased. He was able to stay in power only because of American support. His opponents in the legislature were calling for an election. The American minister, with the approval of the State Department, informed them that before settling the political affairs of Nicaragua they should establish the proposed national bank and place the republic on a sound financial basis.

The Liberals refused to wait. On July 29 they proclaimed a revolution, seizing a large store of war materials, a part of the railway and steamers, and several customs houses. The American manager of the Bank of Nicaragua, Mr. Bundy Cole, wired to James Brown of Brown Brothers and Company, in New York, for protection. Brown Brothers and Company replied that the State Department advised them that Major Butler would arrive from Panama with American marines. On August 15 Major Butler landed with 412 marines, half of whom were quartered at the bank.[2] On September 4, 1912, the State Department notified the American minister at Managua that "the American bankers who have made investments in relation to railroads and steamships in Nicaragua, in connection with a plan for the relief of the financial distress of that country, have applied for protection."[3] The American marines at once took drastic action against the revolutionists. According to the report of the United States Secretary of the Navy for 1913, the following naval vessels with approximately 125 officers and 2,600 men participated in the subjugation of the revolution: *California, Colorado, Cleveland, Annapolis, Tacoma, Glacier,*

[1] U. S. Sen. For. Rel. Com., supra, Part IX, pp. 400–1.
[2] Ibid., Part XIII, pp. 504–10.
[3] U. S. "Foreign Relations," 1912, p. 1043.

Denver, and *Buffalo.* "The officers and men participated in the bombardment of Managua, a night ambuscade in Masaya, the surrender of General Mena and his rebel army at Granada, the surrender of the rebel gunboats of *Victoria* and *Ninety-Three,* the assault and capture of Coyotepe, the defense of Paso Caballos Bridge, including garrison and other duty at Corinto, Chinandego, and elsewhere."[1] The most notable event during the campaign was the assault and capture of Coyotepe which resulted in entirely crushing the revolution. The leader of the revolutionary forces surrendered to Rear Admiral Sutherland and was exiled to Panama aboard the U. S. S. *Cleveland.*[2] The part of the American minister in crushing the revolution consisted in sending notes to its leader, General Mena, to surrender the railroads which belonged to the American bankers. In this line of action he was assisted by the bankers' representatives.[3] Following the defeat of the revolutionists an election was held in which the American marines guarded the polls. On November 2 Diaz was re-elected for a term of four years.

16. *Exploiting Nicaragua*

The expenses incurred during the revolution forced Diaz to apply to the American bankers for another loan. The terms on which the bankers offered to make the loan were protested by Diaz as harsh, but they were backed up by the State Department, and were incorporated in the loan agreement on November 4, 1912.[4] Under this agreement the bankers were to lend Nicaragua $500,000 to be secured by the tobacco and liquor taxes, which were to be collected by the American-controlled Bank of Nicaragua. In addition the bankers were to get an option for the purchase of Nicaragua's 49 per cent of the railroad stock for $1,000,000. The $500,000 loan was to be made from the funds realized by the Nicaraguan customs (collected

[1] U. S. Navy, "Annual Report," 1912–13, p. 38.
[2] U. S. "Foreign Relations," 1912, pp. 1053–4.
[3] U. S. Sen. For. Rel. Com., supra, Part X, pp. 424–6.
[4] Ibid., Part VI, pp. 255–6.

by Americans) and the Ethelburga funds.[1] The Nicaraguan congress refused to approve this agreement. After paying $350,000 on account under this agreement, the bankers stopped payments.

While the bankers were negotiating for an option on the entire railroad of Nicaragua, Wilson was elected president of the United States. On February 2, 1913, the American minister at Managua informed the State Department that the bankers would not "advance another dollar nor entertain a new proposition until they are certain that the incoming administration at Washington will continue the present policy. This is deeply disappointing to President Diaz, who desires to reach a definite settlement of the financial question while the present Washington administration is still in office, as it thoroughly understands that question. Nevertheless President Diaz assures me he will not enter into a final loan contract, without previous consultation with the Department." [2] To this Secretary Knox replied that "there is no foundation for the rumor that the incoming administration will change the present policy of the United States toward Central America," and instructed the American minister to confer with Mr. Bundy Cole, American manager of the National Bank of Nicaragua and representative of Brown Brothers and Company.[3]

With this assurance from the State Department, the bankers entered into a new agreement with Nicaragua on October 8, 1913.[4] The agreement stipulated the following:

1. The bankers were to exercise their option to buy 51 per cent of the railroad stock for $1,000,000.

2. They agreed to lend Nicaragua $1,000,000.

3. They agreed to lend the railroad of which they would own 51 per cent $500,000 for improvements and extensions.

[1] U. S. Sen. For. Rel. Com., supra, Part VI, pp. 258–61; Part VIII, 400–7.

[2] U. S. "Foreign Relations," 1913, p. 1035.

[3] Ibid., pp. 1036–67.

[4] U. S. Sen. For. Rel. Com., supra, Part VI, pp. 261–4.

4. The bankers also purchased 51 per cent of the stock of the National Bank for $153,000.

5. They obtained a preferential right to buy the remaining 49 per cent of both bank and railroad. Meantime they were to have custody of all the stock.

6. If Nicaragua defaulted, the bankers had the right to sell the bank and railroad stock six months thereafter.

7. The bankers' option on the concession for the Atlantic railroad granted in the 1911 loan agreement was cancelled.

8. The bank and railroad were each to have nine directors. Six were to be named by the bankers, one by the Secretary of State of the United States, two by Nicaragua.

9. The collection of internal revenues was to be resumed by Nicaragua.

Of the $2,000,000 advanced by the American bankers to Nicaragua in payment for the railroad stock and as a loan, the republic was actually to receive only $772,424. The balance was used to pay off in full all previous loans, for replenishing the exchange fund, buying shares in the National Bank, and paying various charges to the bankers.[1] As a result of this transaction, not only had the American bankers collected all previous loans, but Nicaragua owed them $1,000,000, her Ethelburga balance was gone, and the bankers controlled and managed her railroad and bank.

During the negotiation of the October 8 agreement, the State Department was negotiating for a canal route through Nicaragua for which the republic was to receive $3,000,000. This sum was intended to make it possible for Nicaragua to repay her debts to bankers. The October 8 loan was made with the approval of the State Department.[2] A statement by Brown Brothers and Company and J. and W. Seligman and Company indicates that they had the pending canal treaty in mind. The statement reads, in part:

[1] U. S. Sen. For. Rel. Com., supra, Part VI, p. 280. U. S. "Foreign Relations," 1912, pp. 1094–1102.

[2] Ibid., 1913, p. 1057, 1052.

"Should the United States Senate . . . ratify the pending treaty with Nicaragua, providing for the establishment of a naval station on the Gulf of Fonseca and granting a perpetual right to build the Nicaragua Canal, the proposed payment to Nicaragua of $3,000,000 provided in the treaty as compensation, would put that Government in a position where it could liquidate the greater part of the local debt and claims." [1]

17. *Buying the Canal Route*

The treaty giving the United States the right to construct a canal across Nicaragua was signed on February 18, 1916. It is known as the Bryan-Chamorro Treaty. Under its terms the United States paid Nicaragua $3,000,000 in return for the following concessions:

(1) The right to construct a trans-isthmian canal by San Juan and the Great Lake route or any other route in the territory of Nicaragua.
(2) The control by lease for 99 years of the Great Corn and Little Corn islands and of a naval base in the Gulf of Fonseca.
(3) The United States has the option of renewing the lease on the naval base for another 99 years.[2]

The advantages of this treaty to the United States Government have been explained by Colonel Clifford D. Ham, American customs collector in Nicaragua, to be that it forever eliminates "the danger of a foreign power seeking and obtaining those concessions"; that it promotes "better diplomatic and commercial relations" with Latin America; and that it would be "an important link in the chain, which we are attempting to forge, of preparedness and national defense, and the protection of our investment in the Panama Canal." [3]

That the Bryan-Chamorro Treaty was nothing less than a "proposed protectorate of Nicaragua by the United States" was clearly indicated in the official correspondence on the matter.[4]

One clause in the Bryan-Chamorro Treaty declared that

[1] U. S. "Foreign Relations," 1912, p. 1063.
[2] Blakeslee, "Mexico and the Caribbean," p. 306.
[3] "Review of Reviews," v. 53, p. 185.
[4] U. S. "Foreign Relations," 1913, p. 1027.

nothing in it was intended "to affect any existing rights" of Costa Rica, Salvador, and Honduras. It will be remembered that in 1906 and 1907 the conflicting claims of several Central American republics to the territory comprised in the proposed Nicaraguan canal led to war, and subsequently to the establishment under the direction of the United States of the Central American Court of Justice. The Court was hailed, at the time of its organization, as an inspiring example of international justice. The Court was also invoked again and again by the Taft administration to settle Central American disputes.

During the negotiation of the Bryan-Chamorro pact Costa Rica and Salvador protested.[1] The naval base on the Gulf of Fonseca caused particular alarm.[2] When the treaty was ratified they appealed to the Central American Court of Justice, declaring that the treaty violated their rights. The Court ruled that Nicaragua should maintain the status quo existing prior to the signing of her treaty with the United States; but both Nicaragua and the United States refused to abide by the decision of the Court. Subsequently Nicaragua refused to re-join the Court, and in 1918 the Court was formally dissolved. The United States destroyed its own creation to suit its purpose by instructing Nicaragua to refuse to execute the award.

Since completing the financial and military conquest of Nicaragua in 1913, the American bankers and the State Department have maintained effective control. In 1918 the High Commission of the Republic of Nicaragua was appointed to supervise the expenditures of the republic. The Commission consists of one Nicaraguan and two Americans, the latter chosen by the United States Secretary of State.[3] The Commission's reports are submitted to the Nicaraguan Government and to the State Department.

In 1920 repairs were needed on the Nicaragua railroad, controlled by Brown Brothers and J. and W. Seligman. The American bankers proceeded to float a $9,000,000 loan to Nic-

[1] U. S. "Foreign Relations," 1913, pp. 1022, 1025.
[2] Ibid., p. 1027.
[3] Moody's "Analyses of Investments; Governments," 1925, p. 538.

aragua. The purpose of this loan, they announced, was (1) to refund Nicaragua's external debt, including the Ethelburga bonds; (2) to enable Nicaragua to buy "such stock of the Pacific Railways of Nicaragua as is held by interests other than the Government"; (3) to build a railway to the Atlantic coast.[1] The American bankers, of course, controlled the Ethelburga bonds, and were the only interests "other than the Government" holding stock in the Pacific Railways. The loan largely came back to them with interest paid by Nicaragua.

In July, 1924, Nicaragua finished paying off its debt to Brown Brothers and J. and W. Seligman. As a result the Pacific Railways reverted to the republic. However, two Americans were appointed on the railroad's new board of directors. They were Joseph K. Choate and Jeremiah W. Jenks, who had been appointed to the High Commission.[2] In September of the same year Nicaragua bought the American bankers' share in the National Bank for over $300,000.[3] However, as in the case of the railroad, this formal transfer of the bank did not mean the end of American control. After President Martinez assured Colonel Clifford D. Ham, American customs collector since 1912, that Nicaragua would maintain the gold standard, an American commission was appointed to revise Nicaragua's banking and financial laws. The commission consisted of Abraham F. Lindberg, formerly deputy customs collector in Nicaragua; and Jeremiah W. Jenks, already on the High Commission and the railroad's board of directors.

While the bankers exercised control over Nicaragua's economic life, the State Department and the American marines supervised Nicaraguan politics. Opposition to the American-controlled Conservative government, particularly the Chamorro faction, had not abated since 1913. An uprising took place in the summer of 1921, and the government declared martial law. Washington shipped 10,000 rifles, a number of machine guns

[1] "Commercial and Financial Chronicle," New York, Dec. 18, 1920, p. 2372.

[2] Wall Street Journal, July 14, 1924.

[3] "Commercial and Financial Chronicle," New York, Sept. 13, 1924, p. 1236.

and several million rounds of ammunition. These enabled the Conservative government to retain control.[1] The Chamorro government was threatened by another uprising in the spring of 1922. The government arrested 300 Liberals and declared martial law. The American marines threatened action and the Chamorro government was safe.[2]

As in Haiti, the presence of marines led to conflicts with the natives. In February, 1921, marines wrecked the offices of the Nicaraguan paper *Tribuna,* alleged to have criticised the American troops. The marines were not subject to martial law, but were tried by a United States naval court which sentenced them to two years' imprisonment.[3] In December of the same year marines and native police clashed in the streets; and in January, 1922, a fight between marines and native police resulted in the death of four Nicaraguans, and the wounding of five. The United States Navy indemnified the families involved, and court-martialled the guilty marines.[4] They were sentenced to ten years, but the sentences were later reduced. In August, 1925, the marines were entirely withdrawn from Nicaragua. They have been replaced, however, by a native constabulary trained and officered by Americans.

18. *Militarism as an Imperial Asset*

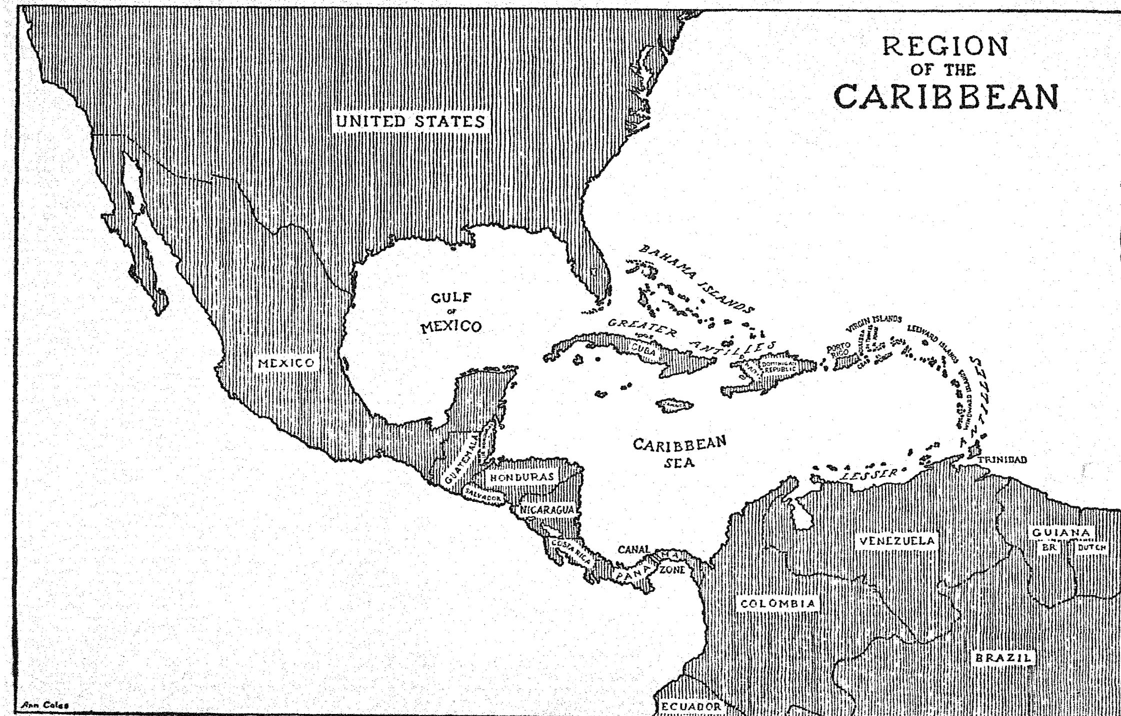
Regulation, such as that described in this chapter, does not necessarily involve the use of armed force, although in all of the cases described the military machine of the United States played a part, even though it was as incidental as that connected with the Hawaiian Revolution. The military machine is close at hand, however, and when the necessity arises, as it did in the cases of Haiti, Santo Domingo and Nicaragua, it is employed without serious question.

Rich, well armed, equipped with a splendid navy, developing its investments in the Caribbean region at a rapid rate, the

[1] "New York Times," Dec. 2, 1921.
[2] Ibid., Apr. 7 and 25, May 23, 1921.
[3] Ibid., Feb. 10 and 27, 1921.
[4] U. S. Congress, 68:1; "Sen. Doc." 24.

United States turns, as a matter of course, to some of its weaker neighbours with the demand that they recognize the economic and strategic interests of the Giant of the North. Refusals greet these demands. The weak nations are still convinced of their right to independence and the exercise of sovereignty. They protest in the name of their "rights." Apparently, a small, weak nation has no rights that a great strong nation is bound to respect. Protests are ignored. Opposition is over-ruled. At length, pressed by political or economic necessity, the strong nation stretches out its military arm.

This is the story of France in Northern Africa, of the Japanese in Korea, of the British in India and Egypt. It is the general experience of great empires in their dealings with undeveloped countries. During the past twenty years the United States has added several important chapters to this experience by her armed intervention in the Caribbean.


REGION OF THE CARIBBEAN
UNITED STATES
MEXICO
GULF OF MEXICO
BAHAMA ISLANDS
GREATER ANTILLES
CUBA
HAITI
DOMINICAN REPUBLIC
PORTO RICO
VIRGIN ISLANDS
LEEWARD ISLANDS
WINDWARD ISLANDS
LESSER ANTILLES
TRINIDAD
CARIBBEAN SEA
GUATEMALA
HONDURAS
SALVADOR
NICARAGUA
COSTA RICA
CANAL ZONE
PANAMA
COLOMBIA
VENEZUELA
GUIANA
BR.
DUTCH
BRAZIL
ECUADOR
Ann Coles