

VI

ACQUISITION WITHOUT ANNEXATION

1. *The Sugar Bowl of the World*

When the United States declared war on Spain in 1898, American investments in Cuba amounted to \$50 million; up to 1909 they had increased to \$141 million;¹ today they have reached a total of \$1,250 million.² In 1902 the volume of exports from the United States to Cuba was \$25 million; at the end of 1923, exports had reached \$193 million a year.³ In the past twenty-two years imports into the United States from Cuba have risen from \$34 million to \$359 million. In 1923 the United States bought 83 per cent of Cuba's total exports; in the same year Cuba stood sixth in rank in the export trade of this country.

This remarkable economic advance has revolved around sugar. Cuba has been called the sugar bowl of the world. Although the island is no larger than the state of Mississippi, it produces every year a million more tons than India, the second largest sugar-producing country. Cuba produces 28 per cent of the world's sugar cane and over 85 per cent of Cuba's yearly sugar crop is sold to the United States; over half of the sugar consumed in the United States comes from Cuba.⁴

Sugar is to Cuba what oil is to Mexico, but in even greater measure. However, American economic interests in the little island extend beyond the sugar plantations. Of the 1,250,000,000 American dollars invested in Cuban resources, sugar has

¹ Cuba; Camara de Comercio, "Boletin Oficial," v. 4, p. 53.

² Pan American Union, "Bulletin," v. 58, p. 729.

³ U. S. "Foreign Commerce and Navigation," 1901-02, p. 103; 1923, p. X.

⁴ U. S. "Commerce Year Book," 1923, p. 121 ff.

absorbed \$750,000,000. The rest is invested in railroads, public utilities, urban real estate, tobacco, factories, mining, merchandising, agriculture, and ports and terminals.

2. *The Platt Amendment*

American economic predominance in Cuba has been paralleled by a political control which has caused one historian to declare that "Cuba is no more independent than Long Island." The history of early American political interest in Cuba will be found elsewhere in this book. The virtual, if not official, annexation of Cuba begins with the defeat of Spain in the Spanish-American War, and the temporary military occupation of Cuba by the United States in 1899. At the beginning of the war the attitude of the United States as expressed in official public documents was interpreted the world over as a magnanimous offer of complete independence to Cuba. The war resolution of April, 1898, contained a section declaring that "the United States hereby disclaims any disposition or intention to exercise sovereignty, jurisdiction, or control over said island except for the pacification thereof, and asserts its determination, when that is accomplished, to leave the government and control of the island to its people."¹

The Spanish troops evacuated Cuba on January 1, 1899, and the government of the island was turned over to General Leonard Wood, who acted as military governor representing the United States. On November 5, 1900, General Wood called a convention at Havana to write a constitution for the Republic of Cuba, and draw up a treaty with the United States. The constitution provided for a president, senate, house of representatives, and supreme court, but the convention was silent on Cuba's relations to the United States.² Under instructions from Washington, General Wood requested the convention to incorporate into the new constitution a series of provisions drafted by the American Secretary of War, Elihu Root. These provisions bound Cuba, among other things, never to make any

¹ Latané, "America as a World Power," p. 27.

² U. S. War Dept., "Annual Report," 1902, v. 1, pt. 1, p. 84.

treaty impairing the independence of the island, and never to contract any public debt in excess of its ordinary revenues. At the same time the United States was to have the right to intervene to protect the independence of Cuba, the acts of its military occupation were to be recognized as legal, and Cuba was to grant the United States naval stations.¹

Washington's request that these provisions be made an integral part of the Cuban constitution roused great indignation in the island. However, since Cuba was anxious to have its new constitution approved and the American troops withdrawn, the convention offered to append Secretary Root's provisions to the document they had drawn up with a few perfunctory statements indicating that the American addition in no way compromised Cuba's independence. But Secretary Root rejected the Cuban compromise, insisting that his articles be incorporated as an integral part of the Cuban constitution without comment of any kind.

Secretary Root's articles, with a few additions suggested by General Wood, came to be known as the Platt Amendment after Senator Platt of Connecticut who introduced them as a rider to the army appropriation bill March 2, 1901. The Platt Amendment was passed before any notice was served on the Cuban convention. The Amendment as adopted by Congress directed the President of the United States to leave the control of Cuba to the people of the island as soon as a government should be established under a constitution which defined the future relations with the United States as follows:

"1. That the Government of Cuba shall never enter into any treaty or other compact with any foreign power or powers which will impair or tend to impair the independence of Cuba, nor in any manner authorize or permit any foreign power or powers to obtain, by colonization or for military or naval purposes or otherwise, lodgement in or control over any portion of said island.

"2. That said Government shall not assume or contract any public debt to pay the interest upon which, and to make reasonable sinking fund provision for the ultimate discharge of which,

¹ Root, "Military and Colonial Policy of U. S.," p. 211.

the ordinary revenues of the island, after defraying the current expenses of government, shall be inadequate.

"3. That the government of Cuba consents that the United States may exercise the right to intervene for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty, and for discharging the obligations with respect to Cuba imposed by the Treaty of Paris on the United States, now to be assumed and undertaken by the Government of Cuba.

"4. That all acts of the United States in Cuba during its military occupancy thereof are ratified and validated, and all lawful rights acquired thereunder shall be maintained and protected."

* * *

"7. That to enable the United States to maintain the independence of Cuba, and to protect the people thereof, as well as for its own defense, the Government of Cuba will sell or lease to the United States lands necessary for coaling or naval stations at certain specified points, to be agreed upon with the President of the United States.

"8. That by way of further assurance the Government of Cuba will embody the foregoing provisions in a permanent treaty with the United States."¹

The Cuban constitutional convention was willing to accept the first and fourth proposals, but not the others. The third article was especially feared as a standing menace to Cuban sovereignty. A protest from Cuba declared that it was the duty of the United States to make Cuba "independent of every other nation, the great and noble American nation included."² But Secretary Root insisted on having the Platt Amendment incorporated in the Cuban constitution, and the convention was forced to yield after General Wood, under instructions from Secretary Root, stated that the third clause of the Platt Amendment did not mean "intermeddling or interference with the affairs of the Cuban Government, but the formal action of the Government of the United States, based upon just and substantial grounds."³ The Platt Amendment was incorpo-

¹ U. S. "Foreign Relations," 1902, p. 321. Ibid., 1904, p. 244.

² Ibid., 1902, p. 362.

³ Root, "Military and Colonial Policy of U. S.," p. 214.

rated in the Cuban Constitution on June 1, 1901, after becoming a United States statute on March 2, 1901.¹ Finally it was made the subject of a special treaty between Cuba and the United States on May 22, 1903.²

The general dissatisfaction of the Cuban people at this legal assertion of American control was somewhat assuaged by repeated and emphatic assurances by American public officials that the United States had no ulterior motives in forcing the Platt Amendment. Nevertheless, presumptions on the basis of the Platt Amendment began almost immediately after the withdrawal of the American occupation and the establishment of a Cuban government under President Tomas Estrada Palma. Protests were sent by Cuba against direct and unofficial dealing with the Cuban Government by certain American consular officials, against the landing of marines on the south coast for making a magnetic survey without Cuban permission, against the American consul at Santiago who attempted to force local officials to improve sanitary conditions. At least two of these cases were presumed on the basis of the Platt Amendment. In every case, however, the United States admitted Cuba's right and sustained her protests, going so far as to remove the American minister, Herbert Squires, after his undiplomatic actions with regard to the Isle of Pines bloodless rebellion.

At the same time the United States almost at once took advantage of Article VII of the Platt Amendment to obtain two naval stations, one at Guantanamo on the south-east coast, the other at Bahia Honda on the north-west coast.³ The Bahia Honda station has not been occupied since 1912, when a new treaty, never ratified, gave it up in return for greater rights at Guantanamo, now more important because of the Panama Canal. The strategic importance of these naval stations for the control of the Caribbean can be seen by a glance at Cuba's geographical position. The island lies close to the United States, about one hundred miles from Key West. The narrow strait

¹ U. S. "Statutes at Large," v. 31, pp. 897-8.

² *Ibid.*, v. 33, p. 2248.

³ U. S. "Foreign Relations," 1903, p. 350.

between Havana and Key West is the only entrance into the Gulf of Mexico available to Northern shipping.

3. *Second Military Occupation*

In 1906 the United States under cover of the Platt Amendment intervened in Cuban affairs by force of arms. In August of that year, following the re-election of President Palma, a general insurrection took place in Cuba. Dr. Alfredo Zayas, one of the leaders of this insurrection, described it as an "armed protest against the frauds perpetrated at the last election."¹ The American chargé d'affaires at Havana, Jacob Sleeper, urged the Palma government to take energetic action against the insurgents,² but the American most active in opposing the rebellion was Frank Steinhart, the American Consul General at Havana. Steinhart came to Cuba as a sergeant in the first American army of occupation; he became Official in Charge of Archives under General Wood, and American Consul General when the American troops were withdrawn. Today he figures in the popular imagination as the Cuban Rockefeller, being head of the Havana Electric Railway, Light and Power Company, capitalized at \$36,000,000, and interested in a number of other important enterprises.

Steinhart, as Consul General at Havana, appealed to the State Department for immediate American intervention. On September 5, Assistant Secretary of State Robert Bacon informed him that President Roosevelt, "for your private information, believes actual, immediate intervention, to be out of the question."³

On September 8, Steinhart cabled to Washington that President Palma requested two United States warships, one to Havana and one to Cienfuegos.

"They must come at once," he wired. "The government forces are unable to quell the rebellion. The Government is unable to protect life and property. President Palma will

¹ U. S. "Foreign Relations," 1906, p. 469.

² *Ibid.*, pp. 456-7.

³ *Ibid.*, p. 475.

convene Congress next Friday, and Congress will ask for our forcible intervention. It must be kept secret and confidential that Palma asked for vessels. No one here except President, secretary of state, and myself knows about it."¹

Two days later Steinhart again cabled for the warships, saying that President Palma was worried because no reply had been received. To this Assistant Secretary Bacon replied on September 10: "Two ships have been sent, due to arrive Wednesday. The President (Roosevelt) directs me to state that perhaps you do not yourself appreciate the reluctance with which this country would intervene. President Palma should be informed that in the public opinion here it would have a most damaging effect for intervention to be undertaken until the Cuban Government has exhausted every effort in a serious attempt to put down the insurrection."²

In response to repeated appeals for action from Steinhart and Chargé d'Affaires Jacob Sleeper, President Roosevelt sent Secretary of War William Howard Taft and Assistant Secretary of State Robert Bacon to Havana. On their arrival, September 28, President Palma obtained the resignation of his entire cabinet, then resigned himself, preventing Congress from electing a provisional president by dissolving it, and appealing to the United States to take over the government of Cuba. A provisional government was established by Messrs. Taft and Bacon, exercising Cuban sovereignty under the authority of the President of the United States,³ and sustained by American troops under the command of General Franklin Bell. On October 13, Secretary Taft turned the provisional government of Cuba over to General Charles E. Magoon and returned to Washington.⁴

The second military occupation of Cuba lasted from 1906 to 1909. It was undertaken under the Platt Amendment. From avowing reluctance to intervene in September, President

¹ U. S. "Foreign Relations," 1906, p. 473.

² *Ibid.*, p. 474.

³ *Ibid.*, pp. 489-90.

⁴ *Ibid.*, p. 494.

Roosevelt reached the point where he could say in his congressional message of May 3 that while the United States did not wish to annex Cuba it was "absolutely out of the question that the island should continue independent" if the "insurrectionary habit" should become "confirmed."¹

The three years of General Magoon's occupation have been described by Cubans as "the most disastrous in the island's history."² At the beginning of the second occupation Cuba had over \$13,000,000 in the national treasury. When General Magoon left the island in 1909 there was a national deficit of over \$12,000,000.

Much of this money was spent on extravagant and irregular contracts for public improvements. Many of the concessions granted by General Magoon were successfully disclaimed by the Cuban Government when he left, but most of them it was forced to sustain, since the United States declared itself "morally responsible" for their fulfillment. One of the most important concessions let by the American military governor to an American company was the concession for paving and sewage in Havana to the McGivney and Rokeby Construction Company. Others were let to H. J. Reilly.

The richest concession was granted to Consul General Frank Steinhart, who had worked hard for intervention. The American authorities found Steinhart invaluable during the military occupation. They officially acknowledged their debt to him in their reports.³ The concession which he received from General Magoon was for the extension of the lines of the Havana Electric Railway, Light and Power Company referred to above. It is the most important public utility corporation in Cuba today, with a capitalization of \$36,000,000, and Frank Steinhart is its president. It maintains a complete street railway system extending into every section of Havana and its suburbs, running through every street of business importance.

¹ U. S. "Foreign Relations," 1906, p. xlv.

² Sociedad Cubana de Derecho Internacional, "Anuario," 1922, p. 407.

³ U. S. War Dept., "Annual Report," 1905-06, p. 450.

The company also supplies the entire city of Havana and the surrounding area with electric light and power. It has two large wharves on Havana harbour. In 1921, when the sugar crisis forced banks to suspend and when imports fell to one-fourth of their normal amount, the company reported a material gain in business, and the statement for that year announced net earnings of over \$5,000,000.¹

Among his other activities, Consul General Steinhart was also financial representative in Cuba of Speyer and Company. In this capacity he put through for Speyer and Company the \$16,500,000 loan of 1909 to finance the sewerage concession mentioned above.

This was the second loan in Cuba's history. The first loan (\$35,000,000, 1904), also from Speyer, was used to pay war claims, many of which had been bought up at a discount by Americans.

4. *The Third Landing of Troops*

The second American military occupation ended in 1909 with the inauguration of President Gomez, but American intervention in Cuban affairs continued. For three years the State Department under Secretary Knox repeatedly interfered in Cuban affairs. In 1912, following the outbreak of race riots, the Platt Amendment was once more invoked and American troops were landed for a third time on Cuban soil.

The race riots were precipitated by the conflict between the Partido Independiente de Color and President Gomez. The Negro party claimed it was deprived by President Gomez of political standing which it had been accorded by the provisional government under General Magoon. Declaring that the Gomez administration was bound to carry out the acts of the American occupation, the Negro party raised the standard of revolt, to gain its political rights.²

Fears for American property in Cuba are repeatedly expressed in the official dispatches from the American minister at Havana.

¹ Havana Electric Railway Company, "Annual Report," 1921.

² U. S. "Foreign Relations," 1912, p. 240 ff,

On May 3, 1912, the Havana stevedores went on strike, and American warships and marines were at once sent to Guantanamo and Santiago. On May 25 the battleship *Nebraska* was sent to Cuba, and additional forces to Key West. A gunboat was also sent to Nipe Bay, where the United Fruit Company has large sugar plantations,¹ and the Spanish-American Iron Co., a subsidiary of Bethlehem Steel, has mines and mills.² These acts were accompanied by a note from Secretary Knox to the American minister to Havana ordering him to "inform the Cuban Government that in the event of its inability or failure to protect the lives or property of American citizens in Cuba the Government of the United States, pursuant to its uniform custom in such cases, will land forces to accord necessary protection." The note added: "This is not intervention."³

By June 5, however, Secretary Knox went so far as to threaten formal intervention: "Four large war vessels," he cabled to the American minister at Havana, "will forthwith be sent from Key West to Guantanamo. It is hoped these measures will at once awaken the Cuban Government to prompt and adequate discharge of its responsibilities, and you will vigorously impress upon the President of Cuba that a continued failure on the part of his Government adequately to protect life and property will inevitably compel this Government to intervene in Cuba under and in response to its treaty rights and obligations."⁴

The sending of American battleships and the landing of troops was accomplished over the continued protests of the Cuban Government that it was doing its best to meet the uprising and in a few days had succeeded in cornering it. The rebellion collapsed when its leader was killed. The American forces were then withdrawn.

The following year, 1913, saw the inauguration of Mario

¹ Moody's "Analyses of Investments: Industrials," 1916, p. 1145.

² *Ibid.*, 1919, p. 916.

³ U. S. "Foreign Relations," 1912, p. 248.

⁴ *Ibid.*, p. 254.

Garcia Menocal as President of Cuba. He was a wealthy sugar planter, a conservative, and as such acceptable to Washington; but his Secretary of Foreign Affairs, Dr. Cosme de la Torriente, resisted the encroachments of the American State Department in various minor cases. Pressure was brought to bear on Menocal to remove him, but Torriente resigned instead.¹

5. *The Fourth Landing of Troops*

The military occupation of 1906 and the landing of American troops in 1912 were both occasioned by political quarrels in Cuba. Another political quarrel led the Wilson administration to follow the policy of its predecessors and to land troops on Cuban territory as the most effective means of enforcing American views. The occasion was the Cuban election of 1917. President Menocal was running for re-election on the Conservative ticket. Early election returns indicated that the Liberals would win. Delays followed. Finally Menocal was declared elected. The Liberals appealed to the Cuban Supreme Court and the court sustained² the claims of the Liberals that election boxes were opened, returns falsified, polls established in inaccessible places, and Liberals barred from voting by force of arms in remote provinces. On the basis of the Supreme Court decision new elections were held in two out of the six provinces. As these provinces usually went Liberal it seemed certain that the Liberals would win.

Meantime the Liberals appealed to the American Secretary of State, Robert Lansing, to request the Cuban Government to guarantee impartial elections. Secretary Lansing formally acknowledged the appeal but took no action. Failing in this, the Liberals attempted to confine Menocal at his country estate and to have the elections held under the Vice President, who was respected for his honesty. Several Liberals were at once jailed and the Conservative Party raised the cry of revolution. The State Department at Washington took notice of the strug-

¹ Sociedad Cubana de Derecho Internacional, "Anuario," 1922, p. 427.

² *Ibid.*, p. 430.

gle by sending official warning that no government not duly elected would be recognized by the United States and that revolution would not be tolerated.¹

Despite this warning, the Liberals occupied several towns including Santiago. The American minister at Havana, William E. Gonzalez, thereupon issued a proclamation to the revolutionists in the name of the United States threatening severe punishment if they did not lay down their arms. He warned them that they would be held responsible for all damage to property, and stated the doctrine evolved by President Wilson that no government founded on revolution would be recognized by the United States.² Significantly enough this threat against the rebels came from a United States official rather than from the Cuban Government.

During this controversy, the Cuban Government, following the example of the United States, declared war on Germany. In the formal note of congratulations sent by the State Department to Cuba it was stated that the Liberal revolutionists would be regarded as the common foe of both the United States and Cuba.³

After several other notes of a similar nature, two hundred American marines landed at Santiago, taking the town from the Liberal revolutionists. This armed invasion was coincident with the holding of the appealed elections. As no precautions were taken to remove the conditions against which the Liberals had risen in arms, Menocal was elected by a narrow margin. Among the Liberals who took part in the revolution crushed by American arms were ex-President Gomez and Dr. Alfredo Zayas, one of the leaders of the 1906 revolt and subsequently president of Cuba.

The Menocal Government, secure in power with the assistance of American bayonets, now agreed to the presence of over 2,000 American marines, which Washington had sent to protect the sugar interests threatened during the revolution.

¹ Cuba; Estado, "Boletin," v. 14, pp. 74-5.

² Ibid., pp. 75-6.

³ Cuba; Hacienda, "Boletin," vi. 16, p. 469.

The explanation for their presence was that they were being trained for service in Europe! Despite this official explanation the troops remained until the end of January, 1912, when the last 350 sailed.

In February, 1919, the American Minister Gonzalez, in a proclamation¹ addressed "to the Cuban people," announced the coming of General Enoch H. Crowder, who had formerly served under General Magoon during the second American military occupation. General Crowder arrived on March 10 with a battleship for moral effect which remained in Cuba during his entire stay, or was relieved by another vessel. He undertook a study of the Cuban electoral law with a view to preventing disturbances. Finding it necessary to revise the census law for this purpose, he sent for another American, Harold E. Stephenson. The administration of Cuban affairs by Americans was carried on at Cuba's expense.²

6. *The Civil Occupation of Cuba*

The arrival of General Crowder marked the beginning of a new American policy in Cuba. Daily regulation was now substituted for occasional armed intervention. General Crowder continually sent notes and suggestions to the Cuban Government. Other American administrators continued to arrive in Cuba. In 1920, an American commission of steamship magnates arrived to clear up the congestion in Havana harbour. The Cuban Government received its report, enacted legislation, and the congestion continued.³ The following year there came B. S. Wells and Oscar Wells, one to keep General Crowder in touch with Washington, the other to reorganize Cuban banking.

Meanwhile, in December, 1920, Albert Rathbone arrived to act as financial adviser to the Cuban Government. He was sent, it was stated, at the request of Cuba, but the Cuban Secretary of the Treasury, Leopoldo Cancio, who was supposed to

¹ Sociedad Cubana de Derecho Internacional, "Anuario," 1922, p. 451.

² Cuba, "Censo," 1919, pp. 2, 18.

³ "La Prensa," July 15, 1920.

make the request, knew nothing about it. This official therefore resigned and Mr. Rathbone took his place during the remainder of his stay.

The American financial adviser investigated the financial crisis of 1920-1921 brought about by the tremendous sugar deflation. Shortly after the war the United States Sugar Control Board abruptly ceased to function. This precipitated a financial crisis in Cuba which was complicated by two other circumstances: first, Cuba owed money to American contractors and investors who appealed to Washington; second, it fell into arrears to the extent of one interest payment on government loans held in the United States.

One of these loans was a credit for \$30 million made by the United States Treasury when Cuba declared war on Germany. The credit was unrequested. Part of it was immediately discounted for four submarine chasers thrust upon Cuba, again unrequested. When interest on this loan fell in arrears one month the United States demanded that Cuba immediately reorganize its finances, threatening intervention as an alternative.

The National City Bank, which is behind practically all American sugar interests in Cuba and controls the Cuba Railroad, took advantage of the Republic's financial difficulties to foreclose its mortgages on a number of native sugar plantations. These plantations were then taken over by the General Sugar Company, a National City Bank subsidiary. By this action, nearly ten per cent of the total Cuban crop was added to the part controlled by Americans.

To stabilize Cuban finances the American financial adviser, Albert Rathbone, made fourteen recommendations which General Crowder, on the second visit, proceeded to enforce in the face of great opposition.¹

1. To restore confidence by removing the moratorium.
2. To relieve dock congestion, which affected American shippers.
3. To make American paper money the only paper legal tender, prohibiting the issue of Cuban paper money.

¹ "Heraldo de Cuba," Jan. 8, 1921.

4. To secure a loan of from fifty to one hundred million dollars.
5. The bonds of this loan must be held in the United States.
6. To form a debt commission to take care of matters pertaining to this loan as long as it exists.
7. To continue the moratorium for thirty days to prepare for its removal.
8. Immediately sell the hoarded sugar crop, an enormous surplus, to Americans at the market price.
9. To ask the United States to sanction the loan officially.
10. To stop Cuban governmental control of sugar prices and not to approve the loan if this is disregarded.
11. To permit American gold to leave the country, repealing the decree forbidding it.
12. To establish a clearing house.
13. To insure the losses of bank depositors.
14. To seek American co-operation in formulating banking laws.

The loan referred to in these fourteen points was issued by J. P. Morgan & Co. in 1923 for the sum of \$50,000,000 and was issued, as specified by Albert Rathbone, "with the acquiescence of the United States Government under the provisions of the Treaty dated May 22, 1903," which ratified the Platt Amendment. The conditions of the loans as set forth in the sales letter issued by J. P. Morgan & Co., on January 15, 1923, indicated the implications of the Platt Amendment and the connection between political control and financial concessions. "The principal and interest of these bonds," the letter states, "are to be forever exempt from any Cuban taxes now existing or which may hereafter exist. . . . By an act of the United States dated March 2, 1901, certain provisions were formulated which have been incorporated by amendment in the Cuban constitution and have also been embodied in a Treaty, dated May 22, 1903, between the United States and Cuba. Under these provisions, commonly referred to as the 'Platt Amendment,' the Republic of Cuba agrees not to contract any public debt the service of which, including reasonable sinking

fund provisions, cannot be provided for by the ordinary revenues. In addition to this financial safeguard, the Republic also agrees not to enter into any foreign treaty or compact which may impair its independence, and furthermore grants to the United States the right to intervene for the purpose of preserving Cuban independence and maintaining a government adequate for the protection of life and property. . . . These bonds are to be the direct obligations of the Republic of Cuba, which pledges its good faith and credit for the prompt payment of principal and interest. In addition they are to be secured:

“(a) By a charge on certain revenues of the Republic, including the customs revenue, subject to existing charges, but prior to any future charges.

“(b) By a first charge on 10 per cent of the amount by which the revenues of the Government in each fiscal year exceed \$60,000,000.”

The sales letter quotes pertinent sections of the Platt Amendment, and adds that “Major General Enoch H. Crowder has been in Cuba during the past two years as the representative of the United States Government for the purpose of assisting the Cuban Government. As the result of his report and recommendations with respect to this loan, the Government of the United States has acquiesced in its issuance.” J. P. Morgan & Co. were also able to state, as a result of the third of Albert Rathbone’s recommendations, that “except for her subsidiary coinage, Cuba uses United States currency. The Cuban Nation, therefore, in a period of readjustment since the ending of the World War, has been entirely free from currency inflation.”

In the process of coercing the Cuban Government to carry out these proposals, as well as other accessory ones of his own contriving, General Crowder for two years was engaged in an intimate intervention in all of the government’s affairs, the infinite details of which can hardly be given in so limited an account. By means of a series of secret “memoranda” directed to the President of the Republic, legislative and administrative re-

forms desired by the State Department or the prospective bankers, were forced upon both the Cuban Congress and the President by thinly veiled threats of financial and military interventions, and legislative conferences at which General Crowder was present were completely overridden by him.

7. *The Economic Occupation of Cuba*

From the first military occupation of Cuba by the United States at the beginning of this century, through subsequent military and civil control, American economic interests have steadily developed their hold upon the island. One of President Roosevelt's earliest special acts was to urge Congress to reduce the tariff on Cuban imports, chiefly sugar.¹ A bill providing for reciprocity with Cuba and for a 20 per cent reduction on sugar, was introduced, but the American beet sugar interests, which had opposed the annexation of Hawaii, fought this bill which menaced the development of the beet sugar industry in the United States. The chief support for reciprocity came from the American Sugar Refining Co., generally known as the "Sugar Trust." The opposition was so strong that President Roosevelt sent a special message to Congress on June 13, 1902, urging the passage of the bill.²

In the course of the controversy the beet sugar interests showed that an active propagandist for the bill, F. B. Thurber, president of the United States Export Association, who had been distributing reciprocity leaflets, was in the pay of the American Sugar Refining Company and of General Leonard Wood, military governor of Cuba. General Wood submitted an explanation to the War Department on July 1, 1902, in which he admitted spending over \$15,000 for reciprocity propaganda.³ This exposure killed the bill in Congress, but by a treaty signed with Cuba, December 11, 1902, the Roosevelt administration established reciprocity. Cuban products were to be admitted at a 20 per cent reduction; American products

¹ U. S. "Foreign Relations," 1901, p. xxxi.

² U. S. Congress, 57:1; "Sen. Doc." 405, p. 1.

³ U. S. Congress, 57:1; "House Doc." 679, p. 2.

were to enter Cuba at 25, 30, and 40 per cent reductions. The treaty also provided that so long as it was in force no sugar was to be admitted into the United States at a lower rate of duty than that provided by the Dingley tariff.¹ Following the signing of this treaty American exports to Cuba rose from \$25 million in 1902 to \$48 million in 1906, while imports from Cuba rose from \$34 million to \$86 million.²

This preferential tariff works chiefly to the advantage of the American sugar refiners, who import 85 per cent of Cuba's total sugar output. The workings of the tariff are described by H. C. Prinsen Geerligs.³

"Through the active cooperation of the American buyers this preference does not altogether go to the Cuban producers, but chiefly falls to the organized American refiners, as in most years the Cubans have no option but to go to the American market. The refiners make the most of it by bidding less for Cuban sugar than for Java or other foreign sugar of the same quality, which, being unprotected, corresponds in price with free sugar and can fetch the world's price. They can easily do this as they take care to bid so much below the world's price as will keep it within 20 per cent of the import duty, in which case their price will still be a little higher than the net world's price. Only when their margin exceeds the 20 per cent will it become profitable for the Cuban planters to offer their sugar in the open market; but the buyers take good care to prevent this until their wants are provided for."

Next to sugar, the railroads and ports represent the most important American investments in Cuba. These depend for their income chiefly on the handling of the Cuban sugar crop. Cuban railways can be grouped under two systems. In the eastern and central provinces are the lines of the Cuba Railroad, which is controlled by the Cuba Company, an American concern owning large sugar lands and mills. This road bears the brunt of the sugar traffic as it passes through the heaviest sugar producing sections of the island,

¹ U. S. "Foreign Relations," 1903, p. 375.

² U. S. "Foreign Commerce and Navigation," 1901-02, p. 103; 1905-06, p. 51.

³ Prinsen Geerligs, "World's Cane Sugar Industry," p. 184.

and is, besides, the only railroad at the eastern end of the island. The Cuba Railroad also owns the Camaguey and Nuevitas Railroad, which has given it a deep-water terminal on Nuevitas, which is considered to be potentially the greatest sugar-port in the world. It also owns the Compañía Industrial y Naviera Cubana, a company running tugs, lighters, and dredges.¹ This first great railway system is run by the Consolidated Railways of Cuba, which controls the Cuba Northern along the north coast, built and owned by Colonel José Tarafa. This line is the only public service railway in the section through which it runs, and has transported on an average of 6,500,000 bags of sugar yearly during the past three years. Its eastern terminal is at Puerto Tarafa.² Nearby are twelve warehouses owned by the railroad. A summary of the ports served by these two railroad systems would include practically all the sugar ports in Cuba.

The second great Cuban railway system is run by the United Railways of the Havana and Reglas Warehouses. It was incorporated in England and most of its directors are English. It controls, however, the Havana Central Railway, a company with a perpetual concession, incorporated in New Jersey in 1905, the majority of whose directors are Americans living in New York. The majority of lines carrying the sugar crops are American controlled.

In 1923 Colonel Tarafa, owner of the Cuba Northern Railways, a veteran of the Cuban wars of independence, was responsible for the introduction of a bill authorizing the consolidation of his road with the Cuba Railroad and the Camaguey and Nuevitas and giving this combined system a legal monopoly of the sugar crop transportation and all future railroad development on the island. In this action, Tarafa actually represented the Cuba Railroad, but it was said that the bill was the result of a controversy between Tarafa and sugar planters using his

¹ Moody's "Analyses of Investments: Steam Railroads," 1924, pp. 2003-7.

² *Ibid.*, pp. 2008-9.

lines who violated their contracts and sent their sugar through private ports of their own.¹ The bill provided for the following:

(1) The formation of the Consolidated Railways of Cuba, which it was claimed would result in an immediate reduction of 20 per cent in the rates for hauling sugar over 100 miles.

(2) The association of all other railway companies with the Consolidated system, since only one such system was to be permitted.

(3) The establishment of about twenty authorized ports and the closing of all other private ports by revoking concessions.

(4) The taxation on all sugar exported through unauthorized ports in cases where railway facilities failed to connect them with an authorized port.

American sugar interests at once protested to the State Department against this bill. They were joined by other American enterprises in Cuba, such as the American Metal Company, which benefited by private ports. The protests objected that the bill was confiscatory in character and would entail loss of property; also that hauling sugar hundreds of miles instead of shipping direct was economically insane. The Rotary Club of Cuba also protested that the sugar industry and consequently the economic life of the country would suffer.²

Martin W. Littleton, counsel for the Cuba Railroad, replied to these objections that the fight was between two sets of American interests, and Washington must not seek to coerce Cuba either way. Owners of private ports, he declared, enjoyed special privileges for which they should be taxed. He added that Colonel Tarafa had consulted American interests before introducing the bills,—notably C. E. Mitchell of the National City Bank, with 24 branches in Cuba, and whose directors own the Cuba Railroad!

The State Department protested against what it called the confiscatory features of the bill, although it looked favourably on the consolidation as promoting efficiency and "correcting

¹ "New York Times," Aug. 12, 1923, p. 4.

² *Idem*.

customs abuses." The Cuban Congress had to wait for the State Department's assent before passing the bill, after Washington had obtained easier terms for American mill owners who would suffer from the proposed taxation.¹ On the other hand, Cuban public opinion was inflamed against creating a railway monopoly favourable to American interests. The Cuban minister to London was recalled because he spoke against the bill and joined in the accusations. The Veterans of the Wars of Independence, and the economic organizations protested with great violence, and carried public opinion behind them. Organized bribery secured its passage in the Cuban Congress.

On September 1, 1924, Colonel Tarafa's Cuba Northern Railways and all its property became part of the Cuba Railroad system, and Colonel Tarafa became a director of both companies. The directors of the Cuba Railroad are the same as those of the Cuba Company and are almost all Americans. The transfer agent is the National City Bank, and three of the Cuba Company directors, including Percy A. Rockefeller, are also National City Bank Directors.²

One of the most striking facts brought out during the controversy over the Tarafa Bill was stated as follows by Colonel Tarafa: "Fully 85 per cent . . . of the sugar interests involved in opposition to the Tarafa bill is held in the United States. . . . And also an equal amount of the capital interested in the railways also is in American hands."³

Theoretically, Cuba is a sovereign state. Practically, the economic and political life of the island is dominated from New York and Washington. This method of control avoids the costs of colonization while it leaves a free field to the American interests. The ownership of Cuba lies almost completely in the hand of the National City Bank. The bank controls directly the General Sugar Company. Its directors control the

¹ *Ibid.*, Aug. 23, 1923, p. 8.

² Moody's "Analyses of Investments: Steam Railroads," 1924, p. 2003.

³ "New York Times," Aug. 23, 1923, p. 8.

Consolidated Railways and the immense sugar holdings of the Cuba Company, as well as many other Cuban corporations. In addition; the twenty-four branches of the National City Bank in Cuba lend money to native planters on sugar security—at 10 per cent interest. The Consolidated Railways under the Tarafa Bill make money on what sugar it does not directly or indirectly control. Cuban political life is directed by the State Department's representative. American domination of the island is thorough.