

AMERICAN POLICY AND NICARAGUA

1921-1927

by

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A THESIS

Presented to the Department of History
and the Graduate School of the University of Oregon
in partial fulfillment
of the requirements for the degree of
Master of Arts

June 1958

APPROVED:

the Thesis

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CHAPTER I

BACKGROUND

The initiation of a specific and sustained Nicaraguan policy by official Washington after the beginning of the twentieth century coincided with the Nicaraguan revolution of 1909.¹ American interest in Nicaragua goes back to William Walker's filibusters and to the many projects to build a canal. Following the decision to build the canal across Panama, the United States continued to take an interest in the strategic importance of Nicaragua and all of Central America. The United States had to deny any enemy military access to the Panama canal or the southern United States by way of Central America. But the rapid

¹ Thus the State Department published A Brief History of The Relations Between The United States And Nicaragua, 1909-1928 (Washington: Government Printing Office, 1928) and The United States And Nicaragua, A Survey of The Relations From 1909 to 1932 (Washington: Government Printing Office, 1932).

acceleration of America's overseas economic expansion about 1900,² in Central America greater trade and the acquisition of mines, forests, and plantations, foreshadowed official Washington's interest in, and manipulation of, Nicaragua's domestic affairs.

Nicaragua is about the size of the state of New York with over three quarters of its population living on the western side of the continental divide. In 1909 Nicaraguan society was composed of indians, negroes, "pure whites," and mestizos, with the latter predominating. The total population was estimated at one half million. Immigration of people born in the United States or Europe was almost negligible. Education in 1909 was virtually nonexistent (the ruling classes sent their children to the United States for an education) and reflected the generally primitive character

²From 1900 to 1930 the percentage of national income saved increased while the percentage going into real capital formation declined. Thus the percentage of surplus capital from the national income as well as the absolute amount flowing into overseas economic expansion increased in these decades. Thomas C. Cochran, The American Business System, A Historical Perspective 1900-1955 (Cambridge: Harvard University Press, 1957), 25, 28, 49, 50, 94, 98. Cochran uses Simon Kuznets' figures. Dollar Diplomacy and later versions of the same approach were simply more vigorous programs to push foreign trade and investment to take up the slack of surplus goods and capital at home. Arthur P. Whitaker, "From Dollar Diplomacy To the Good Neighbor Policy," Inter-American Economic Affairs, (Washington, D. C.), IV, No. 4 (Spring, 1951), 12-19.

of Nicaraguan society.³

Transportation and communication facilities were almost totally inadequate for modern travel. Roads were very primitive, most of which could only be described as trails and paths unfit even for animal carts. In the rainy season from May to October these roads were virtually useless. Steamboats provided service on the rivers and lakes and railroad development was under way, though no line connected the east and west coasts. Several of the towns on the Atlantic and Pacific coasts were ports of call for European and American ships and since steamship service provided the easiest method of communication between the coasts, internal development remained especially retarded.⁴

The five principal Nicaraguan cities in 1909 were Corinto, Leon, Managua, and Granada, all on the western side of the continental divide, and Bluefields on the Atlantic coast. Corinto was the principal port. Arriving here from San Francisco or Panama, one could board the Nicaraguan National Railroad train and travel 127 miles in a southeastern direction to Leon, the center of the Liberal party, on to Managua, the capital city, and then to Granada, the Conservative party center (and the end of the line.) On the east coast,

³Chester L. Jones, Caribbean Interests of the United States (New York: Appleton, 1916), 172-174.

⁴Ibid.

Bluefields was the principal port, economically more tied to New Orleans than to western Nicaragua.

A typically underdeveloped economy coming into increased commercial and financial contacts with the industrialized nations, and especially with the United States, Nicaragua's economy in 1909 was almost totally agrarian. Nicaragua's few industries were small, manufacturing only rudimentary articles for local consumption, such as ice, nails, soap, sugar. The peasant who worked a small plot, or on a plantation, was kept at the basic subsistence level by widespread diseases and poverty. Toward these peasants the ruling classes demonstrated a conspicuous lack of interest in improving their lives. Thus labor was not only paid low wages but worked inefficiently. A native working in an American mine or on a plantation in 1909 received about ten or fifteen cents per day. As a result purchasing power continued to be low. Nicaragua's embryonic labor organization had not made any perceptible impact on its political life.⁵

The first adequate statistical study of Nicaragua's finances and commerce was published in August, 1911⁶ for

⁵Charles P. Howland, American Relations In The Caribbean (New Haven: Yale University Press, 1929), 171.

⁶Bulletin of the Pan American Union. XXXIII (August, 1911), 320-326.

the year 1909, symbolizing a recognition of the growing importance of its trade with the industrialized nations. The principal commercial crop was coffee, raised on large plantations in the Pacific region, and sold to the United States, Germany, and France. The second export was gold, followed by lumber, rubber, and bananas. Fifty per cent of Nicaragua's exports and imports went to and from the United States.

Though an underdeveloped economy, or because of it, a healthy foreign trade was very important to Nicaragua's political stability. Like most underdeveloped economies, almost all of Nicaragua's taxes were from customs revenues. The absence of balanced economic growth, and especially crop diversification, made Nicaragua's position especially responsive to economic conditions outside its borders. Industrialized nations drastically reduced their purchases of raw products from Nicaragua during economic depressions, causing a heavy decrease in government revenues as well as widespread unemployment. Often the civil service and the military forces could not be paid. Revolutions usually

followed such instability.⁷

Nominally a republican form of government, Nicaragua has been dominated alternately by two despotic ruling classes based on geographical, economic, and cultural divisions. Granada, the center of the Conservative party, was located at the western end of Lake Nicaragua. An important city in the colonial period, Granada was the principal commercial center of the interoceanic trade in the middle of the nineteenth century. After the opening of the Panama canal, the leading families of Granada diversified by going into cattle ranching and sustained themselves as the nucleus of the Conservative aristocracy. For votes the Conservatives relied on their retainers in the servant and laboring classes who ever remained dependent on them. They held complete power in the government from 1858 to 1893 and ruled in a fashion not unlike the regime of Porfirio Diaz in Mexico.

The city of Leon on the western shore of Lake Managua remained the Liberal party's center of influence after the

⁷There is no apparent reason to believe that nations such as Nicaragua would at any time become industrialized by reason of their trade and investment relations with advanced capitalist nations. A minimum level of transportation facilities and public utilities were of course developed for essential commercial relations. Beyond this stage of development these nations tended to remain backward within their capitalist framework. See W. Arthur Lewis, The Theory of Economic Growth (Homewood, Illinois: Irwin, 1955) and P. A. Baran, The Political Economy of Growth (New York: Monthly Review Press, 1957).

colonial period ended in 1821. Unlike the Conservatives, a creole aristocracy, the Liberal leaders were of mestizo blood and descendants of the Spanish administrators of the empire. In contrast to the plantation economy around Granada, Leon's economic power was diffused among artisans, small land holders, and a small intelligentsia. With the end of Spanish rule these groups supported the Liberal party in opposition to the plantation aristocracy at Granada. Outside Leon the fertile plain was divided into small holdings which were worked or directly supervised by their owners. Because of their wider distribution of property, the Liberals had more of popular following among the peasantry. This was rendered meaningless, however, because the government in power usually manipulated the elections to its advantage. After intermittent fighting in the nineteenth century, the Conservatives and Liberals finally agreed on Managua as neutral ground for the capital city. Though the Liberals had more of a popular following, the party titles of Liberal and Conservative were largely meaningless. Both ruling classes exploited the peasant and the nation's resources.⁸

The delicate balance maintained by the Conservative rulers after 1863 fell awry in 1893 when they quarreled among themselves about their choice of the next president.

⁸The United States And Nicaragua, 5.

The Liberals successfully capitalized on this opportunity and seized power by revolution. The Liberal leader, José Santos Zelaya, ruled in a despotic and prodigal fashion for the next seventeen years. In the first part of his rule Zelaya initiated some progressive measures, including aid to schools, railroad development, steamship service, and the coffee industry. But Zelaya was an economic royalist and exploited Nicaragua to a degree unparalleled in its history. He granted monopolies which brought him huge revenues and sold valuable concessions to native and foreign business men. In the words of Chester L. Jones, Zelaya sold concessions "for almost any privilege, which international gambler-investors would buy."⁹

At first Zelaya won favor with American business men and the State Department. Americans were among the principal beneficiaries of rich monopolistic concessions Zelaya sold for a small per cent of their value. One American company bought the exclusive rights to navigate the rivers bordering several plantations, which put the owners in such a difficult position they were forced to sell. Thousands of square miles of rich timber land and gold deposits were sold to American business enterprise.¹⁰

⁹Jones, Caribbean Interests of the United States, 176.

¹⁰Harold N. Denny, Dollars for Bullets, The Story of American Rule in Nicaragua (New York: Dial Press, 1929), 65.

Before long, however, Zelaya fell into disfavor with the State Department and American business enterprise in Nicaragua. Such arbitrary acts as inflating the currency and resorting to forced loans eventually undermined Zelaya's rule. American business men refused to pay and Zelaya sometimes resorted to terror. By 1909 he had carelessly caused himself to be thoroughly hated by the foreign business community.¹¹

A brief discussion of American economic interests in Nicaragua and how they came into conflict with the Zelaya regime will provide the necessary link for moving on to a review of the role of official Washington in the 1909 revolution against Zelaya. The fact that over fifty per cent of all Nicaraguan exports moved to and from the United States was in close correlation to the predominance of American investments in Nicaragua. Statistics for American direct investments in Nicaragua in 1909 were not collected but it was known that they were heavily concentrated on the east coast. Banana plantations were important, the Standard Fruit Company being the single most important foreign investment in Nicaragua. The Standard Fruit Company, like a nation inside a nation, owned its own railroad, wharves,

¹¹Ibid., 64.

hospitals, and workers' towns. Much of the balance of the American investment on the east coast was in lumbering and mining. On the west coast Americans owned mines, coffee plantations, and public utilities in the city of Managua. No manufacturing plants were owned or being developed by American or other foreign capital.¹²

President Zelaya's policy of granting monopolistic concessions probably worked satisfactorily at the beginning but it brought him into conflict with new foreign enterprise trying to make an entry into Nicaragua after 1900. And his arbitrary acts cost him heavily with American business on the scene--though the latter had not developed a reputation for restraint in dealing with weaker peoples. An important case in 1909 was the George D. Emery Company which held a lumber concession in Nicaragua. The company paid \$30,000 for this grant July 27, 1894 and agreed to pay \$10,000 annually plus \$1.00 for each log cut. The Emery Company also agreed to plant two trees for each one it cut. After years of successful operation with annual profits of about \$170,000, the firm fell into a dispute with Zelaya. The latter claimed the company failed to plant new trees in accordance with the contract in its area of exploitation and asked the company to live up to its obligations agreed upon in the contract. After lengthy

¹²Howland, American Relations In The Caribbean, 171.

negotiations, the contract was cancelled and the Emery Company entered a claim for \$100,000 against the Nicaraguan government.

The State Department, upon the request of the Emery Company, took up its claim and pressured the Nicaraguan government to make a settlement. The new secretary of state, Philander C. Knox, after extensive negotiations, won an agreement submitting the dispute to arbitration in May, 1909 by a special international tribunal. The tribunal awarded "the United States of America for and in behalf of the George D. Emery company" \$600,000 in gold on the basis of its claim against Nicaragua.¹³ Before payment could be completed the revolution broke out in 1909 and this vested interest remained to be dealt with during and after the revolution.¹⁴

Another important interest of American business enterprise in Nicaragua in 1909 was the "United States-Nicaragua Concession," a mining grant covering 6,000 square miles. The American owner, a Pittsburgh firm, and Zelaya fell into

¹³Foreign Relations of The United States (Washington: Government Printing Office, 1862-1957), 1909, 460-467 (hereafter FR).

¹⁴"Foreign Loans," Hearings Before the Subcommittee of the Committee on Foreign Relations Pursuant to Senate Concurrent Resolution 15, January 25, 26, 27 and February 16, 1927. U. S. Senate (69th Congress, 2nd Session), 26. (Hereafter "Foreign Loans.")

conflict over this valuable concession. As a corporation lawyer, Philander Knox had served the Pittsburgh firm holding the concession before becoming secretary of state and had approved the terms of the original concession.¹⁵ This dispute was still unsettled when the revolution broke out and was the largest single claim settled after the revolution succeeded. The American consul at Bluefields at the time of the revolution, Thomas P. Moffat, testified at a Senate committee hearing that the "United States-Nicaraguan Concession" claim was "the cause of the desire to eliminate Zelaya."¹⁶

Also of importance was the La Luz and Los Angeles Mining Company. Consul Moffat at Bluefields told a Senate committee investigating American policy in Nicaragua that the company was controlled by the Knox "interests" and "the Fletcher family."¹⁷ Whatever the degree of control by these families, Mr. John Martin, the husband of one of the Fletcher daughters, was the manager of the company's branch at Bluefields. At the height of the revolution, he advocated putting Adolfo Diaz, a company employee, in the Nicaraguan presidency, and

¹⁵"Foreign Loans," 62.

¹⁶Ibid., 42.

¹⁷Ibid., 35; Denny, Dollars for Bullets, 62, 73, 74.

said to the American Consul, Moffat, that he was assured of being upgraded in the foreign service provided he would "put Adolfo over the line there."¹⁸

Thus varied American business interests in Nicaragua had cause to be dissatisfied with the Zelaya regime and finance a revolution to depose him. Complaints involving the manipulation of the currency, forced loans, disputes over contracts, monopolistic concessions, and a general disregard of the sanctity of private property had left a strong legacy of antagonism. Business conditions were unstable, work had been interrupted, and profits were jeopardized. Perhaps Zelaya's final undoing was his attempt to assert Nicaragua's full sovereignty over the isolated east coast, commonly known as the Mosquito coast.

The isolation of the east coast from the main part of Nicaraguan life afforded the American and other foreign business interests the opportunity to dominate the political as well as the economic life of Bluefields and other important places on the east coast. When Zelaya attempted to assert Managua's political control over the east coast, he came into immediate conflict with these vested foreign interests. American and other foreign residents had enjoyed low taxation, the easy acquisition of property, and other

¹⁸"Foreign Loans," 36.

privileges of which Zelaya in effect would have deprived them.¹⁹ Like the American interests in Mexico who were finding an unfavorable climate in the Diaz regime, American firms on the east coast of Nicaragua were offered the prospect of little relief until Zelaya was removed. Similarly, dissatisfaction among many Nicaraguans had accumulated and was sure to approve a change of government by revolution.

The State Department was also dissatisfied with the Zelaya regime. In 1908 Washington appointed John Gardner Coolidge, an experienced diplomat, minister to Nicaragua. Minister Coolidge quickly became convinced the Zelaya regime was "all to the bad." He favored the Conservative party because it "was mainly composed of the richer, more responsible, class of men with more to lose, who consequently would be less likely to involve their country in all sorts of wildcat ventures."²⁰ Minister Coolidge decided Zelaya could never be deposed as long as he had Washington's apparent approval. He resigned his position and recommended that no new minister be sent to replace him. This recommendation was followed. A few months later in October, 1909, the revolution started.

The American and other foreign business men financed the revolution by the Conservatives with Adolfo Diaz of the

¹⁹Denny, Dollars for Bullets, 67.

²⁰John Gardner Coolidge, quoted in ibid., 71-72.

La Luz and Los Angeles Mining Company as treasurer.²¹ Consul Moffat at Bluefields informed the State Department he had "reason to believe" that a revolution would begin October 8, 1909 and gave the details of how it would transpire.²² Moffat predicted there would be a provisional government which would protect American property and that it would immediately request American recognition. A few days later Moffat reported the east coast was captured by the revolutionists "without difficulty" and that the population was "jubilant." Moreover, "the foreign business interests were enthusiastic" and the "overthrow of Zelaya appears absolutely assured." Consul Moffat reported "the annulment of all concessions not owned by foreigners" and that the immediate reduction of the tariff is "assured." The American consul said the "new Government here is friendly to American interests" and that he had "assurances in writing" of its "friendship."²³

With the establishment of Juan J. Estrada as provisional president of the revolutionary government, Secretary Knox broke diplomatic relations with the Zelaya regime December 1

²¹Howland, American Relations In The Caribbean, 175; Denny, Dollars for Bullets, 73-75.

²²Moffat to Knox, October 7, 1909, FR: 1909, 452.

²³Moffat to Knox, October 12, 1909, FR: 1909, 452.

1909. In a note handed to the Nicaraguan charge in Washington, Knox charged Zelaya with promoting "tension and turmoil" in Central America, breaking conventions, subverting republican institutions, suppressing public opinion and the press, putting in jail men with "any tendency to real patriotism," being a blot on Nicaraguan history, executing two Americans in the hire of the revolutionary army, menacing the American consulate, and failing to protect American property. Moreover, Knox was now "convinced that the revolution represents the ideals and the will of the majority of the Nicaraguan people more faithfully than does the Government of President Zelaya, and that its peaceful control is well-nigh as extensive as that hitherto so sternly attempted by the Government at Managua." Thus Knox dismissed the Zelaya regime. In doing so Washington held both factions "strictly accountable for the protection of American life and property" and said it would act "as it deems wise and proper to protect American interests."²⁴

Possibly enough evidence will never be obtained to characterize the exact role played by American business men in the 1909 revolution and the aid promised and given to the revolutionists by American representatives. Two Americans, Le Roy Cannon and Leonard Groce, fighting with the revolutionists as dynamiters, were captured and shot by the Zelaya

²⁴Knox to Rodriguez, December 1, 1909, FR: 1909, 455-457.

forces.²⁵ Consul Moffat testified before a Senate Committee that he heard, upon arriving in Bluefields, references to conversations by American officials advising Nicaraguans to "get up and get rid of Zelaya" and that some kind of promises had been made to assist the revolutionists.²⁶ Moffat described meetings by Adolfo Diaz with large groups of men at American firms in Bluefields.²⁷ Consul Moffat also said Diaz and Juan Estrada told him of support promised by American naval officers for any revolution against the Zelaya regime.²⁸ Whatever the character and the extent of promises made by American officials, the record is clear on one point: Once the revolution started official support was given to the insurgents as against the established regime.

Soon after the insurgents started fighting President Zelaya dispatched troops to capture Bluefields and suppress the revolution before it could spread. Confronted by Zelaya's superior forces, General Juan Estrada, the principal revolutionary leader, informed Consul Moffat he could no longer

²⁵FR: 1909, 446-451.

²⁶"Foreign Loans," 33.

²⁷Ibid.

²⁸Ibid., 34.

protect American property in Bluefields from the Zelaya forces and said they would loot the town because they "feel that the Americans have started this revolution."²⁹ After Moffat consulted with the State Department and local American business men, United States naval units were dispatched to Bluefields. Moffat said great losses would occur if fighting took place in Bluefields, American business men having \$2,000,000 in supplies along there. The American marines prevented the Zelaya forces from capturing Bluefields and taking possession of the important customs houses. Following the defeat of his troops, Zelaya resigned because of "the hostility manifested by the American Government" and fled the country on a Mexican warship.³⁰

Dr. Jose Madriz, designated by the Nicaraguan Congress as Zelaya's successor, promptly asked for a truce. But the revolutionists refused to accept the acts of Congress and considered Madriz "the usurper of the rights of the people."³¹ Unsuccessful in getting a truce, the Madriz government purchased a British vessel at New Orleans, filled it with arms, had it fitted out on the east coast of Nicaragua, and attempted to blockade Bluefields in order to prevent shipments of arms

²⁹Ibid.

³⁰Merry to Knox, December 18, 1909, FR: 1909, 459.

³¹Moffat to Knox, December 27, 1909, FR: 1910, 738.

from New Orleans to the revolutionists.³² Soon after Madriz's forces attacked Bluefields and his ship blockaded the harbor, American naval forces intervened to keep it open for shipments to the rebels, stopped the fighting in Bluefields, and warned the Madriz forces that any firing on American ships would cause a declaration of war. Assistant Secretary of State Huntington Wilson said the United States "admits the right of the Estrada faction to collect customs for Bluefields, and denies that right to the other faction."³³ Presently Madriz followed Zelaya into exile and the revolution won complete victory.

General Estrada, heading a provisional government, quickly informed the State Department of new elections to be held, a new constitution to be promulgated, Nicaragua's need for a loan, and offered reparations for Zelaya's killing the two Americans hired by the revolutionary forces. Dispatching a representative to Managua, the State Department specified a "constitutional" government which would provide "suitable guarantees for foreigners" and dissolve the "commercial monopolies."³⁴ In addition Nicaragua should accept

³²FR: 1910, 751.

³³FR: 1910, 742-759; Wilson to Moffat, May 31, 1910, FR: 1910, 750; Howland, American Relations In The Caribbean, 175.

³⁴AA A. Adee to Dawson, October 11, 1910, FR: 1910, 762-763.

an American loan to reform its finances. The loan agreement was to be secured by customs receipts, to be guaranteed by treaty, and to include American supervision of the customs receivership. The Nicaraguan government would then pay the American claims of damages. Thomas P. Dawson, Knox's representative, after some negotiation gained these objectives in a series of documents known as the Dawson Agreements. New candidates, Juan Estrada as president and Adolfo Diaz as vice president, were agreed on, elections held, and the Conservatives won a complete victory. The Liberals were denied any participation in the new government. Knox said Nicaragua "can rely unhesitatingly upon the cordial and loyal support and cooperation of the Government of the United States" in its efforts to gain "ordered liberty."³⁵

Certain difficulties in Knox's program developed when Minister Elliot Northcott reported that Estrada now believed "that the only hope for Nicaragua is [a] close alliance with the United States" and that the 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." A month later Northcott reported: "As the matter now looks

³⁵Knox to Northcott, January 20, 1911, FR: 1911, 649-652. Ibid., 652-655 for the agreements.

to me President Estrada is being sustained solely by the moral effect of our support and the belief that he would unquestionably have that support in case of trouble."³⁶

Beneath the surface of Nicaragua's peace the factions in the Conservative party struggling for power jeopardized the American program and especially the completion of the loan agreement. Minister Northcott finally lost confidence in President Estrada and issued an ultimatum: "You have got to turn over the power and leave the country; otherwise my Government will not further recognize you."³⁷ Caught between his own domestic critics who mistrusted his pliant policy with the United States and the disapproval of the American minister, Estrada resigned. Adolfo Diaz, who apparently had been the original favorite of the American business interests, assumed the presidency. Then Minister Northcott informed the State Department, saying "a war vessel is necessary for the moral effect."³⁸ Acting Secretary of State Huntington Wilson replied: "Make suitable expression of this Government's satisfaction with the Diaz Government's assurance of its desire to continue with the program."³⁹

³⁶Northcott to Knox, February 25, 1911, ibid., 655; same to same, March 27, 1911, ibid., 656.

³⁷"Foreign Loans," 38.

³⁸Northcott to Knox, May 11, 1911, FR: 1911, 661.

³⁹Wilson to Northcott, May 14, 1911, FR: 1911, 661.

Accordingly the State Department dispatched the warship Yorktown to "intercept" a filibustering expedition of the "anti-American party" enroute to Nicaragua to overthrow Diaz. Knox instructed the American representative at Managua to inform Diaz that "the United States renews assurances of its support in assisting his Government in so far as it properly may," and to advise the minister of war, General Luis Mena, Diaz's chief rival, that "since Diaz is the constitutional President, recognized by this Government as such," the minister of war "must see it to be indispensable to his own interests that Diaz remain in office." Diaz was also to be assured that the Yorktown was ordered "from Panama to watch for the reported filibuster."⁴⁰

Following the assumption of the presidency by Diaz, a man responsive to American interests, a more thorough reform of Nicaraguan affairs was formulated in the Knox-Castrillo Convention, signed June 6, 1911. This agreement outlined the American program for the next decade or more. Though Knox rejected President Diaz's offer "of a treaty with the American Government to so amend or add to the [Nicaraguan] constitution as to assure that assistance, permitting the United States to intervene in our internal

⁴⁰Northcott to Knox, May 30, 1911, FR: 1911, 662; Knox to Northcott, June 1, 1911, FR: 1911, 662.

affairs," the principal points of the convention and the permanent stationing of one hundred American marines at Managua as a "Legation Guard" were thought sufficient to stabilize Nicaraguan affairs.⁴¹

In this convention Nicaragua agreed to refund its internal and external debt, adjust the foreign claims against it, and to sign a contract for "placing its finance upon a sound and stable basis." The loan was to be secured by the customs receipts and Nicaragua agreed to alter the import and export customs duties only with the approval of the United States. A full and detailed report of Nicaragua's financial operations was to be submitted annually to the Department of State. Nicaragua also agreed to appoint a Collector General of customs to be selected from a list made by the fiscal agent, the American bankers, and approved by the president of the United States. In his message to the Senate President Taft said the Knox-Castrillo Convention was "a practical measure of peace" giving the United States a "vast commercial advantage" in Nicaragua and that it would "greatly reduce" American military "interference" in Central America.⁴²

⁴¹Diaz to Gunther to Knox, December 21, 1911, FR: 1911, 670.

⁴²FR: 1912, 1076; ibid., 1074-1076 for a copy of the convention.

After the failure of the Senate to ratify the convention the American program was implemented by the Treasury Bills Agreement signed September 1, 1911 by Nicaragua and the banking houses of Brown Brothers and J. & W. Seligman and Company. The bankers became virtual caretakers of Nicaraguan finances. New currency to be issued in the financial reorganization was secured by the customs revenues which could be altered only after the bankers' approval. The bankers nominated the Collector General and the State Department approved the appointment. An American, Clifford D. Ham, was appointed Collector General and served till June, 1928. The bankers were given an option to buy fifty one per cent of the shares of the new Nicaraguan Railroad (incorporated in the state of Maine), all established under the Treasury Bills Agreement.⁴³

These official policy arrangements in the years 1909-1912 fixed the pattern that was carried over into the post-war years. The Bryan-Chamorro Treaty signed August 5, 1914 giving the United States the exclusive right to build a Nicaraguan canal and granting land for a naval base, all for three million dollars, was further manifestation of the pliant character of the Nicaraguan leaders installed under the protection of the American marines. A former employee

⁴³The United States And Nicaragua, 13-15, 17-19.

of an American firm was now President of Nicaragua. American bankers reformed Nicaragua's fiscal policies and purchased the controlling interest of the National Bank and the National Railroad. Nicaragua's new constitution provided legal safeguards designed to encourage American capital. The business principles reflecting those of the United States were adopted, such as the dissolving of all monopolies sold by the Zelaya regime. An American Collector General of customs supervised the revenue collection which further assured the repayment of the bankers' loan. The State Department maintained control over all changes in customs duties. A tribunal was provided for, made up of two Americans and one Nicaraguan, to pass on all American and other foreign claims against the Nicaraguan government.

Thus, by 1914, American capital and commerce had achieved a rapid extension of power and influence in Nicaragua.

American policy in Nicaragua from 1909 to 1912 is a particularly good example of the national interest as viewed by the State Department and illustrates how American public and private policy in action became interwoven and, in turn, how both were intimately involved in Nicaraguan politics. The American financial program, American investments and commerce in Nicaragua, Washington's policy of granting de jure recognition and its close association with such retainers as Adolfo Diaz, were viable instruments of America's hegemony, an "informal empire."

CHAPTER II

SECRETARY OF STATE HUGHES AND AMERICAN POLICY, 1921-1925

On August 22, 1921 the American minister at Managua reported to the State Department the invasion of Nicaragua by a Honduran revolutionary force of four hundred to six hundred troops. The American minister requested the State Department to send a warship to the east coast of Nicaragua and an "energetic note" to the Honduran government.¹ "No matter who is responsible the relations between Salvador, Honduras and Nicaragua are rapidly getting worse," the American minister to Salvador reported a week later. The latter recommended under American auspices a "full and frank discussion of general political, economic and military questions and if possible a protocol signed guaranteeing peace and perhaps stipulating that in case of threatened hostilities they will ask the United States to interfere."²

As Secretary of State Charles Evans Hughes assumed charge of the State Department in March, 1921, Nicaragua's strained relations with Honduras and Salvador threatened

¹Jefferson to Hughes, August 22, 1921, FR: 1921, II, 554.

²Schuyler to Hughes, August 31, 1921, ibid., 557.

the peace of Central America. Much of this international tension reflected differences about the proposed federation of the five Central American nations. And the Nicaraguan departments close to the Honduran border were in revolt against the Conservative government at Managua.

Secretary Hughes, holding no hope at this time for a successful conference, vetoed the proposal of the American minister to Salvador as premature. While willing to consider "any measure which might help to bring about a better understanding between the Governments of the three Republics," Hughes preferred to postpone taking action, believing that it would be wiser to await the results of the Constituent Assembly which had been called to consider the establishment of a Central American federation. Then the United States could consider "any action with the view to readjusting the relations of the Republics with one another."³

American business interests in Nicaragua, and especially at Bluefields on the Atlantic coast, as was their custom when such disturbances occurred, called on the United States government for assistance in the protection of their property. As with his predecessors, Hughes used American naval and marine units, organized for this purpose as the Special Service Squadron, as a show of force to discourage disorder and revolutions in Central America, including the temporary

³Hughes to Schuyler, September 3, 1921, ibid., 559.

occupation of territory as "neutral zones." In the present difficulty Hughes dispatched a warship to Bluefields September 2, 1921. "There is no doubt," the vice consul at Bluefields reported, that the American warship "had a great deal to do towards quieting the local situation, politically and morally."⁴

In August, 1921 prior to the arrival of the warship, Nicaragua had requested the sale of a large supply of arms and ammunition from the United States for stabilizing its position in Central America. The Nicaraguan minister in Washington, Emiliano Chamorro, reviewed the new loan contracts made by his country in 1920 with Brown Brothers and Company and J. & W. Seligman and Company, New York banking houses. Chamorro said Nicaragua accepted "the friendly assistance of the Government of the United States, under which contracts the collection of the customs duties of the Republic was turned over to a Receiver General...nominated by the Government of the United States." Recalling "the declaration of the Department of State that it would not brook any armed intervention against the Government of Nicaragua," Minister Chamorro strongly implied an interest of the United States in supplying the arms.⁵

⁴Waters to Hughes, September 7, 1921, *ibid.*

⁵Chamorro to Hughes, August 24, 1921, *ibid.*, 565.

Secretary of War John Weeks, who held the authority to pass on all arms sales to foreigners, advised Hughes that he thought it undesirable as a general policy to sell surplus arms to other governments. The opposition of the secretary of war coincided with an invitation from the League of Nations inviting the United States to sign an agreement designed to control and curb the distribution of more arms throughout the world. Hughes disagreed. "I am inclined to think," the secretary of state replied to Secretary Weeks, "that the sale of the arms requested by Nicaragua would be desirable from the point of view of this Department, in view of our special interest in the maintenance of stable government in that country, and in view of our participation in the supervision of the financial affairs of the Republic." It is "very desirable," Hughes said, that Nicaragua "be able to maintain order."⁶ The United States sold arms to Nicaragua, twice the amount of the original order, on credit. Seven years later these arms were used to fight American armed intervention in Nicaragua.⁷

The sale of arms and dispatching a warship to Nicaragua in October, 1921 quieted the revolutionists there but the threat of a general Central American war persisted. The

⁶Weeks to Hughes, October 14, 1921, ibid., 568; Hughes to Weeks, October 22, 1921, ibid., 569.

⁷Denny, Dollars for Bullets, 193.

acting chief of the Division of Latin American Affairs, Dana Munro, reviewed the "urgent necessity" for American intervention to "prevent the international situation from getting entirely beyond control." Munro recommended sending warships to Central American ports to insure the preservation of peace. "Our representations will not have full effect unless we back them up in this manner," he said.⁸

Hughes informed all Central American governments December 14, 1921 that the United States would "view with the greatest concern" any attempt at interference by one Central American country in another. "This Government feels that no lasting federal union [of Central America] could be imposed by force," Hughes said. Any attempt to do so would discredit Central America "in the eyes of the civilized world."⁹ Hughes did not implement Munro's recommendation to back up his warning with a show of American naval forces. The threat of war subsided and the movement for union or federation of Central America suffered an important setback, though not necessarily because of American policy.

A detachment of about one hundred United States marines, an occupation force dating from the Taft and Wilson administrations, continued to be stationed in Managua as a stabilizing

⁸Munro to Fletcher, December 14, 1921, FR: 1921, I, 160-161.

⁹Hughes to Coold, December 14, 1921, ibid., 161.

force in Nicaraguan politics and in general to preserve
er and protect American property. Thus a de facto situa-
tion tended to exist which maintained the existing govern-
ment in power because of Washington's opposition to all
revolutions. And the Conservative party, then in power,
manipulated elections to perpetuate its power. Frustrated
groups would sometimes attempt a quick seizure of power,
as in October, 1921, in spite of American marines in Nicaragua.
In May, 1922 the next revolution came in Managua.

"About one hundred revolutionists representing dissatis-
fied factions of the Conservative party...quietly seized
Loma fortress," the American minister, Charles E. Ramer,
reported May 21, 1922. These revolutionary Conservatives,
who were denied any share in the government, were warned
by the commander of the marine detachment in Managua that
"any firing upon the American camp or city of Managua would
result in immediate intervention of American forces to pre-
serve order and protect American interests." Most of the
American residents sought refuge inside the marine camp.
The American minister also gave the official protection of
the marine camp to the president of Nicaragua and his cabi-
net. Minister Ramer, "repeating the warning of possible
military intervention," secured an agreement with the leaders
of the revolutionists and the government forces to attend

a conference in the American Legation that afternoon.¹⁰

At this conference the American minister emphasized "that my government would not permit this revolution in Nicaragua." Ramer used the strongest possible language to suppress the revolution before it spread. "I indicated to them," he reported, "that they could not carry out their revolutionary plans without eventually involving this Government." The United States, he said, "would go to the limit in suppressing it and preserving order." For added emphasis Minister Ramer ordered the Special Service Squadron, not far away, to proceed directly to Nicaragua. "I informed them of Admiral Cole's approaching visit and added that 10,000 additional marines were within a few days call."¹¹

Minister Ramer's vigorous intervention forced the revolutionists to surrender Loma fortress, which commanded the city of Managua, and accept an armistice. The participants at the conference drew up an agreement, signed it, and documented it with the seal of the American Legation. Following his intervention the American representative reported to Hughes that "the Legation acted drastically in this crisis and I am eager to secure the Department's approval." Two days later Hughes replied that "your action is approved and the Department desires to commend the prompt

¹⁰Ramer to Hughes, May 21, 1922, FR: 1922, II, 748.

¹¹Ibid., 749.

and capable manner in which you handled the situation." This conformed to Hughes' general disapproval of all revolutions which threatened American lives and property. Hughes made it clear to the Nicaraguan minister in Washington that Minister Ramer's "action had this Government's full approval."¹²

Hughes looked with "displeasure and disapproval upon any revolutionary movements" in Central America. Understandably, he held a strong interest in the continued diplomatic incidents and interrevolutionary activity on the Nicaragua-Honduras border. "Inform President Chamorro," Hughes cabled the American minister January 30, 1922, "that this Government is unwilling to give any credence to a report that Nicaraguan officials are in any way abetting revolutionary activities in Honduras." Any such activity, Hughes warned, "would necessarily be viewed as an act of bad faith toward the United States which has recently provided Nicaragua with [a] large quantity of armament." The State Department, Hughes said, supplied the armament on the "confident assumption" that Managua would "use it only for the maintenance of internal order."¹³

Hughes remained "very much disturbed" by the "repeated reports" of revolutionary action on Nicaragua's borders.

¹²Ibid.; Hughes to Ramer, May 23, 1922, ibid; Memorandum by Hughes, May 25, 1922, ibid., 750.

¹³Hughes to Schuyler, August 15, 1922, FR: 1922, I, 421; Hughes to Ramer, January 30, 1922, FR: 1922, II, 561-562.

"The resulting danger of the peace of Central America," Hughes informed Minister Ramer, "call for very much more energetic actions than the Government of Nicaragua has as yet taken." Desiring a "definite end" to these disturbances, Hughes' representative made more vigorous representations. The secretary of state was "constrained to add" that failure to comply with American demands "must be regarded as an indication that the Government of Nicaragua is either unwilling or unable to perform the obligation resting upon any civilized Government."¹⁴

In hope of a solution for these problems, Hughes approved the Nicaraguan foreign minister's proposal for a conference between the presidents of Honduras and Nicaragua aboard an American warship. The presence of the American ministers to Nicaragua and Honduras at this conference gave Hughes additional influence at the proposed conference. The secretary of state felt "glad to have the American Ministers to Nicaragua and Honduras present as observers, and to offer their good offices, if requested, with a view to tranquilizing the situation in Central America." Hughes next invited Salvador to attend the conference. After agreement for the conference was secured, Hughes announced to these nations that he did "not wish any revolutionary disturbances in any of the countries." He emphasized to "all countries

¹⁴Hughes to Ramer, July 19, 1922, FR: 61922, OFI, 570.

concerned" that the State Department "expects them to maintain quiet and order during the conference."¹⁵

At the conclusion of the conference the governments of Nicaragua, Honduras, and Salvador agreed to support the General Treaty of Peace and Amity signed in Washington by the five republics of Central America December 20, 1907. Honduras, Nicaragua, and Salvador also agreed to call a conference of the five Central American nations to meet in December, 1922 to promote "a practicable way which may lead to the ideal of the Central American Union." Specific issues to be discussed included free trade, unification of currency, unification of tariffs, all in preparation for "the political unification of Central America."¹⁶ These nations intended that the conference should be one for Central American nations alone and that the United States would not be invited.

Events in Washington and Central America altered the course of the forthcoming conference on Central American affairs. Conditions in Central America, Hughes wrote President Harding, make it appear "advisable for the United States Government to take some steps looking to the establishment of more peaceful and stable relations." Citing

¹⁵Hughes to Ramer, July 31, 1922, FR: 1922, I, 418; Hughes to Schuyler, August 15, 1922, ibid., 420.

¹⁶FR: 1922, I, 422-425 for the text of the agreement.

the conference of Nicaragua, Honduras, and Salvador on board the American warship in August, 1922 as "a step in this direction," Hughes said "something more definite is needed to make permanent the gains already made and to accomplish other needed reforms."¹⁷

The idea of organizing a conference in Washington of the Central American nations "on similar lines" to the one held in 1907 "has been before the consideration of the Department for some time," Hughes advised Harding.¹⁸ A perfect opportunity for Hughes to seize the initiative occurred when Nicaragua and Salvador suggested to Hughes that he issue invitations to all five Central American nations to meet in Washington. The issuance of invitations by a neutral nation offered more assurance of acceptance by Guatemala and Costa Rica--the two nations that did not attend the previous conference of that year.

Secretary Hughes wanted a Central American conference but one that the United States would be invited to. "It would appear," Hughes decided, "that the present is an auspicious time to issue invitations for such a conference." Harding gave his customary approval of Hughes' ideas--and the latter was free to proceed. Drawing on his experience at the Washington Conference, Hughes attached an agenda

¹⁷Hughes to Harding, October 21, 1922, *ibid.*, 428.

¹⁸*Ibid.*, 429.

to the invitations to the five Central American nations. This move secured for Hughes additional assurance that the conference could be guided along lines desired by the United States. Earlier Hughes demonstrated no enthusiasm for Central American unity. Now he kept this subject, the principal reason Central American nations wanted the conference, off of his agenda. In issuing the five invitations, Hughes instructed the American ministers to "verbally and confidentially inform the President" of the country to which they were accredited "that the Government of the United States does not contemplate the discussion of a Central American Union at this conference."¹⁹

Only one more detail remained: These nations must invite the United States to their conference in Washington. Hughes instructed his representatives to these countries "to say that this government would be glad to participate in the Conference itself through duly appointed delegates, or to give its friendly aid outside the actual deliberations of the Conference." Only Costa Rica shunned direct participation by the United States. "You can easily appreciate how embarrassing the present situation is," Hughes informed his representative at San Jose, "and how gratifying it would be if this Government should receive from

¹⁹Ibid.; Hughes to Davis, October 21, 1922, ibid., 431.

the Government of Costa Rica an invitation."²⁰ After being prompted, Costa Rica agreed to direct American participation: Hughes' skillful maneuvering gained his objectives.

The General Treaty of Peace and Amity, signed February 7, 1923, represented the outstanding achievement of this Washington conference on Central American affairs, at least for American policy makers. Though the United States was not a signatory to the treaty, Hughes and Sumner Welles, the American delegates, supported its provisions with the power and influence of the United States. Article II, the essential feature of the treaty, committed all Central American governments not to recognize any other government of these five republics coming into power by revolution. And any Central American leader engaging in revolutionary activities disqualified himself as a future presidential candidate. Thus Hughes wrote into the treaty America's official policy of de jure recognition, the idea that a government would be judged beyond its de facto ability to maintain order.²¹

²⁰Hughes to the Diplomatic Representatives in Costa Rica, Guatemala, Honduras, Nicaragua, and Salvador, November 11, 1922, ibid.; Hughes to Davis, November 17, 1922, ibid., 433.

²¹Charles E. Hughes, Our Relations To The Nations Of The Western Hemisphere (Princeton: Princeton University Press, 1928), 47; see Conference on Central American Affairs, Washington, December 4, 1922--February 7, 1923 (Washington: Government Printing Office, 1923) for a copy of the treaty.

Latin American leaders had put forward the idea to legalize a revolution until a constitutional reorganization followed it. In the Washington conference treaty of 1907 this idea was extended to prohibit revolutionary leaders from becoming future presidential candidates. In effect this buttressed the position of all ruling groups in Central America against revolution. Thus the power and influence of the United States helped to sustain the rule of anti-democratic leaders.

As a corollary to Washington's antirevolution policy, Hughes maintained the American "right of interposition"—the secretary of state found the connotations of the word intervention distasteful—whenever any threat to American lives or property occurred. No territorial expansionist, Hughes emphasized that "the significant thing in our interventions was not that we went in but that we came out."²² Hughes intervened with armed force only with great reluctance. With his persistent critics the secretary saw the obvious weakness of armed intervention but he did not feel the United States should abandon its "right" to armed intervention.

An approaching Nicaraguan election in October, 1924 provided Hughes with an opportunity to consider withdrawing the American marines from this small nation. The "continued

²² Hughes, Our Relations To The Nations Of The Western Hemisphere, 50, 76.

presence of American troops...has at times given rise to the assertion, however unjustified it may be, that the United States Government is maintaining in office a government which would otherwise perhaps not be strong enough to maintain itself against the attacks of its political opponents." Yet Hughes held some doubts about the ability of the Conservative party to preserve order without the presence of American marines. "In the present instance," Hughes continued, "should the Marines suddenly be withdrawn there appears reason to believe that political disturbances might ensue."²³

The State Department has been "giving serious consideration" for "some time" to withdrawing the marines from Nicaragua, Hughes informed Walter Thurston, the chargé at Managua. The policy of "landing United States forces in certain particular instances" is an "unavoidable necessity" when "unstable conditions" persist. Hughes now considered conditions in Nicaragua improved enough for a withdrawal. "A continuance of American forces" indefinitely in Nicaragua would raise "many possibilities of misunderstanding," Hughes said.²⁴ As insurance, the new Central American treaty provided an additional source of strength for maintaining order and stability.

²³Hughes to Thurston, October 8, 1923, FR: 1923, II, 607.

²⁴Ibid.

Reforming the election laws comprised another aspect of Washington's broad program in Nicaragua. This reform could only be described as crucial, for the Conservative party perpetuated itself in Nicaraguan politics with collections. As with customs collections and financial supervision, Nicaragua agreed to engage an American election expert in 1921. (All of these officials created little pockets of influence inside Nicaraguan politics.) Hughes attached the "greatest importance" to the enactment of the new electoral law which "will give assurance of fairness and freedom in the presidential elections of 1924." Willing to consider "minor changes" as perhaps necessary, Hughes refused to allow any alterations which might "affect the safeguards" for electoral boards independent of the government. All seemed to be proceeding satisfactorily. The American representative at Managua reported the enactment of the new electoral law "with few minor changes of no importance."²⁵

Between the time of the decision to withdraw American marines from Nicaragua in September, 1923 and October, 1924, the month of the election, Hughes endeavored to build up an American-trained constabulary and establish American experts in Nicaragua to assist electoral procedures. The

²⁵Hughes to Ramer, January 18, 1923, ibid., 605; Ramer to Hughes, March 17, 1923, ibid.

latter was an especially touchy subject because it challenged the Conservative party's willingness to manipulate the election machinery in its favor. On the other hand, if Hughes intervened too directly to supervise elections it could cost the Conservative party (the principal beneficiary of American occupation) thousands of votes. At least General Chamorro, a Conservative party leader and Nicaraguan minister to Washington, argued such a thesis. "If commissioners of the United States were in Nicaragua in connection with the electoral law," Chamorro said, "it would...cost the Conservative Party many thousands of votes."²⁶

Hughes outlined his program for the approaching election and the withdrawal of American troops in a long note to the Nicaraguan government. This program called for American experts to proceed to Nicaragua "a few months in advance of the next election" and provide "counsel and advice" in implementing the new electoral law. Hughes offered "additional assistants as may be required to travel throughout Nicaragua" to help set up the election machinery and to "promptly overcome" any "difficulties" that may be encountered. Moreover, Hughes suggested sending American experts to train a Nicaraguan constabulary and offered the assistance of American marines for the same purpose. The realization that any potential revolutionaries "will know

²⁶Memorandum by Hughes, September 28, 1923, ibid., 606-607.

full well in advance" that they would not be recognized by the United States or other Central American states provided an additional source of strength. In conclusion, Hughes said, "the new government should be in a very strong position indeed."²⁷

Harold W. Dodds, the American electoral expert engaged to draw up the new Nicaraguan election law, led a delegation to Managua in February, 1924 to supervise the preparations for the October election. This delegation went to Nicaragua for two months primarily at the insistence of Secretary Hughes. Concerned about a smooth transition, Hughes assigned Walter Thurston to "make a careful study of the electoral law and of the problems which may arise in its application." In March Hughes took another step to strengthen his position when he desired to "suggest" that "President Martinez may see fit" to accept one American adviser to remain throughout the period of preparation for the election.²⁸

Toward the end of these election preparations Hughes realized that his measures provided too little assurance of fair elections. On July 16, 1924 the acting secretary of state, Joseph C. Grew, addressed a long note to the Nicaraguan government advising it that Dodds should return to

²⁷Hughes to Thurston, October 8, 1923, ibid., 608-610.

²⁸Hughes to Ramer, February 15, 1924, FR; 1924, II, 489; same to same, March 28, 1924, ibid., 491.

Managua with a commission to supervise the October election. The State Department appeared "most anxious" that there be "no question" about the new president being the "constitutionally elected" representative of the Nicaraguan people. If the contrary occurred, Grew warned, the new government might not be recognized by Washington or Central American nations. Having antagonized President Bartolome Martinez by refusing to let him run for the presidency in the 1924 election, it was no surprise when Hughes received a note informing him that Nicaragua "declines to accept the suggestion made by the Government of the United States."²⁹ Beyond the pressure already described Washington seemed reluctant to go.

In the absence of more effective American supervision the Conservative party used its position to manipulate the elections while being assured that American marines preserved order. Clifford D. Ham, the American Collector General of Customs in Nicaragua, frankly warned Hughes that unless he would "act forcibly" the elections could end in a "serious situation." The "Government party," Ham said, "can control the election." The State Department declined to take any vigorous action though Hughes arranged for American observers throughout Nicaragua on election day. The United States

²⁹Grew to Ramer, July 16, 1924, ibid., 493; Thurston to Hughes, August 6, 1924, ibid.

"has fulfilled to the utmost its obligation to Nicaragua" in regard to the elections, Hughes concluded. "The responsibility now therefore rests entirely with the Nicaraguan Government."³⁰

As Hughes anticipated, the elections were less than fair. After having "very carefully considered the whole Nicaraguan electoral situation," Hughes decided not "to demand new elections." As much as Hughes found the corrupt elections distasteful, he declined to employ "the strong measures necessary" to force new elections. And new elections would be "valueless" unless "very closely supervised" by the United States. Hughes could recognize a corrupted constitutional government with a Conservative party leader as president or withdraw the American minister as well as the marines. Famous as a man of practicality, Hughes decided "to raise no question regarding the validity of the elections and to continue normal diplomatic relations with the Solorzano Government upon its inauguration in January."³¹

Hughes decided to win "certain assurances" from president-elect Solorzano before granting diplomatic recognition of his government. Hughes asked for an understanding that the 1928 election would be carried out "strictly in accordance"

³⁰Ham to Hughes, August 13, 1924, *ibid.*, 496; Hughes to Thurston, October 2, 1924, *ibid.*, 501-502.

³¹Hughes to Thurston, December 10, 1924, *ibid.*, 503-504.

with the "Dodds electoral law" and that it will "not be modified except in strict accordance with the advice of Doctor Dodds or another suitable electoral expert." Solorzano also accepted Hughes' terms for establishing an American-trained constabulary. And Hughes obtained an agreement to consult Washington for a "satisfactory solution of the economic problems now confronting Nicaragua." With these conditions assured, Hughes recognized the Solorzano government and informed General Chamorro, the defeated presidential candidate, "that not only will any revolutionary movement on his part meet with the Department's decided disapproval but that the constituted government will receive its moral support."³²

President Solorzano "appeared to be genuinely alarmed," the American representative, Thurston, reported, "by the prospect of losing the marines." Solorzano, a Conservative party leader, apparently feared a revolution by elements of his own party who objected to a coalition government, and especially to Vice-President Juan Sacasa, a member of the Liberal party. "There already exists some general alarm and it is asserted freely...by foreigners and Nicaraguans alike, that once the marines have gone a revolution will be inevitable," the report continued. "I am not convinced

³² Ibid., 504-505.

that this is necessarily certain," Thurston said, "but it is the general opinion."³³

Hughes went ahead with his plans to withdraw the marines from Nicaragua despite the possibility of a revolution. Other difficulties appeared, too. Congress refused to approve the use of American marines to train a Nicaraguan constabulary. Hughes instructed his representative to "indicate frankly but orally" to Nicaraguan politicians that the new government had the "moral support" of the United States in preserving "constitutional order." The State Department did not spell out the meaning of "any appropriate cooperation" in support of the new government.³⁴ President Solórzano, inaugurated January 1, 1925, appealed to the "enlightened and cultured Government" of the United States to put off withdrawing the marines.³⁵ Hughes immediately agreed to this--and initiated a constabulary training program directed by former American officers engaged by the Nicaraguan government as civilian instructors. Whatever the condition of the constabulary, the American marines withdrew August 1, 1925. This nearly coincided with Hughes' retirement from the State Department and concluded a definite phase of American policy in Nicaragua.

³³Thurston to Hughes, January 7, 1925, FR: 1925, III, 619.

³⁴Hughes to Thurston, January 7, 1925, *ibid.*, 620.

³⁵Thurston to Hughes, January 9, 1925, *ibid.*, 622.

There remains only to be considered the negotiation of a new commercial agreement with Nicaragua by Secretary Hughes. In 1921 American policy makers switched from a conditional to an unconditional most-favored-nation trade policy. They designed the new treaty to defeat all tariff discriminations against the United States, such as the special reciprocity agreement between Nicaragua and France. In return for a lower tariff on Nicaraguan coffee, Managua granted French products lower rates than it gave to any other nation. This undercut American products sold in Nicaragua. Washington's move toward freer trade symbolized the maturity of the American economy and the approaching supremacy of United States commerce. Nicaragua accepted the new American policy in June, 1924, and by doing so automatically accorded the United States the same tariff terms French products received. The United States did not grant any concessions in return for the Nicaraguan commercial treaty.³⁶ Each nation that signed an unconditional most-favored-nation treaty with the United States automatically granted the United States its lowest tariff rates given to any third nation. The United States in return granted equal tariff rate to all nations. This type of treaty favored the commercially strong against the commercially weak.³⁷

³⁶FR: 1924, II, 506-509.

³⁷See B. H. Williams, Economic Foreign Policy of the United States (New York: McGraw-Hill, 1929), 287-302.

CHAPTER III

SECRETARY KELLOGG AND AMERICAN INTERVENTION, 1925-1927

Twenty six days after the withdrawal of the United States marines from Nicaragua in August, 1925, the first armed resistance to President Carlos Solorzano's coalition Conservative-Liberal government initiated a long, costly, and bitter revolution, culminating in armed intervention by the United States. In the evening of August 29, 1925 General Alfredo Rivas, a political lieutenant of the defeated candidate, General Emiliano Chamorro, led an armed band of men into the International Club in Managua where a reception was being held and carried off a group of Liberal politicians. General Rivas charged his prisoners, members of the coalition cabinet, with subversion of the authority of President Solorzano. General Rivas claimed he "forestalled a revolution...planned by the Liberals for next week."¹ So the new American minister, Charles C. Eberhardt, who witnessed the International Club incident, reported to incoming Secretary of State Frank B. Kellogg. Eberhardt, however, found no evidence of any revolution planned by Liberal politicians.

¹Eberhardt to Kellogg, August 29, 1925, FR: 1925, II, 636.

General Rivas held his prisoners at strategic Loma fortress (which he captured the same night) and sent a letter to President Solorzano demanding the dismissal of the Liberal members of the coalition government in exchange for his prisoners. President Solorzano asked Minister Eberhardt, who understood the meaning of this uprising, to take his reply to Rivas. Eberhardt conferred with Rivas and won his acceptance of President Solorzano's offer. General Rivas released the Liberal prisoners and surrendered Loma fortress, and President Solorzano replaced the principal Liberals in his cabinet with Conservatives.

Though President Solorzano declared martial law and business conditions came to a halt in Managua, peace was restored when President Solorzano and General Rivas came to terms. "The entire affair seems... [on the] way to an early satisfactory settlement," Minister Eberhardt reported to Washington.² Neither Eberhardt nor Kellogg remarked to each other that these events, and especially the forceful removal of the Liberal cabinet members from the coalition government, violated the integrity of the constitutional government.

The settlement of the International Club incident ended the first step by which General Chamorro (president of Nicaragua from 1917 to 1921) planned to reassert full control

²Ibid.

of the Conservative party and the presidency. President Solorzano, though a loyal Conservative, opposed the use of military force to eliminate the Liberals from politics. Thus he vacillated between asking General Rivas, his brother-in-law, for his resignation and resigning himself. Following the International Club incident General Chamorro openly pressed Solorzano to remove all Liberals in the government. Minister Eberhardt reported to Kellogg that "politics have entered largely into the situation, the Conservatives being generally considered as responsible for much of the trouble."³ Secretary Kellogg continued to observe developments and refrained from any overt intervention.

As Solorzano's physical as well as political condition declined, the struggle for power intensified and threatened disorder. "If Solorzano should for any reason become separated from the Presidency," Eberhardt warned Kellogg, "revolution and anarchy are almost certain to follow since the Conservatives are determined to prevent a Liberal from succeeding him." On September 6, 1925 Minister Eberhardt requested a warship as a "stabilizing effect" to assist Solorzano in his difficulties. The following day Solorzano personally requested American warships to intervene on the Pacific and Atlantic coasts. Kellogg sent the warships. There is "no doubt," Eberhardt replied, that the American

³Eberhardt to Kellogg, September 3, 1925, *ibid.*, 637.

warships "extricated President Solorzano from a difficult position and stopped temporarily at least the tendency toward anarchy and revolution."⁴

At first President Solorzano and General Chamorro negotiated their differences but they failed to reach any agreement. General Chamorro next seized Loma fortress October 25, 1925 and informed Minister Eberhardt of his plans to "drive the Liberals from the Cabinet and to restore the Conservative Party to that power which it enjoyed before the recent 'fraudulent elections.'" Adolfo Diaz, spokesman for Chamorro, President Solorzano, and Minister Eberhardt conferred with the Liberal politicians who refused to resign because of Chamorro's threat. Eberhardt openly participated in these conferences (a common practice of American representatives in Central America) and encouraged President Solorzano to take a firm stand against General Chamorro. Eberhardt frankly warned General Chamorro that the United States "had no course to pursue" than support the constitutional government. Any government born of revolution, he said, "would not be recognized." Kellogg approved Eberhardt's action.⁵

⁴Eberhardt to Kellogg, September 6, 1925, ibid., 638; same to same, September 21, 1925, ibid.

⁵Eberhardt to Kellogg, October 25, 1925, ibid., 639; Kellogg to Eberhardt, October 26, 1925, ibid.

Despite the State Department's opposition, General Chamorro forced President Solorzano to sign an agreement to end the coalition government, form a wholly Conservative government, grant an amnesty for the Chamorro revolutionaries, pay the expenses of the uprising, and appoint him minister of war. Chamorro next moved to eliminate Vice-President Sacasa by sending one thousand troops to terrorize his family and to arrest him. Learning that Chamorro was now dictator of Nicaragua, Sacasa fled to Honduras and eventually reached the United States.

Before leaving Nicaragua Sacasa managed to protest to Eberhardt that Chamorro's action violated the Washington conference General Treaty of Peace and Amity of 1923. The American minister, however, declined to characterize these developments as a revolution involving any violation of the constitutional government. Though Solorzano was only nominally president and General Chamorro the real leader of the country, Minister Eberhardt declined to make this distinction as long as constitutional forms were observed. "These internal dissensions," he said, "have not reached the stage which requires any change in attitude thus far persistently followed by this Legation."⁶

In December, 1925, following Chamorro's forceful acts, the State Department laid down a definite Nicaraguan policy

⁶Eberhardt to Kellogg, November 17, 1925, ibid., 641.

in a series of instructions to the American Legation at Managua. The United States refused to recognize any government based on "violent or unconstitutional means." Kellogg remained "strongly of the opinion" that the United States should "set an example" for other nations with its de jure recognition policy. Kellogg would not recognize Chamorro as president. This policy reaffirmed the basic idea of the General Treaty of Peace and Amity. Kellogg wanted Nicaraguan politicians to "thoroughly understand" his views.⁷ But should Chamorro force Solorzano to resign, the United States refused to employ arms to insure Vice-President Sacasa's right to the presidency. Kellogg withheld this decision because he did not wish Nicaraguan politicians, and especially Chamorro, to realize the United States opposed armed intervention to support constitutional government. The State Department also decided against returning Vice-President Sacasa (then in Washington asking for help) to Nicaragua on board an American warship.

American policy makers fought various maneuvers of the Chamorro Conservatives to take over the government in name as well as in fact. Eberhardt opposed Chamorro's attempt to revise the Nicaraguan constitution and nullify the 1924 elections: "The firm opposition of this Legation has thus far prevailed." The Chamorro-Diaz Conservatives next charged

⁷Kellogg to Eberhardt, December 9, 1925, ibid., 642.

Sacasa with conspiracy and forcefully removed eighteen objectionable members of the Nicaraguan Congress. "Is this not tantamount to at least a partial nullification of the last elections?" Kellogg asked. The Conservatives' "action is greatly depreciated by the Government of the United States and if continued might well be considered prima facia evidence of unconstitutional action by those responsible for it," Kellogg advised Eberhardt. "You may make this clear" to the Conservatives.⁸

Kellogg relied on the State Department's repeated assurances that Chamorro would not be recognized as sufficient to stop his efforts to become president. Without recognition Nicaragua could not borrow any more money in the United States. And as long as Chamorro, as minister of war, maintained a technically constitutional government with Solorzano continuing as president, Kellogg made no move to disrupt this arrangement.

In January, 1926, Kellogg realized the status quo could not be maintained as General Chamorro implemented a plan to have himself "elected" president--in spite of Kellogg's repeated warnings that the United States would not recognize him. Chamorro had himself elected to the Nicaraguan Senate in preparation for his election as first designado. Then

⁸Eberhardt to Kellogg, December 18, 1925, ibid., 644.
Kellogg to Eberhardt, December 21, 1925, ibid., 644-645.

Solorzano would resign, by force if necessary, and Vice-President Sacasa would be kept out of the country. Following perfect constitutional procedure, the first designado, Chamorro, would assume the presidency.

Kellogg made a final effort to frustrate Chamorro's plan to become president. Momentarily abandoning his unilateral action, Kellogg addressed identic notes to the other Central American nations requesting them to "make clear to Chamorro" that should he become president of Nicaragua, recognition would not be granted. Kellogg called on them to do so as part of their obligation under the General Treaty of Peace and Amity of 1923. Though these nations advised Chamorro that he would not be recognized as president, Kellogg's move proved abortive.⁹

Chamorro officially became president January 17, 1926, advising Minister Eberhardt that he alone "can dominate the present situation." He reiterated his determination to conduct such a government "that the United States will be forced to recognize him." Chamorro needed Washington's recognition, a symbol of approval, to secure his position against his enemies. Minister Eberhardt prepared to withdraw from Nicaragua in anticipation of the severing of diplomatic relations. "My further presence here will be out of the question and

⁹Kellogg to the American Missions in Costa Rica, Guatemala, Honduras, and Salvador, January 7, 1926, FR: 1926, II, 780-781.

the Department's instructions are solicited as to plans for the care of the Legation." Vetoing such a proposal as premature, Kellogg replied: "your presence in Managua will be necessary to protect American interests."¹⁰ Eberhardt maintained his normal duties, addressing only personal communications to General Chamorro.

For a period of four months--till May, 1926--American-Nicaraguan relations continued as before and peace and order prevailed. General Chamorro, having complete control of Congress, administered the country without any outside help. Large treasury reserves, efficient collection of revenues by the American Collector General Clifford Ham, economic prosperity, increasing revenues, and growing surpluses after budget appropriations and service on the foreign debt facilitated his position. Having tried to clothe his assumption of power in constitutional forms, Chamorro hoped for eventual recognition by the United States.

By May, 1926 the ousted and dissatisfied Liberals achieved a minimum level of military organization and started a revolution on the east coast. The Liberal forces, led by General Luis Sandoval, captured the city of Bluefields and many small towns on the east coast. At Bluefields the Liberal Army took over the administration of the customs houses

¹⁰Eberhardt to Kellogg, January 11, 1926, *ibid.*, 782-783. Kellogg to Eberhardt, January 12, 1926, *ibid.*, 783.

and the local branch of the Nicaraguan National Bank, which had been incorporated in the United States. American business men immediately requested Washington to intervene with arms.

Accordingly, Kellogg dispatched the cruiser Cleveland to Bluefields May 6, 1926. The following day marines landed and the marine commander declared Bluefields a "neutral zone." The marines forcibly disarmed the Liberal troops, then in control of Bluefields, and business activity resumed. Having been disarmed, General Sandoval's army disintegrated. The Liberals lost the benefits of administration in the areas they occupied, since the Conservatives, in Washington's eyes, remained nominally the Nicaraguan government. This enabled the Conservatives to continue the collection of customs (the principal source of revenue) in neutral zones. The Liberals also lost the use of the port facilities at Bluefields for military purposes. Finally, the American marines always faced the possibility of being drawn into the hostilities when they engaged in the forcible disarmament of Liberal troops.¹¹

Following General Sandoval's abortive attempt to capture and hold Bluefields in May, 1926, the next Liberal uprising, a far greater effort, came in August. Liberal troops,

¹¹FR: 1926, II, 786; Williams, Economic Foreign Policy of the United States, 157-161.

coming from outside Nicaragua's borders, landed by sea on the east and west coasts. After the failure of the west coast expedition to establish itself, the focus of attention shifted to Liberal General José María Moncada's army on the east coast. Washington handicapped the Liberal armies when it declared an embargo on arms to Nicaragua. Central American nations agreed to this embargo but Mexico said it did not manufacture arms and therefore the question was irrelevant.

The Liberals were in a difficult position because all the evidence pointed to a long dictatorship by Chamorro of the type Zelaya personified. In Washington Sacasa sought to explain the Liberals' problem. While the State Department disapproved of Chamorro's seizure of power, it declined to help Vice-President Sacasa or approve any forceful measures he might plan.¹² Sacasa next went to Mexico and asked for assistance. Mexico strongly disapproved of Chamorro and probably gave Sacasa some encouragement. The circumstantial evidence suggests Mexico also gave some form of aid to Sacasa which caused the Liberal army landings in May and August. (Yet no positive proof at the time or later indicated the extent, if any, of Mexico's aid.) These Liberal landings precipitated the following events: an

¹²Kellogg to Eberhardt, December 21, 1925, FR: 1925, II, 644-645.

abortive peace conference, General Chamorro's withdrawal from Nicaragua, the designation of Adolfo Díaz as president, the Stimson Mission, and overt armed intervention by the United States.

The United States relations with Mexico greatly influenced American policy in Nicaragua. Following Secretary Hughes' diplomatic recognition of Mexico in 1923, which Washington traded for Mexico's promise not to nationalize American oil holdings, relations declined in 1925 when Mexico again attempted to nationalize its oil resources. This threat to American property rights represented only one aspect of the Mexican Revolution's broad challenge to American ideas and influence throughout Latin America. Key American leaders, Hughes, Hoover, Kellogg, and Coolidge, responded in a generally negative fashion to the Mexican Revolution--and in 1926 Coolidge and Kellogg pressed Mexico City to drop its nationalization program. They apparently even considered armed intervention in Mexico.¹³ A government coming to power in Nicaragua through Mexican aid, moral and material, could be disturbing to American policy makers. Such a development might ultimately affect American property rights in Nicaragua. Under the circumstances the [United States] Government probably came to feel that it did have an interest in frustrating Sacasa and preventing the success

¹³Howard F. Cline, The United States And Mexico (Cambridge: Harvard University Press, 1953), 210.

of a Mexican-aided revolution," Kellogg's biographer concludes. "The difficulty was in finding the best way of doing so."¹⁴

[Kellogg's policies also reflected American business interests and the State Department's general desire for order and stability throughout Latin America. The revolution hampered the normal business activities of American mining and commercial companies in Nicaragua who called on Washington to establish neutral zones. American bankers, the Guaranty Trust Company and J. & W. Seligman and Company, had a vested interest in customs collection, having granted Nicaragua loans on the security of this income. The National Railway and the National Bank were also partially pledged as security for loans by American financiers.]

Kellogg could not recognize Chamorro and reverse his own policy. And he had no acceptable reason to oppose Sacasa, the Liberals, and Mexican aid. Trying to resolve the dilemma, Kellogg hit upon the idea of a truce and a peace conference between the two political parties. Kellogg intervened August 27, 1926, sending the following message to Chamorro: "While anxious and desirous to avoid interference in the purely domestic affairs of Nicaragua the Department of State cannot but point out that actions on

¹⁴David Bryn-Jones, Frank B. Kellogg, A Biography (New York: Scribner, 1937), 193.

the part of those in control of the Government of Nicaragua which according to present advices received by the Department are tending to prevent the free operation of the Financial Plan of 1917 and 1920, entered into between the Nicaraguan Government and its foreign creditors under the good offices of the Department of State, are being viewed with considerable anxiety by the United States Government."¹⁵ To press the point Kellogg dispatched the entire Special Service Squadron to Nicaraguan ports.

Chamorro, though "visibly moved" by Kellogg's maneuver, appeared to refuse a conference with the Liberals. While he would "welcome intervention by American forces to whom he would cheerfully turn over the government," Chamorro refused to consider giving up his position in any other way.¹⁶ Adolfo Diaz, who remained in close alliance with Chamorro, counseled him to accept the proposed American mediation. Within two weeks Chamorro gave way to Kellogg's demands and agreed to a truce. Achieving agreement for a conference from both parties, Kellogg established a neutral zone at Corinto on the Pacific coast for the meeting aboard an American warship. The leading politicians of both parties, excepting Chamorro and Sacasa, attended the conference. The chargé of the American Legation at Managua, Lawrence

¹⁵Kellogg to Dennis, August 27, 1926, FR: 1926, II, 789.

¹⁶Dennis to Kellogg, August 29, 1926, ibid., 790.

Dennis, served in the absence of Minister Eberhardt as "neutral chairman" of the conference. In doing so Dennis assumed "no responsibility" for whatever might be the result of the conference. He kept Kellogg fully informed of the strengths and weaknesses of both political parties, as he judged them.¹⁷

Though both parties desired to reconstitute a coalition government stemming from the elections of 1924, the conference failed. The Conservatives insisted on a new Conservative president and only a little participation for the Liberals in the cabinet. They refused any other concessions. The Liberals stood firm for Vice-President Sacasa being installed president "as the only possible constitutional solution." In their refusal to compromise further the Liberals were undoubtedly influenced by the aid they were receiving from Mexico (they claimed that they were receiving Mexican aid at this point) and by the fact that they had won significant victories in the initial fighting. If Vice-President Sacasa did not succeed to the presidency the Liberals determined to fight the civil war to a finish. Dennis called on Kellogg for a "clear, forceful statement" opposing outside aid to the Liberals while the conference remained in session, a move that assisted the Conservatives' position. "In order to bring about peace and to avert disaster,"

¹⁷Dennis to Kellogg, October 18, 1926, ibid., 795.

he said, "we must smash the doctrine of constitutional restoration by means of foreign aid to revolution, once and for all."¹⁸

The Liberal delegation made a second proposal that the dispute be offered to the Secretary of State of the United States and the Central American nations for arbitration. The United States refused to accept this proposal and offered to give its views on the possibility of de jure recognition for any government formed on the basis of agreement at this conference. In his reports to Kellogg Dennis acted on the assumption that the Conservatives would continue to control the presidency and that the Liberals would have to accept this position.

With the failure of the conference at Corinto Lawrence Dennis easily won "full assurance" from Chamorro that he would resign. His rapidly dwindling treasury meant that he could not hold out against the Liberals without American aid. It was no surprise to anyone when the Conservatives decided on Adolfo Diaz as the next president. The problem for the Conservatives was to make his election appear constitutional. There was no point in the Conservatives changing presidents if they could not be assured of American aid in the process. Diaz stood out as the logical choice because in his two previous terms as president he had always supported

¹⁸Dennis to Kellogg, October 19, 1926, *ibid.*, 797.

the ideas and interests of the United States. Diaz's reputation on this point was famous throughout Central America. Approving the Conservatives' plan to replace Chamorro, Dennis recommended that "the United States Government should immediately lend its full moral support to the provisional government during the transition period and extend recognition upon the satisfactory election of the new President."¹⁹

Kellogg instructed the American representative in Guatemala to find Vice-President Sacasa and warn him of Washington's opposition to Mexican aid for the Liberals. While the United States remained anxious to avoid "any interference in the internal affairs of Nicaragua," Kellogg said, "any faction or party which solicited or accepted such aid or assistance could count upon the firm opposition of the United States Government."²⁰ Yet throughout this period, even after American armed intervention saved the Conservatives from certain defeat, Kellogg refused to admit that the fighting in Nicaragua amounted to an organized revolution. He denied that any "belligerency" existed, characterizing the revolt as "insurgency": something less than an organized revolution.²¹

¹⁹Dennis to Kellogg, October 21, 1926, ibid., 798-799.

²⁰Kellogg to Ellis, October 22, 1926, ibid., 800.

²¹Dennis to Kellogg, October 25, 1926, ibid., 802; Kellogg to Dennis, October 28, 1926, ibid.

In accordance with the Conservatives' plan, General Chamorro gave up the presidency October 31, 1926 in preparation for the naming of a new "constitutional" president that the United States would recognize. Chamorro deposited the presidency with Senator Sebastian Uriza, the second designado. The State Department quickly declared him unconstitutional because the Congress still did not conform to the elections of 1924. Uriza issued a call to reinstate the eighteen congressmen ousted by Chamorro. Only half of these men or their alternates appeared in Congress. Uriza resigned and Adolfo Diaz, who had participated in the Chamorro revolution and was obviously not a "constitutionally" legal candidate under the General Treaty of Peace and Amity, was elected.

Kellogg saw the replacement of Chamorro as a solution to his difficulties. The secretary of state ignored Vice-President Sacasa's claim to the presidency. The key point, that Sacasa had been forced to flee the country to save his life and was not voluntarily absent, made the Conservatives' actions appear of doubtful legality: Diaz simply did not make a convincing "constitutional" candidate. Once Kellogg recognized Diaz, the latter quickly asked for aid. Professor Bryn-Jones concludes about Kellogg's siding with Diaz: "This turned out to be one of those solutions which

are far too simple to be satisfactory."²²

"It is the feeling of the Department," Kellogg said, "that if Congress is convened in extraordinary session... and is restored to its original form as elected in 1924, or if a sincere effort is made to accomplish this, then, because of the absence of Solorzano and Sacasa, the Government of the United States might properly recognize de jure, a designado chosen by Congress." While Kellogg did not wish to "suggest or favor" any candidate for the presidency, he thought Adolfo Diaz "would be a wise choice." Kellogg characterized Diaz as "honest" and "capable," a man with the "firmness of character" which is "absolutely essential" for the new Nicaraguan president in these "disturbed times." Though Diaz certainly fell under the ban of the General Treaty of Peace and Amity because of his close association with Chamorro's recent revolutionary activities, Kellogg ruled that he remained eligible for American recognition. Not wishing a president "who would be unable to dominate the internal situation," the secretary of state instructed Dennis to "make such judicious use of the foregoing as you may think fit in discussing the situation informally with the political leaders." "You should use the utmost care," Kellogg cautioned Dennis, "to avoid any criticism that the Government of the United States is endeavoring to direct

²²Bryn-Jones, Frank B. Kellogg, 194.

Nicaraguan internal politics."²³

The Liberals, and especially Vice-President Sacasa, presented the State Department with an uncomfortable reality. "Should Doctor Sacasa subsequently establish a government in Nicaragua," Kellogg said, "the Department could not consider him other than a revolutionist." In anticipation of Diaz's election, Kellogg informed Dennis that "when a constitutional government is set up which the Government of the United States can recognize, the customary support will be lent it."²⁴

Kellogg's representative, Lawrence Dennis, opened up a vigorous campaign in Managua to assure Diaz's election. Working closely with the Conservative politicians, Dennis had the election of Diaz as first designado set for November 11, 1926--nine days after Kellogg's approval of Diaz as the new president. "Because of [the] serious revolutionary movements now going on," Dennis requested immediate recognition to afford some tangible support for the Diaz government.²⁵ Kellogg quickly supplied the necessary authority. "I am much gratified," he announced in a press release, "that a solution has been found for Nicaraguan political problems

²³Kellogg to Dennis, November 2, 1926, FR: 1926, II, 803-804.

²⁴Kellogg to Dennis, November 6, 1926, ibid., 804.

²⁵Dennis to Kellogg, November 9, 1926, ibid., 805; Denny, Dollars for Bullets, 234-235.

which is in accordance with the constitution of that country and in harmony with the Central American Treaty of 1923."²⁶ Attempting to assist the Conservatives, Kellogg hastily granted de jure recognition to a regime which could scarcely be said to have de facto control over the nation it claimed to represent.

Within two weeks the Liberal government set up its capital at Puerto Cabezas on the east coast with Juan Sacasa as president and Rodolfo Espinosa as minister for foreign affairs. In a note to Kellogg Espinosa set forth the Liberals' claim to be the constitutional government of Nicaragua on the basis of the 1924 elections.²⁷ Kellogg asked all of the Central American countries to recognize the Diaz government but only Salvador and Honduras complied and they later withdrew their recognition. New Mexico announced its diplomatic recognition of the Sacasa government.

With the tide of battle definitely turning in favor of the Liberals, Adolfo Diaz made a bid for greater American assistance a week after Washington's recognition, saying he could not protect American property. Because of Washington's policy of "morally supporting legitimate Governments in order to enable them to afford a tranquil field of labor for foreigners," Diaz asked for "the support of

²⁶Kellogg, November 17, 1926, FR: 1926, II, 807.

²⁷Espinosa to Kellogg, December 1, 1926, *ibid.*, 808-809.

the Department of State." "Whatever may be the means chosen," Diaz gave his approval in advance.²⁸ Kellogg "perceived with regret that there appears to be a tendency on the part of the Diaz administration to rely upon the Government of the United States to protect it against the activities of the revolutionists by physical means."²⁹

Diaz did not stop his appeals for military intervention by the United States. But Kellogg faced critical differences with Mexico and with China in revolt against the powers' treaty system, and he undoubtedly had no desire to further complicate Washington's position in Nicaragua. You must understand, Kellogg advised Eberhardt, "that the Government of the United States cannot take any steps which would be considered as American armed intervention."³⁰

Yet Kellogg rendered Diaz much assistance in December, 1926 and January, 1927. Washington sold arms to the Diaz regime and prevented the Liberals from buying in the private American market. American business men called on the State Department when they got into difficulties during revolutionary fighting. Kellogg instructed the navy to land marines and establish neutral zones. The United States denied the Liberals the right to collect customs revenues

²⁸Diaz to Dennis to Kellogg, December 8, 1926, ibid., 810.

²⁹Kellogg to Dennis, December 8, 1926, ibid., 810-811.

³⁰Kellogg to Eberhardt, December 18, 1926, ibid., 812.

in the neutral zones, the reverse of the 1909 revolution when the United States sided with the revolutionary government and allowed it to collect the customs revenues in the neutral zones.³¹

[By January, 1927 American policy makers gave up any pretense about neutrality they had maintained. American naval forces declared neutral zones to aid the Conservative armies as fast as troops could be dispatched to a strategic point. Thus the Liberals were constantly frustrated when trying to capture a port or railroad, and Conservative troops were freed for action elsewhere. American fruit and lumber companies made daily protests to the State Department concerning alleged damages of the Liberals yet they suffered no losses except for normal interferences with production which occurred during a revolution. Both the Liberal and Conservative armies carefully avoided harming American property in Nicaragua until after the Stimson Mission. Stokely W. Morgan, Chief of the Latin American Division of the State Department, admitted United States partiality for the Diaz regime as opposed to the Liberals in establishing neutral zones in his testimony before the Senate Committee on Foreign Relations.³²

³¹The United States And Nicaragua, 66.

³²See his testimony in The New York Times, March 10, 1927; and Eberhardt to Kellogg, December 26, 1926, FR: 1926, II, 818.

The American marines landed at Puerto Cabezas, the Liberals' capital city, and the naval commander gave President Sacasa "a violent verbal warning." In full military readiness, the marines surrounded the executive mansion, disarmed the Liberal troops, and stopped all military communications. At Rio Grande, also a port on the east coast, a similar event took place. An overwhelming number of marines seized the arms and munitions of a Liberal army on the grounds that they might be made in the United States and declared the area a neutral zone. Stokely Morgan told the Senate Committee on Foreign Relations that some of the arms and munitions had been "lost" in the river after the marines discovered it was not made in the United States. "The neutral zones," the Liberal foreign minister charged, "in fact have been established by the American forces without the consent of the respective civil or military authorities, without the pretext of a threat to foreign interests, and only for the evident purpose of hampering the action" of the Liberal government and its armies.³³

By January 1, 1927 the Conservatives retained little of the initiative: they held out in hope that armed intervention by the United States would save them. They undoubtedly recalled American armed intervention in 1912 which

³³Espinosa to Kellogg, December 24, 1926, *ibid.*, 814-818.

saved the Conservatives from a Liberal counterrevolution. The Conservatives informed Minister Eberhardt that they had exhausted their treasury, including money set aside under the American-supervised financial plan for public health and education. December 31, 1926 they announced their intention "to hold out against the revolution to the bitter end and would as necessity arose resort to all the measures and expedients employed by governments in desperate straits such as inflation of the currency, capital levies on Liberals first and then indiscriminately and ultimately suspension of payments on foreign debts." Moreover, the Conservatives candidly admitted designing these "drastic measures" to provoke "foreign intervention" by the United States.³⁴

The Conservatives touched a sensitive nerve when they threatened to stop all payments on foreign indebtedness. The State Department regularly pressed foreign governments to force their citizens to pay up debts overdue to American banks. And the Conservatives' threat to confiscate property touched on the sanctity of property rights, a move that Kellogg and the State Department must have found distasteful.³⁵

³⁴Eberhardt to Kellogg, December 31, 1926, FR: 1927, III, 285.

³⁵Williams, Economic Foreign Policy of the United States is a good discussion of the subject.

The American minister's reports of "serious" conditions quoted above, including reports of threats to American property, prompted Kellogg to consider sending an occupational force to Managua. Kellogg also considered this move in view of statements made by President Diaz asking for American assistance. Minister Eberhardt warned Kellogg that Diaz reported "he cannot guarantee protection of American and other foreign lives." The British, Italian, and Belgium governments made representations to Minister Eberhardt that they considered their subjects in imminent peril in the present situation without outside protection. Since the United States exercised overwhelming predominance in the Western Hemisphere, Washington accepted the responsibility to protect the lives and property of other foreigners. The "consensus of opinion" among Americans and other foreigners in Nicaragua, Eberhardt said, called for the "Legation Guard." Minister Eberhardt warned Kellogg not to wait "until [the] crisis develops." Moreover, "I believe the establishment of a Legation guard would contribute most effectively towards improvement of conditions and [an] ultimate solution."³⁶ On January 8, 1927 the marines occupied Managua and commandeered Loma fortress. This meant personal protection for the Diaz government.

³⁶Kellogg to Eberhardt, January 3, 1927, FR: 1927, III, 286; Eberhardt to Kellogg, January 4, 1927, ibid., 286-287.

With its treasury empty the Diaz regime's only hope for money was an American loan. "The Diaz Government appears to be very hard pressed for funds and the Minister has been complaining to me almost every day about the situation," the Chief of the Division of Latin American Affairs reported.³⁷ The Nicaraguan minister even asked the United States government to loan Nicaragua the money! A successful bond issue could not be made while revolution crippled Nicaraguan finances and its credit rating. And the continued inability of the Diaz regime to pay its troops jeopardized its very survival.

Yet Washington's support for Diaz encouraged business men to loan Nicaragua money. R. W. Hebard and Company, a New York City construction firm holding contracts in Nicaragua, offered to lend the Conservative government six hundred thousand dollars of its own money at eight per cent interest. The State Department approved this loan. Then came the Guaranty Trust Company and J. & W. Seligman and Company of New York. They negotiated a loan for one million dollars. As security Nicaragua turned over to the lenders the total capital stock of the Nicaraguan National Railroad and the National Bank. Board resignations from the railroad and banks were secured to make vacancies for the

³⁷Memorandum by Morgan, February 15, 1927, ibid., 423.

nominees of the American bankers. The loan contract specified the formation of a commission consisting of the president of Nicaragua, the minister of finance, the manager of the National Bank of Nicaragua (an American), and the American Resident High Commissioner for the purpose of approving by majority vote all expenditures of the Nicaraguan government.³⁸

Though lack of public information benefited the Coolidge administration's policy in Nicaragua, newspaper reports gradually made American citizens aware of the nature of Washington's intervention. A large bloc of public opinion in the 1920's, led by the peace movement, opposed the imperial side of American policy.³⁹ Liberal journals, such as The Nation and the New Republic, criticized American intervention and manipulation inside other nations. In Congress, Senator William E. Borah, Chairman of the Senate Foreign Relations Committee, usually led the attack on various aspects of American policy, including intervention in Latin America. Most, but not all, of these groups consistently opposed Washington's policies of nonrecognition of the Soviet Union, support for American oil interests in Mexico and the Middle East, slowness to help China assert

³⁸FR: 1927, III, 430-432 for the terms of the loan.

³⁹See Robert H. Ferrell, Peace In Their Time, The Origins of the Kellogg-Briand Pact (New Haven: Yale University Press, 1952), 13-30.

its full sovereignty, and a general emphasis on the primacy of property rights.⁴⁰ Critics of American policy paid especially close attention to how it was implemented in Latin America. By January, 1927, Coolidge came forward to defend American policy in Mexico and Nicaragua.

Making the first public defense of his Nicaraguan policy a message to Congress January 10, 1927, Coolidge gave a less than an accurate version of "the present disturbances and conditions which seriously threaten American lives and property, endanger the stability of all Central America, and put in jeopardy the rights granted by Nicaragua to the United States for the construction of a canal." The president did not explain the circumstances under which Sacasa fled for his life, merely saying Sacasa "left the country." Coolidge also placed the responsibility for the failure of the American-sponsored peace conference with the Liberals. Coolidge said the acts of the reformed Nicaraguan Congress, including the naming of Diaz president, "may be considered as constitutional." The president pronounced this series of events "perfectly legal."⁴¹

Coolidge reviewed the activities of the "numerous Americans" living in Nicaragua "developing its industries"

⁴⁰William A. Williams, "The Legend Of Isolation In The 1920's," Science and Society, XVIII, No. 1 (Winter, 1954) 1-20.

⁴¹Coolidge, quoted in The New York Times, January 11, 1927.

and carrying on business. He noted the "large investments" by Americans in lumbering, mining, coffee growing, banana culture, shipping, and in general mercantile business. All of these American enterprises have been "encouraged" by the Nicaraguan government, Coolidge said. Hence that government owes American property protection and when it is unable to provide it, Coolidge explained, the government of the United States must send its own forces to afford proper protection.⁴²

Coolidge reaffirmed Washington's "right" to armed intervention in Nicaragua. "There is no question," he said, "that if the revolution continues American investments and business interests in Nicaragua will be very seriously affected, if not destroyed." The currency will be inflated. American and foreign bondholders will "undoubtedly look to the United States for the protection of their interests." The United States assisted "through diplomatic channels" in the establishment of a "financial plan" for Nicaragua. These were the facts, Coolidge said, which determined American policy. "The proprietary rights of the United States in the Nicaraguan canal route, with the necessary implications growing out of it affecting the Panama Canal, together with the obligations flowing from the investments of all

⁴² Ibid.

classes of our citizens in Nicaragua, place us in a position of peculiar responsibility." While disclaiming any wish to intervene in the internal affairs of Nicaragua, Coolidge went on, "nevertheless it must be said that we have a very definite and special interest in the maintenance of order and good government in Nicaragua at the present time, and that the stability, prosperity, and independence of all Central American countries can never be a matter of indifference to us." It was the government's duty to "insure the adequate protection of all American interests in Nicaragua."⁴³ Coolidge proposed to carry on the policy of his predecessors.

Two days later Secretary Kellogg took up the defense of American policy and supplied a different emphasis. "The Bolshevist leaders have had very definite ideas," he said, "with respect to the role Mexico and Latin America are to play in their general plan of world revolution." With candor, if not logic, Kellogg charged Mexico's President Plutarco Calles and Moscow's agents were trying to promote a "Mexican-fostered Bolshevist hegemony intervening between the United States and the Panama Canal."⁴⁴ Kellogg sent a long memorandum to the Senate Foreign Relations Committee.⁴⁵ The

⁴³Ibid.

⁴⁴Kellogg, quoted in The New York Times, January 13, 1927.

⁴⁵FR: 1927, I, 356-364.

secretary of state made the tragic error of linking all reform movements with Moscow.

In January, 1927, Kellogg again played with the idea of American mediation. Clearly, the "forceful measures" taken to protect American property and aid the Diaz regime had not tipped the balance of victory to the Conservatives. The Diaz government, Kellogg fretted, "cannot be expected to maintain itself indefinitely in the face of serious internal dissension by relying upon indirect support derived from measures which the Government of the United States must take to protect its own nationals and interests." Kellogg again searched for a compromise settlement which of course would mean retaining Diaz as president: "The first available opportunity should be seized to reach a real settlement of the domestic issue which divides the nation."⁴⁶ But the election of Diaz, so intimately associated with American policy in the past, was for the Liberals "the domestic issue which divides the nation."⁴⁷

Minister Eberhardt followed Kellogg's instructions to attempt further mediation between the Conservatives and the Liberals. Kellogg also offered American supervision of Nicaraguan elections in 1928. But Eberhardt still hoped

⁴⁶Kellogg to Eberhardt, January 10, 1927, FR: 1927, III, 298-299

⁴⁷For example, see Espinosa to Kellogg, December 24, 1926, FR: 1926, II, 814-818.

that the creation of neutral zones would check the Liberals' military victories and force them to accept a compromise settlement with Diaz as president. "With the neutralization of Rama I felt that Sacasa might be more inclined to treat with [the] Diaz government," Eberhardt reported January 13, 1927. "Until Rama was neutralized," he said, there "seemed [a] certain victory" for the Liberals.⁴⁸ Other Central American countries also considered mediation of the two Nicaraguan parties. Thus American policy makers had to decide about sharing mediation and probably the supervision of Nicaraguan elections.

Minister Eberhardt opposed joint mediation and supervision of elections in 1928. "It is self-evident that the details could only be handled by a first-class world power enjoying a free hand, acting alone," he said. Eberhardt argued that Americans and Central Americans could "never cooperate jointly" in such an operation on "a basis of equality." This was "obvious" to anyone familiar with "American intervention" in other parts of Latin America. Shared mediation "would be to deliver another deadly blow to an already shaken American prestige in Latin America." If the two Nicaraguan political parties refused American supervision, forceful measures should be taken to ensure supervised

⁴⁸Eberhardt to Kellogg, January 13, 1927, FR: 1927, III, 299.

elections. "The assent of both parties in Nicaragua to such supervision is of course highly desirable and should be sought after but on this Government's invitation it should be carried out regardless of opposition." As for the "justification of such a course," Eberhardt said, "we should look mainly to its results for Nicaragua and American best interests."⁴⁹

Kellogg found difficulties with the policy he formulated. He could not openly offer American mediation to the two parties, at least by his definition of international law and custom. Kellogg not only refused to recognize Sacasa's government, he also refused to recognize a state of "belligerency." When Sacasa sent an acceptance of American mediation Kellogg had no similar message from Diaz and had to let this opportunity pass. "We cannot call formal conferences at the request of the revolutionary party alone," Kellogg complained.⁵⁰ The Conservatives persistently held out hope that overt American armed intervention would save them.

As the Liberals won new victories the United States made further commitments in its assistance to the Conservatives. When the Liberals cut the rail line between Managua, the capital city, and its seaport, Corinto, the Conservatives

⁴⁹Eberhardt to Kellogg, January 24, 1927, *ibid.*, 303-304.

⁵⁰Kellogg to Wilbur, February 7, 1927, *ibid.*, 307.

tried to force American troops to help open the line. Kellogg expected the Conservatives "to protect American lives and property at any place under their control and [they] will be expected to maintain uninterrupted communication so far as the maintenance and supply of American forces in Managua is concerned."⁵¹ Yet a week later Kellogg authorized American forces to keep the rail line open between Corinto and Managua. The marines fortified the trains with machine guns.

Stokely Morgan admitted, under sharp questioning by members of the Senate Foreign Relations Committee, that the railroad was declared a neutral zone and that Diaz could carry troops over the line. But troops of both parties were suppose to be barred from the neutral zones. Morgan also admitted that the Liberals would not be allowed to carry troops over the line if they should capture it.⁵²

As the fighting progressed other nations put more pressure on the State Department to protect their citizens' property. The British found it necessary "to remind the United States Government that His Majesty's Government look to them to extend to British subjects...the same measure of protection as they afford to United States citizens in the districts

⁵¹Kellogg to Eberhardt, February 8, 1927, *ibid.*, 309.

⁵²Morgan, quoted in *The New York Times*, March 10, 1927.

now threatened by revolutionary disturbances." A day later Kellogg learned that "His Majesty's Government have reluctantly decided to send a man-of-war to the West Coast of Nicaragua."⁵³ The Chinese government made similar demands after Kellogg agreed to protect Chinese business men in Nicaragua, though Peking could not create an international incident by sending a warship to the Western Hemisphere.⁵⁴ These protests to Kellogg tended to verify Eberhardt's warning: "It is increasingly evident that without complete [American] intervention there is no likely prospect of an early restoration of order."⁵⁵

President Coolidge made a second and more fundamental defense of American policy in Mexico, Nicaragua, and China in a speech delivered before the United Press Association April 25, 1927. After expounding an often repeated thesis that the press should be an arm of American foreign policy (it should have "a more intense and genuine Americanism" instead of criticizing American policy), Coolidge turned to the problem of America's "possession of surplus capital" and the defense of property rights abroad. Americans going "abroad with their investments, their technical skill and

⁵³ Howard to Kellogg, February 19, 1927, FR: 1927, III, 312; same to same, February 23, 1927, ibid., 314.

⁵⁴ See Grew to Eberhardt, March 3, 1927, ibid., 315.

⁵⁵ Eberhardt to Kellogg, February 16, 1927, ibid., 311.

commercial ability, to assist in opening up undeveloped countries" was "the natural play of the forces of civilization." This is "the method by which the more prosperous and improved portions of the earth help to bring these advantages to the less fortunately circumstanced." Believing that the government had been "too remiss, rather than too active" in supporting the "lawful rights" of Americans abroad, Coolidge implied Washington would now do more. Coolidge defined American property abroad as being as much a part of the United States as if it were inside American borders. "Our government," he said, "has certain rights over and certain duties toward our own citizens and their property, wherever it may be located. The person and property of a citizen are a part of the general domain of the Nation, even when abroad....There is a distinct and binding obligation on the part of self-respecting governments to afford protection to the persons and property of their citizens, wherever they may be."⁵⁶

Reviewing American policy in Nicaragua, Coolidge still insisted he had proof that Mexico supplied arms and ammunition to the Liberals.⁵⁷ Recalling American business interests

⁵⁶Coolidge, quoted in The New York Times, April 26, 1927.

⁵⁷Morgan told the Senate Foreign Relations Committee that the State Department had "no evidence" of Mexican aid to the Liberals. The New York Times, March 10, 1927.

and United States interests in a Nicaraguan canal, Coolidge said the marines were only protecting American property and encouraging a restoration of peace. "We are not making war on Nicaragua any more than a policeman on the street is making war on passers-by." Wishing to "discourage revolutions," Coolidge felt "toward the governments of countries which we have recognized this side of the Panama Canal... a moral responsibility that does not attach to other nations."⁵⁸

Coolidge insisted the United States acted impartially; Kellogg asserted Mexico and Bolshevik agents planned to subvert Central American governments. Instead of promoting the anticipated public support, these explanations created more criticisms at home and abroad. Newspapers like the Springfield Republican, and Baltimore Sun, the New York World, and the St. Louis Post-Dispatch strongly opposed American policy in Nicaragua and Mexico. Church leaders Henry Sloane Coffin, S. Parkes Cadman, and Harry Fosdick among many others attacked American intervention.⁵⁹

Messages of support for Mexico's President Plutarco Calles arrived from all over Latin America. Latin American students everywhere protested against the United States and sent messages of sympathy to the Sacasa government.

⁵⁸Coolidge, quoted in The New York Times, April 26, 1927.

⁵⁹The Nation, CXXIV, No. 3212 (January 26, 1927), 55 summarizes the criticism of American policy by the newspapers and leading citizens.

The Latin American Union and many other public organizations cabled the facts of American intervention in Nicaragua to Europe. Argentina organized a boycott against American products, and American imports dropped. American prestige and influence in Latin America declined, Mexican leadership increased. Mexico's argument that it could not achieve political independence without economic independence never appeared to be more true to many Latin Americans than in 1927.

CHAPTER IV

THE STIMSON MISSION

To Henry L. Stimson, former secretary of war in the Taft administration, a leader in New York politics, and a wealthy corporation lawyer, the Coolidge administration handed the task of extricating Washington from its Nicaraguan intervention with honor, a peaceful settlement, and a minimum of criticism from its friends and enemies. From the beginning of April to the middle of May, 1927, Stimson's personality and outlook dominated American policy making in Nicaragua. [Stimson ultimately demonstrated sentiments in his Nicaraguan mission that diverged from those of Coolidge and Kellogg.] Though Stimson's ideas did not produce any break with Coolidge and Kellogg in 1927, these differences were to be important in 1931 when Hoover and Stimson confronted the problem of how to check a Japanese army advancing across Manchuria.¹

Busy in Europe and Asia, Coolidge and Kellogg needed a quick solution to their troubles in Nicaragua and Stimson deserves much of the credit for the settlement and its tragic

¹See Richard N. Current, Secretary Stimson, A Study In Statecraft (New Brunswick: Rutgers University Press, 1954), 3-16.

aftermath. Stimson advised the State Department on the Tacna-Arica dispute between Chile and Peru and was already familiar with Washington's policy in Latin America. Like Kellogg, Stimson had been an important political lieutenant of Theodore Roosevelt and adhered to the white man's burden of benevolent imperialism. As with other American policy makers, Stimson carried out his mission with a certain patronizing attitude.²

After conferences with Coolidge, Stimson got the impression he was the president's personal representative with orders to go to Managua and stop the civil war. Apparently Kellogg did not view the mission as such. Kellogg told Minister Eberhardt that Stimson's job was to "convey such views and information as the Department has, and to consult with you and Admiral [Julian] Latimer regarding the entire situation to the end that he may report to the Department upon his return to Washington his and your joint opinions."³

When Stimson arrived at Managua he found instructions cabled from Kellogg waiting for him. "The Stimson mission should not be characterized in any sense as an act of mediation, and the Department believes you should use caution

²Ibid.

³Kellogg to Eberhardt, April 4, 1927, FR: 1927, III, 318-319; Current, Secretary Stimson, 30.

so as not to do anything which might give the mission that appearance." Kellogg told Stimson not to seize the initiative in conferring with the revolutionists. Moreover, he should engage in "purely informal" conferences. "The Government of the United States has never recognized even a state of belligerency in that country," Kellogg warned. Confident that Diaz would win, the secretary of state hesitated to "exert any pressure" on the Conservatives to compromise their position in a settlement. Finally, Kellogg now wanted "to avoid our assuming the responsibility of supervising an election."⁴ Stimson rebelled at all these restrictions. His subsequent actions implied he did not go to Nicaragua merely to collect first-hand information for the State Department.

In his initial report to Washington Stimson decided that the United States should supervise the 1928 elections. I am "strongly impressed," he said, that American supervision offers the "greatest inducement" to the revolutionists to stop fighting. Stimson spoke frankly. I "believe that such action by the United States would appeal far more strongly to both American and Latin American public sentiment than naked [American] military intervention in support of Diaz and against Liberals which may otherwise quite probably become necessary to bring about early pacification

⁴Grew to Eberhardt, April 15, 1927, FR: 1927, III, 321-322.

of the country." But Stimson did not stop here. After recalling Washington's "naked military intervention in 1912" to save the earlier Diaz regime, which produced peace for only twenty five days, Stimson proposed that the United States supervise elections in future years as a "means for gradual political education of Nicaraguans in self-government."⁵

To Stimson a quick solution seemed even more imperative than it did in Washington. The Liberal revolution daily gained new victories despite the obstructions of neutral zones. Or, perhaps worse, the alternative might be complete anarchy. In order to insure effective elections Stimson decided on complete disarmament as essential. Under the Stimson plan both parties would surrender their arms to American marines, return home to plant a crop in June, and all Nicaraguan exiles would return under a general amnesty. Diaz would remain president until the 1928 election and admit four Liberals to his cabinet. An American-trained constabulary would be formed. And the Americans would have sufficient police power to supervise the elections in 1928. Understandably, Diaz quickly accepted these terms. Stimson now had to win, or force, the Liberals to do the same.

Stimson knew fully Diaz's role in the Chamorro revolution but insisted on his retention because "we know no

⁵Stimson to Kellogg, April 20, 1927, ibid., 323-325.

other Nicaraguan whom we could trust." Contacting Sacasa's representatives, Stimson gave them his terms and asked for a quick reply. Stimson described his terms as a "generous offer" but thought it "very astonishing" if Sacasa would accept them. "If Sacasa refuses to settle," Stimson warned Kellogg, "I fear only alternative will be leaving [the] country to such anarchy [as further fighting would cause] and a forcible disarmament of the insurgents by the marines."⁶ Kellogg replied that he did not oppose forcible disarmament by American marines and asked for more information.

Stimson prepared for a showdown with the Liberal forces now drawn up in battle formation along the Tipitapa River and in a strategic position to threaten Managua or Granada. The Conservatives, nearly exhausted financially and with only limited popular backing, were not prepared to hold off the formidable Liberal army led by General Jose Maria Moncada. Admiral Latimer requested Washington's permission to do the Conservatives' work for them by using marines to hold the Liberal army at the Tipitapa River line. Stimson recommended to Kellogg that Admiral Latimer's request be granted. "Believe," Stimson said, "it comes within the scope of general purpose of instructions under which he has been acting."⁷

⁶Stimson to Kellogg, May 2, 1927, ibid., 335; Stimson to Kellogg, April 23, 1927, ibid., 326-327.

⁷Stimson to Eberhardt, April 26, 1927, ibid., 328-329.

Stimson emphasized that his success in getting the Liberals to accept American terms "depend upon maintenance of a firm military attitude by the United States in the face of improving insurgent military position." This meant using the marines to hold the Liberal army at the Tipitapa River. Though Stimson thought he might be able to forcibly disarm the Liberals with the marines available, he asked for reinforcements and requested permission to threaten General Moncada with forcible disarmament. "Whatever effect on Sacasa," Stimson advised Kellogg, "believe it would greatly affect many of his more practical military associates."⁸

Public opinion in the United States, very critical of American policy in Nicaragua, relaxed some as Stimson tried to stop the civil war. "That section of the press," Kellogg informed Stimson, "which up to the present time has opposed our Nicaraguan policy is supporting your efforts and appears to be ready to endorse any reasonable settlement you can make." Small wonder that Coolidge was "anxious" for Stimson to stay in Nicaragua as long as necessary. In fact Kellogg now said he considered "even the elimination of Diaz as a last resort" to reach a settlement. Coolidge and Kellogg gave Stimson the "widest discretion in handling the entire situation": a free hand to hold General Moncada at the Tipitapa River and to threaten him with forcible

⁸Ibid.

disarmament.⁹

Armed with the power of the United States Navy to threaten forcible disarmament, Stimson first met with Sacasa's representative on board an American destroyer at Corinto. Stimson found these men amenable to the fundamental ideas of his disarmament program--except the retention of Diaz as president until the elections of 1928. But they refused to commit themselves without bringing in General Moncada for consultation. So Stimson arranged to go to Tipitapa, had a truce called there, and negotiated with General Moncada.

After Moncada conferred briefly with Sacasa's representatives, he and Stimson sat down in the village of Tipitapa to reach a settlement. Moncada, not unfriendly toward the United States, spoke English. Like Sacasa's representatives, Moncada accepted the American terms for a settlement--all but the retention of Diaz as president. The removal of Diaz, Moncada said, was a point of honor. But once Stimson threatened forcible disarmament, Moncada could see the alternatives clearly. He could fight the United States or surrender. Stimson warned Moncada that he was "authorized by the President to insist on retention of Diaz as essential to the plan for a supervised election and was

⁹Kellogg to Stimson, April 30, 1927, *ibid.*, 332.

authorized to state that forcible disarmament would be made of those unwilling to lay down their arms."¹⁰

Accepting Diaz was distasteful but fighting the United States in open warfare meant certain defeat. Moncada agreed to surrender to Stimson and the marines. But Diaz had been a point of honor and Moncada was not sure he could convince his officers or his troops that the alternatives were surrender or suffer defeat by the United States. Moncada asked Stimson for a letter to help convince his troops. Stimson agreed and gave him the terms: "the forces of the United States will be authorized to accept the custody of the arms of those willing to lay them down...and to disarm forcibly those who will not do so."¹¹ After his conference with Stimson Moncada told an Associated Press correspondent that "the view seems certain that the United States is prepared to take the field against us if fighting continues and I am prepared to order my troops to lay down their arms," and added: "We are forced by a greater power to cease our fight."¹²

¹⁰Stimson to Kellogg, May 4, 1927, *ibid.*, 337; Henry L. Stimson, *American Policy In Nicaragua* (New York: Scribner, 1927), 77-79. Stimson described his meeting with Moncada "a little more tersely" in his journal than he did in his book. See *Current, Secretary Stimson*, 32, note 11.

¹¹Quoted in Stimson to Kellogg, May 4, 1927, *FR: 1927*, III, 337-338.

¹²Moncada, quoted in *The New York Times*, May 6, 1927.

If Stimson's proposals were rejected by the Liberals, negotiations broken off, and forcible disarmament carried out, Kellogg advised him that the United States "would not stand committed even to supervise the elections of 1928." Kellogg wanted it made clear to Moncada and Sacasa that they could not have the same terms after forcible disarmament. The United States "should be absolutely free" to do as it wishes in Nicaragua if negotiations fail. Stimson disagreed completely. Supervised elections, Stimson replied, are "the chief constructive proposition" which appealed to all parties. "To now repudiate that offer would in my opinion be unthinkable and a moral if not a technical breach of faith on the part of the United States."¹³

Stimson held other differences with Kellogg, especially about Washington's sponsorship of the General Treaty of Peace and Amity of 1923. This treaty, Stimson said, has "made questions of free elections very heart of Nicaraguan problem as well as of general Central American problem." The State Department was quite aware that government-controlled elections precluded revolution as the only way to change party control of a government. But Washington looked upon revolutions with disapproval and refused to recognize governments born of revolution. Thus American policy, Stimson said with unusual candor, has "strongly tended to make

¹³Kellogg to Stimson, May 4, 1927, FR: 1927, III, 336-337; Stimson to Kellogg, May 4, 1927, ibid., 338.

existing party control permanent." Worse still, the United States as the "strongest sponsor" of this policy involving de jure recognition "becomes [the] target of hatred of [the] opposition." In summary Stimson said American policy has "thus treated the symptom and not the disease."¹⁴

Stimson of course did not oppose even strong measures, such as his policy in Nicaragua, in order to stop revolutions. And as secretary of state he intervened vigorously in Chile and Liberia. In fact Stimson was so sure of his policy he apparently did not consider any other alternatives than continued civil war or complete American intervention. The latter meant "naked military intervention" or forcible disarmament with supervised elections. Yet a third alternative appeared. Other Central American nations demonstrated an interest in joint mediation at various times throughout the civil war. In particular, Salvador became interested in mediation while Stimson was in Nicaragua. Stimson opposed any interference and asked Kellogg: "Can you take steps in Washington to head it off?"¹⁵ The State Department did this with ease.

There was a good precedent for such a policy of joint mediation by the United States and Central American states.

¹⁴Stimson to Kellogg, April 20, 1927, ibid., 324, and

¹⁵Stimson to Kellogg, April 30, 1927, ibid., 333; and see Kellogg to Minister Caffery in Salvador, May 2, 1927, ibid., 333-334.

Secretary of State Charles Evans Hughes enjoyed a similar inclination to use unilateral intervention--as when he intervened to stop a three-cornered revolution in Honduras in 1924. Hughes sent his trouble shooter, Sumner Welles, to halt the revolution. A sophisticated diplomat, Welles won Hughes over to accepting joint mediation of all Central American states with Washington in order to hide the very type of "naked military intervention" Stimson sought to veil. "Central American mediation in the negotiation," Welles advised Hughes, will moderate "the criticism that the coming government was placed in power by the United States."¹⁶

Perhaps this was what the Central American nations missed in 1927. In any event Honduras, Salvador, Costa Rica, and Guatemala met at San Salvador in May, 1927, and decided that Stimson's terms were irreconcilable with those of the Central American General Treaty of Peace and Amity. Accordingly they still refused Diaz diplomatic recognition. "Though this mark of disapprobation did not diminish the material power of a Nicaraguan ruler who was supported by the whole strength of the United States," Arnold Toynbee remarked, "it did diminish the moral prestige of Senor Diaz's mighty protectress."¹⁷

¹⁶Welles to Hughes, April 19, 1924, FR: 1924, II, 308-310.

¹⁷Arnold J. Toynbee, Survey of International Affairs 1927 (London: Oxford University Press, 1929), 515-516.

Stimson reported to Kellogg May 15, ten days after his first conference with Moncada, that "the civil war in Nicaragua is now definitely ended." The United States intervention had opened the way for the "development of Nicaragua along the lines of peace, order and ultimate self-government." American policy, Stimson added, received the "general approval among the thinking men and women of Nicaragua."¹⁸ The Liberals and the Conservatives laid down their arms. Peace was assured. The following day The New York Times reported that Sacasa refused to accept the agreement between Stimson and Moncada.¹⁹ Moreover, it said the American marines were attacked, with two dead and two wounded. As the fighting continued Kellogg and the State Department became "much disturbed" and "greatly embarrassed" by the results of the Stimsonian peace.²⁰

While the fighting continued in Nicaragua Stimson went home to tell the success story of American policy in Nicaragua. In the Saturday Evening Post and in a small book Stimson explained that intervention in Nicaragua was not "an act of selfish imperialism" but a policy that followed "well-known principles of law and amity." Stimson detailed America's "very special interest" in seeing that the Central American "nations fulfill the responsibilities which go with

¹⁸Stimson to Kellogg, May 15, 1927, FR: 1927, III, 347-348.

¹⁹The New York Times, May 17, 1927.

²⁰Kellogg to Eberhardt, July 27, 1927, FR: 1927, III, 442.

sovereignty and independence." This policy could be justified in the safeguarding of American property in Central America from confiscation. And European powers would intervene if the United States did not protect their property too. "The failure therefore of one of these republics to maintain the responsibilities which go with independence," Stimson said, "may lead directly to a situation imperilling the vital interest of the United States in its sea-going route through the Panama Canal."²¹

Stimson explained Great Britain's interest in guaranteeing its sea route to India as an example of how the United States must do the same in the case of the Panama Canal. Thus security of the Panama Canal justified American intervention to restore "order" when Central American nations did not maintain their "responsibilities." In support of his "Isthmian policy" Stimson quoted Theodore Roosevelt: "We cannot permanently adhere to the Monroe Doctrine unless we succeed in making it evident...that in as much as by this doctrine we prevent other nations from interfering on this side of the water, we shall ourselves in good faith try to help these of our sister republics which need such help toward peace and order."²²

²¹Stimson, American Policy In Nicaragua, 91, 104, 109.

²²Ibid., 112.

In Nicaragua the United States supervised the 1928 elections according to the Stimson plan. General Moncada won easily for the Liberal party in a fair election. The State Department made a financial survey of Nicaragua and approved the lending of additional money to Nicaragua--used in part to pay for the claims of American property owners. And the marines re-formed and trained a new Nicaraguan National Guard to maintain order after American withdrawal.

The Liberals' revolution against the Conservatives had also been a revolution against American influence, armed intervention, and de jure support for President Diaz. At least this had been true of General Augusto Cesar Sandino who determined to continue the fight against the United States after Moncada quit. An idealistic nationalist, Sandino opposed General Moncada's agreement to surrender to Stimson and the marines. Unlike opportunistic politicians such as Diaz, Chamorro, and Moncada (who tried to bribe him to surrender), Sandino was fighting under the impact of the Mexican Revolution. In short, as Professor Joseph O. Baylen has written, Sandino was for the workers and peasants and against the United States business interests in Nicaragua and the foreign intervention that came in its train. Sandino quickly saw that Moncada, who was friendly toward American policies, would make a deal with Stimson to win the friendship and aid of the United States for his

own election as president,²³

Just as Kellogg recognized Diaz in hope of a quick settlement, Stimson's agreement with Moncada was believed to end Washington's difficulties in Nicaragua. Stimson may have committed a blunder when he failed to issue an invitation to Sandino for a meeting, who, not getting the expected, took it as an insult. Manuel Gomez, secretary of the All-American Anti-Imperialist League, suggested that Sandino may have been "outraged" because Stimson won Moncada over to his agreement and the selling out of the revolution by tapping him as the next president of Nicaragua.²⁴ (Certainly, as in the case of Diaz, Moncado could not have run for president in 1928 without explicit American approval because, having engaged in revolution, he did not qualify under the ban of the General Treaty of Peace and Amity.) Professor Baylen stresses the political differences between Moncada and Sandino and the latter's general revolutionary idealism. Whatever the reason, Stimson's agreement achieved peace between the Liberals and the Conservatives but produced a new split between these traditional politicians and the Sandinistas.

²³Joseph O. Baylen, "Sandino: Patriot Or Bandit?" (Durham) Hispanic American Historical Review, XXXI, No. 3 (August, 1951), 394-420.

²⁴Current, Secretary Stimson, 34.

By May 12, 1927 all the Liberal leaders except Sandino signed the Tipitapa agreement and surrendered to the marines. "I believe this marks definitely the end of the insurrection," Eberhardt happily cabled Kellogg.²⁵ At the same time Stimson announced that Sandino agreed to American terms and then "secretly" broke his promise to surrender.²⁶ From July, 1927, until February, 1933, at the time of Moncada's withdrawal from office and the end of American occupation in Nicaragua, the State Department officially labeled Sandino as a vicious "outlaw" and "bandit."²⁷

Professor Baylen concludes that Moncada seized the opportunity provided by Sandino's revolutionary fighting to employ the power of the United States to destroy his most dangerous political rival. Sandino had no difficulty in winning support for his anti-United States program, designed to drive out the foreign invader. At the same time Sandino easily identified Moncada, just as he did Chamorro and Diaz, as another pliable American retainer in Nicaraguan politics. There was sufficient truth in this to make Moncada's position extremely uncomfortable. Moncada could not compete with Sandino's willingness to stick by his

²⁵Eberhardt to Kellogg, May 12, 1927, FR: 1927, III, 347.

²⁶Stimson, American Policy In Nicaragua, 85.

²⁷Baylen, "Sandino: Patriot Or Bandit?" Hispanic American Historical Review, XXXI, No. 3 (August, 1951), 404.

principles of no compromise with Americans and his appeal to Nicaraguan nationalism. Moncada "eagerly seized" upon Washington's official denunciation of Sandino as a solution to his difficulties and waged political warfare with the slogan: Sandino is an unprincipled outlaw, completely without ideals. Moreover, Moncada "sought to use the power of the United States to destroy his most dangerous rival by openly declaring that his North-American allies were under obligation to restore order in Nicaragua."²⁸

The denunciation of Sandino as an "outlaw" by Kellogg, Stimson, Eberhardt, and the State Department was essential if they were to convince the American people and world opinion that the United States was not mixing in Nicaraguan politics to suppress a revolution, but only to save the Nicaraguans from an unprincipled bandit and to protect American property. In late 1927 and for the next four years it became more apparent to public opinion in the United States that Sandino was not merely a bandit.²⁹ In their desire to smooth over the affair in Nicaragua American policy makers refused to recognize a third party. Now they were paying the consequences by fighting a tragic and pathetic war with Sandino's army.³⁰

²⁸Ibid.

²⁹Denny, Dollars for Bullets, 324-327.

³⁰Ibid., 308-353; Baylen, "Sandino: Patriot Or Bandit?" Hispanic American Historical Review, XXXI, No. 3 (August, 1951), 404-420.

Sandino's war against the United States created endless embarrassment for Washington. He gathered together a small but faithful army which won wide support in Nicaragua. Supplies and moral encouragement were contributed from all over Central America and brought into Nicaragua by way of Honduras. At the height of his campaign Sandino controlled three departments in Nicaragua. Lawrence Dennis, the chargé at Managua, said that if Sandino and his army were really "bandits" then Nicaraguan public opinion would be more hostile toward them instead of the United States marines.³¹ Fighting the United States marines was not the most profitable business for a "bandit." All of this was not lost on anti-imperialists in the United States Congress or America's friends and enemies abroad.³²

One solution, or at least some relief, would have been to recognize Sandino for what he was, a revolutionist. The American representative at Managua wanted to go at least as far as declaring war on Sandino. This would end "the very great embarrassment" caused "by the lack of legal authority to hold bandit prisoners." But Washington even vetoed this proposal. "From the international point of view," Kellogg replied, "a formal declaration of a state of war

³¹ Lawrence Dennis, "Nicaragua: In Again, Out Again," Foreign Affairs (New York), IX, No. 3 (April, 1931), 499.

³² Congressional Record, Vol. 69:2:1555-1570; Denny, Dollars For Bullets, 324-327.

by the Nicaraguan Congress would probably have the effect of converting Sandino's status from that of mere bandit to that of leader of an organized rebellion, with possibilities of a recognition of his belligerency by any nation."³³ Kellogg admitted the defeat of his own policy.

Many Americans wondered if the objectives of Washington's policy were not being subverted by all the difficulties American policy created or irritated. Lawrence Dennis frankly acknowledged the "deplorable acts of interference in the political affairs of the country which is seeking [American] recognition," and spoke with authority about his experiences in Honduras and Nicaragua. "It is no disparagement of fair elections or the pax americana in Nicaragua to question whether these boons, by themselves," he concluded, "are worth to Nicaragua the life of one good American soldier."³⁴ In the next five years after 1927 Washington at times kept over five thousand troops in Nicaragua in its unsuccessful program of native pacification. Over one hundred marines and four thousand Nicaraguans died in the pacification campaign (which called to mind the pacification following the Philippine revolution). But once

³³Dana Munro to Kellogg, January 11, 1928, FR: 1928, III, 560; Kellogg to Munro, January 13, 1928, ibid., 561.

³⁴Lawrence Dennis, "Revolution, Recognition And Intervention," Foreign Affairs (New York), IX, No. 2 (January, 1931), 211, 216.

Moncada left the presidency and the marines withdrew in 1933, Sandino disbanded his army immediately.³⁵

³⁵Baylen, "Sandino: Bandit Or Patriot?" Hispanic American Historical Review, XXXI, No. 3 (August, 1951), 419-420.

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