

Merchants, Mining and Concessions on Nicaragua's Mosquito Coast: Reassessing the American Presence, 1893–1912*

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Abstract. This article reassesses the influence of American business on US foreign policy towards Nicaragua, 1893–1912. It describes three episodes that involved American interests in Nicaragua – the Reyes uprising of 1899, the Emery claim of 1903–1909, and the US & Nicaragua Mining Company claim of 1908–1912 – as evidence for a different interpretation of US policy, one which stresses how the influence and material interests of American ‘men on the spot’ framed the ways in which the State Department came to understand American aims in Nicaragua. Earlier accounts of ‘Dollar Diplomacy’ do not adequately acknowledge the significant political consequences of American merchant activity on the Mosquito Coast.

In April 1928 newspapers in the United States reported that Augusto César Sandino and his armed supporters had seized two American-owned gold mines in northeastern Nicaragua, a region known as the Mosquito Coast.¹ Sandino wrecked the plant of the Bonanza and La Luz y Los Angeles mines and then disappeared before the arrival of the US Marines that were pursuing him. Sandino regarded the mines as symbolic of the betrayal of the Nicaraguan people. Their destruction reflected his deep antagonism toward the American presence in Nicaragua as well as those Nicaraguans whom he regarded as traitors (*vendepatrias*) for their role in enabling American control and exploitation of Nicaragua's natural resources.² La Luz y Los Angeles, arguably the region's most prominent gold mine, was owned by a Pittsburgh-based company. A focal point for the grievances relating to Americans' property rights, its early history illustrates the shifting pattern of economic development on the

* The authors would like to acknowledge the assistance of Margarita Vannini and the staff of the Instituto de Historia de Nicaragua, our colleague Joan Sherman at Athabasca University, and funding from Athabasca University's Academic Research Fund.

¹ See ‘Sandino Captures American Mines; Takes 5 Workers,’ *New York Times*, 24 April 1928, pp. 1 and 8, and ‘Sandino in Letter Warns Americans,’ *New York Times*, 18 May 1928, p. 4.

² See Michael J. Schroeder, ‘“To Defend Our Nation's Honor”: Toward a Social and Cultural History of the Sandino Rebellion in Nicaragua, 1927–1934,’ unpubl. PhD diss., University of Michigan, 1993, esp. pp. 62–5, 490–1, 513–14, and Jeffery M. Paige, *Coffee and Power: Revolution and the Rise of Democracy in Central America* (Cambridge, MA, 1997), pp. 168–73.

Mosquito Coast. And Sandino would have known that a number of people associated with La Luz participated in the events leading to the overthrow of President José Santos Zelaya (1893–1909), a turning point in US–Nicaragua relations.

Within the US State Department’s strategic vision, Nicaragua assumed far greater importance following the Spanish–American War (1898), especially once the decision was made to build the Panama Canal (1903). Naval bases protected the canal route, US Marines and gunboats were called on to defend American investments, and US foreign policy discouraged European nations from taking any interest in the region’s political and financial affairs. Thus President Theodore Roosevelt extended the Monroe Doctrine in 1904 to include his country’s right to intervene in the domestic affairs of Caribbean states. A policy of ‘preventive intervention’ justified police action by US Marines to remedy perceived fiscal mismanagement and chronic wrongdoing, actions that were for the most part understood as ‘the civilizing component of hegemony’ rather than crass self-interest.³ For example, Secretary of State Philander Knox advocated the imposition of financial discipline on Central American and Caribbean republics ‘to assist the less fortunate American Republics in conducting their own affairs in such a way that those difficulties should not be liable to rise’.⁴ Whatever the justification, the result was clear: the American ‘search for stability, solvency, and security drew the United States inexorably deeper into the vortex of local national systems’.⁵ Even Knox viewed the outcome with some ambivalence, if the deletions – in square brackets – from his speech notes are any guide: ‘The lease of the Canal zone [in reality added another colony to our newly acquired insular possessions, and] staked a southern limit to our paramount influence. The impotence of Spain to suppress Cuban insurrection, the confusion of Dominican finances, the irresponsible tyranny of Zelaya, [have been so many occasions to cause our intervention which has often rested upon what would legally be a somewhat fragile foundation]’.⁶ As Knox’s speech notes suggest, US State Department

³ Louis A. Pérez, Jr., ‘Intervention, Hegemony, and Dependency: The United States in the circum-Caribbean, 1898–1980,’ *Pacific Historical Review*, vol. 51, no. 2 (1982), p. 172.

⁴ Address of Hon. Philander C. Knox before the New York State Bar, *The Monroe Doctrine and Some Incidental Obligations in the Zone of the Caribbean, New York, 19 January 1912* (Washington, DC, 1912), p. 23. See also P. C. Knox, ‘Altruistic Policy of the United States Toward Latin American Countries,’ 28 May 1910, Box 28, General Correspondence, Knox Papers, Manuscript Division, Library of Congress, Washington, DC.

⁵ See Pérez, ‘Intervention, Hegemony, and Dependency,’ pp. 166–68; Joseph A. Fry, ‘In Search of an Orderly World: US Imperialism, 1898–1912,’ in John M. Carroll and George C. Herring (eds.), *Modern American Diplomacy* (Wilmington, DE, 1996, rev. and enlarged ed.), pp. 1–23.

⁶ Pencilled notes for speech, ‘The Policy of the United States in Central America,’ in Correspondence, Vol. 17 (March–May 1912), Knox Papers, Library of Congress.

officials feared Zelaya's plans for an alternative trans-isthmian canal, his regional ambitions, and his independent foreign policy.

A considerable historiography chronicles the causes of Zelaya's overthrow and US intervention in Nicaragua. Dana Munro's views, in particular, have influenced interpretations of this era. Arguing that 'the diplomacy of the United States in Central America has been predominantly concerned with political questions – the prevention of international conflict and the promotion of stable government in individual countries – rather than with commerce and finance', Munro emphatically rejected the notion that US business influenced the State Department's view of Zelaya.⁷ The following pages – based on research into mining and other commercial activity on the Mosquito Coast – challenge such conclusions and reassess the influence of American business on US foreign policy towards Nicaragua. Many parts of this story, especially that of US intervention in Bluefields and the overthrow of Zelaya in 1909, have been told before.⁸ Thus the Atlantic Coast figures prominently in most explanations of the manner in which the US State Department, Knox and New York bankers imposed financial controls on Nicaragua with help from US expeditionary forces in 1909, in 1912 and again in the 1920s.⁹ Yet such accounts of 'Dollar Diplomacy' do not deal adequately with the significant political consequences of US merchant activity on the Mosquito Coast prior to this period or with how these 'men on the spot' drew the State Department into the region.¹⁰ A closer look at three major

⁷ Dana Munro, *The United States and the Caribbean Area* (Boston, 1934), p. 216.

⁸ See for example Pérez, 'Intervention, Hegemony, and Dependency'; Lester D. Langley, *The United States and the Caribbean in the Twentieth Century* (Athens, Georgia, 1985); Thomas D. Schoonover, *The United States in Central America, 1860–1911: Episodes of Social Imperialism and Imperial Rivalry in the World System* (Durham and London, 1991); Lester D. Langley and Thomas D. Schoonover, *The Banana Men: American Mercenaries and Entrepreneurs in Central America, 1860–1930* (Lexington, Ky., 1995); and Thomas O'Brien, *The Revolutionary Mission: American Enterprise in Latin America, 1900–1945* (Cambridge, 1998).

⁹ See, among others, Rodolfo Huete Abella, *Los banqueros y la intervención en Nicaragua* (Managua, 1931); Carlos Quijano, *Nicaragua: ensayo sobre el imperialismo de los Estados Unidos* (Managua, 1987); William Lau, 'Proceso de la Intervención Norteamericana en Nicaragua, 1909–1913,' *Encuentro* (Managua), no. 36 (Jan.–June 1989), pp. 31–60; Amalia Chamorro, 'El poder político del estado y la intervención extranjera (1909–1933),' *Encuentro*, no. 36 (Jan.–June 1989), pp. 61–88; Oscar-Rene Vargas, *La intervención norteamericana y sus consecuencias, Nicaragua 1910–1925* (Managua, n.d.); Alvaro H. Argüello, 'Incidencias del imperialismo en el proceso político de Nicaragua,' *Revista del Pensamiento Centroamericano*, 159 (1978), pp. 32–7; Humberto Belli, 'Un ensayo de interpretación sobre las luchas políticas nicaragüenses,' *Revista del Pensamiento Centro-Americano*, 1977; A. Barahona Portocarrero, 'Estudio sobre la historia de Nicaragua,' in Pablo González Casanova (ed.), *América Latina: historia de medio siglo* (Mexico, 1981), vol. 2, pp. 377–423; and Héctor Pérez Brignoli, *Breve historia de Centroamérica* (Madrid, 1985).

¹⁰ See John S. Galbraith, 'The "Turbulent Frontier" as a Factor in British Expansion,' *Comparative Studies in Society and History*, vol. 2 (1959/60), pp. 150–68; cf. the similar analysis in J. Fred Rippy, *The Caribbean Danger Zone* (New York, 1940), pp. 134–48.

commercial clashes between President Zelaya and US concession holders on the Mosquito Coast – the Reyes uprising of 1899, the Emery claim of 1903–1909, and the United States and Nicaragua Mining Company claim of 1908–1912 – leads to a different interpretation of US policy toward Nicaragua. This alternative explanation emphasises the contradictions created by US merchants, concession-hunters and mining investors on the Mosquito Coast, stressing how their influence and material interests framed the ways in which the State Department came to understand American aims and aspirations in Nicaragua. The Marines, after all, did not land in Managua but at Bluefields – a relatively isolated and distant corner of Nicaragua – where a well-established US commercial presence dated from the early 1890s.

Gold Mining on the Mosquito Coast

The wider world first learned of Nicaragua's gold during the mid-nineteenth century gold rushes, but forty years passed before its gold deposits attracted significant outside interest, when reports of gold being mined in Nicaragua reached the United States.¹¹ This activity was in the Mosquito region in the northeast of the country, hitherto a remote and isolated area, although one which had begun to attract the attention of various interested parties.¹² The area included a waning British imperial presence, strong tribal and Creole zones, growing numbers of 'Spanish' or Pacific coast Nicaraguans, and a small but influential group of American merchants, mining engineers, and concession-hunters.¹³ Diverse nationalities and cultures mingled on Nicaragua's Mosquito Coast. Racial and cultural prejudices were strong. British and Americans (some seeking a new 'South') assumed an inherent superiority over Indians, blacks, and Latinos. Creoles and Indians in the British Protectorate of the Mosquito Kingdom considered themselves citizens of the British Empire

¹¹ See, for example, W. A. Brown, Consul, to Wm. F. Wharton, Assistant Secretary of State, 5 Jan. 1890, in the Records of Foreign Service Posts, Consular Posts, San Juan del Norte, Nicaragua, *Despatch Book 1889–1895*, vol. 5, p. 62, files of the US Secretary of State, RG 84, US National Archives (hereafter NA).

¹² Philip A. Dennis and Michael D. Olien, 'Kinship among the Miskito,' *American Ethnologist*, vol. 11, no. 4 (1984), pp. 718–37; Flor de Oro Solórzano, 'Reincorporación y saqueo de la Mosquita,' *América Indígena*, vols. 1–2 (1993), pp. 61–80; James Parsons, 'English Speaking Settlement of the Western Caribbean,' *Yearbook of the Association of Pacific Coast Geographers*, vol. 16 (1954), pp. 3–16; Ricardo Beltrán Rózpide, 'La Mosquitia: Algunas notas documentadas para la historia territorial de esta parte de Centroamérica,' *Boletín de la Real Sociedad Geográfica* (Madrid), vol. LII (1910), pp. 438–60; Mary W. Helms, *Asang: Adaptations to Culture Contact in a Miskito Community* (Gainesville, Florida, 1971); Claudia García, *The Making of the Miskito People of Nicaragua: The Social Construction of Ethnic Identity* (Uppsala, 1996).

¹³ E. Pérez-Valle, *Expediente de Campos Azules. Historia de Bluefields en sus Documentos* (Managua, 1978) and David Healy, 'A Hinterland in Search of a Metropolis: The Mosquito Coast, 1894–1910,' *International History Review*, vol. 3, no. 1 (Jan. 1981), pp. 20–43.

and superior to the inland Indians who worked in mines and sawmills. Pacific Nicaraguans were disliked by most groups, although they themselves felt they were bringing progress to the region's Indians and blacks, and had little respect for Americans. Anti-Semitism towards Jewish businesses on the Mosquito Coast was another part of this complex of attitudes and prejudices.¹⁴ The gold mines were slowly opened up in the mountainous hinterland of the Mosquito Coast during the late 1890s. Access and transportation problems hindered development: the trip to the mines from the coast could take up to a week, by water and land, and through difficult terrain.¹⁵ As prospects were turned into working mines, equipment had to be brought in, some weighing many thousands of pounds. Hauling equipment from the coast to the mine site could present formidable logistical problems. Nor did the problems end once the machinery was on the property, since its successful operation called for a constant and reliable power source. Providing such power was an ongoing headache for mining engineers in the region. Securing an adequate workforce for the mines was another challenge, although racist assumptions slant many of the surviving descriptions of mine labour.

The Atlantic coast had two principal mining districts, the Piz Piz and the Siuna. Separated by a distance of about fifteen miles, they were some seventy miles due west of the Caribbean coast. A series of mines operated in the Piz Piz district, while La Luz y Los Angeles was the major producer near Siuna, in the headwaters of the Prinza Apulca River.¹⁶ These isolated mining camps drew labour from local native communities or imported workers from the coast and the United States. White American foremen usually ran the operations while mining engineers and managers visited throughout the year. The company's staging areas on the coast received goods and supplies from the USA, and these would subsequently be taken inland to the camps. Most mines maintained an office or residence in Bluefields or the Cape, places where prospectors, mine owners, engineers, managers and their families associated closely with town merchants, the US consul and local authorities.

Efforts by the Nicaraguan government to unite the Mosquito region (and its natural resources) with the rest of Nicaragua began in earnest in 1894, when the new president, José Santos Zelaya, resorted to military force to establish

¹⁴ See Charles R. Hale, *Resistance and Contradiction: Miskitu Indians and the Nicaraguan State, 1894–1987* (Stanford, 1994) and Karl Offen, 'The Mythical Landscape: Indians, Nature, and Geography in the Historiography of Eastern Nicaragua,' paper presented to the Latin American Studies Association, Chicago, Illinois, 24–26 Sept. 1998.

¹⁵ This is clear, for example, in Jesse Scobey, 'The La Luz and Los Angeles Mine, in Nicaragua,' *Engineering & Mining Journal*, vol. 110, no. 1 (3 July 1920); see esp. pp. 7, 9, 11–13.

¹⁶ See the map overleaf and 'Map of Eastern Nicaragua,' in Louis Garbrecht, 'New Mining Fields in Eastern Nicaragua,' *Engineering & Mining Journal*, vol. 109 (3 April 1920), p. 793. The principal mines of the Piz Piz district were the Bonanza, the Lone Star, the Concordia, the Siempre Viva and the Constanca. Hawxhurst, Jr., 'The Piz Piz Gold District,' p. 357.



control over Bluefields and incorporate the Mosquitia into Nicaragua. The move was opposed by the Mosquito and Creole peoples.¹⁷ In addition, the growing American business community on the coast contested any moves that threatened its position, which rested largely on the region's place within an emerging trade system based in New Orleans.¹⁸

¹⁷ See Robert Naylor, *Penny Ante Imperialism: The Mosquito Shore and the Bay of Honduras 1600–1914* (London and Toronto, 1989). Naylor argues that the British slowly bartered the Mosquito peoples for better relations with the United States, resulting in American hegemony in the region; cf. Edmund T. Gordon, *Disparate Diasporas: Identity and Politics in an African–Nicaraguan Community* (Austin, 1998), pp. 56–79; Lioba Rossbach, 'Ascenso y caída de Samuel Pitts 1894–1907,' *Encuentro*, nos. 24/25 (April–Sept. 1985), pp. 55–65. For a description of the takeover, see 'The Nicaraguan Attack on Bluefields,' *The Times* (London), 27 March 1894, p. 3.

¹⁸ Cross-isthmus travel was very difficult. By contrast, a regularly-scheduled steamer connected the Mosquito Coast with New Orleans.

Zelaya, Concessions and the Reincorporation of the Mosquitia

Zelaya was in many ways a classic nineteenth-century liberal. Educated in France and influenced by European economic liberalism, he sought to modernise Nicaragua and pursued a controversial policy of giving foreigners concessions for mining, logging and electrical production in an effort to hasten the speed of economic change.¹⁹ Zelaya defended this by arguing that concessions brought much-needed foreign capital and expertise to Nicaragua. He also believed that foreigners would instil in the Nicaraguan labour force a work ethic that would break the 'low productivity and inefficiency' which liberals blamed 'on the natural indolence and depravity' of Nicaraguan workers.²⁰ While Zelaya's concessions gave foreigners ready access to Nicaragua's natural resources, the concessions also stipulated that those who enjoyed these advantages had to construct roads and railways, dredge shipping routes and create ports. In other words, they were to provide an economic infrastructure that would hasten Nicaragua's development. Zelaya's strategy resembled the generous grants of free lands and other advantages to business, adopted by governments in Canada and the United States in their efforts to promote railway development.²¹ One object of Zelaya's generous concessions was to unite the Mosquito Coast with the rest of Nicaragua.

Zelaya's initial efforts to incorporate the Mosquito Coast created unrest among the US business community there. Members of this community claimed twelve years' residence in the region, with over \$2 million invested in agriculture, mining and commerce: '4 million dollars of business annually.'²² These Americans – many with ties to New Orleans – had acquired concessions from the Mosquito governors and from the Nicaraguan Conservatives who preceded Zelaya, as had some British, German and Chinese. Samuel Weil, an importer at Bluefields linked to the Jewish business community in New Orleans, acted as their representative. Anxious to protect their business

¹⁹ Enrique Aquino, *La personalidad política del General José Santos Zelaya* (Managua, 1944). Zelaya went to France aged 16 for six years (1869–1875). Aquino's defense of Zelaya includes praise for building roads and '89 miles' of railway.

²⁰ Benjamin Teplitz, 'The Political and Economic Foundations of Modernization in Nicaragua: The Administration of José Santos Zelaya, 1893–1909,' unpubl. PhD diss., Howard University, 1973, p. 132, and chapter 7, passim. See also 'Nicaragua-Su Pasado, Su Presente, Su Porvenir,' *El Diario Nicaraguense*, 6 Nov. 1895.

²¹ This point was made forcefully by the lawyer defending the rights of the Bluefields Fruit and Steamship Company, in a forty-page legal brief submitted to the Mixed Commission on Nicaraguan Claims; see *Mixed Commission on Nicaraguan Claims: Bluefields Fruit and Steamship Company versus The Republic of Nicaragua* ([New Orleans], 1911), pp. 13–15, 18–19.

²² Presentation to Grover Cleveland, US President, by B. B. Seat (US Consul) and Samuel Weil, no date, in *El Gobierno Liberal de Nicaragua, Documentos 1893–1908* (Managua, 1909), p. 220, held at the Instituto de Historia de Nicaragua, Universidad Centroamericana, Managua, Nicaragua (IHN hereafter).

interests, the Americans opposed, as one merchant put it in 1894, substituting ‘the military despotism of Nicaragua for the oligarchy of the negroes of the Mosquito Government’.²³ Lewis Baker, a member of the US Legation in Managua, blamed what he described as the Nicaraguan government’s autocratic and militaristic manner, as well as heavy taxation, for ruining communities along the Mosquito Coast which earlier had prospered under the light hand of local rule.²⁴

In March 1894 the US residents at Bluefields turned down an offer by Carlos Lacayo, the new Nicaraguan Comisario of the Mosquito Reserve, to participate in a provisional government. Their reaction, published in the *Bluefields Messenger*, indicates their hostility to Zelaya’s government: ‘*cualquiera que se llame Americano y aceptó algún puesto sea tenido como renegado*’.²⁵ Some Nicaraguans, on the other hand, felt that the US owners of gold mines, banana plantations, mahogany logging works, and import houses along the Mosquito Coast were the real renegades. Following a visit to Bluefields in 1895 the Nicaraguan Inspector of Hacienda reported ‘*no reina Nicaragua, pues no parece que sea una fracción de nuestro territorio porque los leyes del país son letra muerta*’. This official found that customs practices were not set up to prevent clandestine merchandise from entering the coast. The docks and warehouses owned by foreigners like the mahogany logger George D. Emery and the importer Samuel Weil were ideally located for smuggling contraband, and he specifically urged expropriation of Weil’s wharf: ‘*Todo lo que se hace ... es bastante irregular y se presta a fraudes*’.²⁶ Notwithstanding such official disapproval, Weil became Mayor of Bluefields in 1895, and a shareholder in the newly established La Luz y Los Angeles gold mine in 1896.²⁷

When mining development began in northeastern Nicaragua, a free-wheeling frontier community of foreign traders and entrepreneurs confronted a government determined to assert authority in the region while garnering

²³ Comments by US Vice Consul Captain Seat, in a clipping from the *New Orleans Times Democrat*, 6 April 1894, in *El Gobierno Liberal de Nicaragua, Documentos 1893–1908* (Managua, 1909), p. 209.

²⁴ Lewis Baker, US Legation, Bluefields, to Grisham, US State Department, 2 May 1894, Despatches from US Ministers to Central America, 1824–1906, M219, microfilm roll 78, RG 59, NA.

²⁵ US Community, Bluefields, to Lacayo, 20 March 20, 1894, in *El Gobierno Liberal de Nicaragua, Documentos 1893–1908* (Managua, 1909), p. 211; see also Gordon, *Disparate Diasporas*, chapter 3, and Isolda Rodríguez Rosales, ‘Educación asimiladora en el Litoral Atlántico (1893–1909),’ in Margarita Vannini and Frances Kinloch (eds.), *Memoria: política, cultura y sociedad en Centroamérica Siglos XVIII–XX* (Managua, 1998), pp. 123–134.

²⁶ *Informe del Inspector Gral. De Hacienda Dr. F. Romero, en su visita al Dptmto. De Zelaya*, 31 March 1895, p. 5, in Fondo Zelaya, IHN.

²⁷ See Michael J. Clancy, Vice Consul Bluefields, to John Coolidge, American Minister (Managua), Bluefields, 7 Sept. 1908, *Diplomatic Posts-Nicaragua*, Vol. 3 (on spine, ‘American Legation Managua, Misc. Corr. 1908, vol. 2’), RG 84, NA.

a share of the economic benefits of any new activity. Predictably, mining intensified existing tensions between Zelaya's government and the Mosquito Coast's business community. Zelaya's system of concessions became the focus for much of this tension. These concessions typically gave the holder the right to engage in a particular activity for a specific length of time, in return for a one-time fee as well as an annual rent. Concession holders also received 'the privilege of the introduction of all goods and materials required for their own use and that of their employees and labourers – food, clothing, shoes and wearing apparels etc.' According to the US State Department, 'The amount of duties they would have paid on their imports would by far exceed the amount annually paid (for the concession).'²⁸ Despite waiving duties, however, Zelaya was still able to profit from the economic activity generated by concessions, since he was also involved in monopolies that supplied the mines with fresh meat, dynamite, and other necessary supplies.

One scholar of this period argues that Zelaya's profits from concessions were not simply for personal gain. They ensured the loyalty of his local governors and enabled him to forge commercial alliances with members of the western Nicaraguan elite who 'profitably swam with the dominant political tide'.²⁹ Some contemporary observers looked on cynically. The US consul in Bluefields, for example, wrote that 'his [Zelaya's] way of participating in a partnership's profits is as follows: any enterprise that has remuneration he shares in the profits and where it is not a paying proposition his partners must pocket the loss and he takes no chances.'³⁰ On the other hand, the US consul in neighbouring San Juan del Norte felt that Zelaya's methods were, to some extent, similar to those of the Bluefields business community: 'The latter are generally those of Indian traders, unsubjected to very much law and depending for success rather upon ability to curry favour with officials than anything else.'³¹ Members of the US business community on the Mosquito Coast became increasingly hostile to Nicaraguan control of the region, as well as to the level of taxation and the monopolistic nature of some of the concessions.

²⁸ Enclosure, American Legation, 23 June 1908 (describing the Emery mahogany concession in the Mosquito region), in American Legation Managua, Misc. Corr. 1908, vol. 2, RG 84, NA.

²⁹ Jeffrey L. Gould, *To Lead As Equals: Rural Protest and Political Consciousness in Chinandega, Nicaragua 1912–1979* (Chapel Hill, 1990), p. 23; cf. Teplitz, 'The Political and Economic Foundations,' *passim*.

³⁰ M. J. Clancy to Secretary of State, Washington, n.d., in American Legation Managua, Misc. Corr., 1908, vol. 2, RG 84, NA. For a similar if more measured analysis, see Michael Rice, 'Nicaragua & the U.S.: Policy Confrontations & Cultural Interactions 1893–1933,' unpubl. PhD diss., University of Houston, 1995, pp. 138–90.

³¹ US Consul, San Juan Del Norte, to Loomis, Assistant Secretary of State, 12 Nov. 1903, in Despatches from US Consuls in San Juan del Norte, Nicaragua, 1851–1906, T348, microfilm roll 20, NA. See also Richard V. Salisbury, 'Great Britain, the United States, and the 1909–1910 Nicaraguan Crisis,' *The Americas*, vol. 53, no. 3 (Jan. 1997), pp. 379–94.

Their response was to take advantage of the remoteness of the region and exploit various provisions in their own contracts and concessions. For example, goods relating to mining or other concession operations that were imported duty free – a lengthy list that could include such items as canned and dried foods, medicines, hardware, tools, building materials and heavy equipment – often found their way into the open market.³² Such actions provoked Nicaraguan officials to initiate customs crackdowns and to increase taxes. Tensions continued to escalate until members of the American community supported two uprisings against Zelaya: the failed Reyes rebellion of 1899 and the successful revolution in 1909 that led to Zelaya's ouster.

The Reyes Rebellion

The Reyes rebellion – led by General Juan Pablo Reyes, governor of the Atlantic coast from 1896 to 1899 – was in many ways a dress rehearsal for the successful revolution that came the following decade. A number of individuals participated in both events, and similar issues provoked them, reflecting tensions that were partly political, partly economic, and to some extent interpersonal. Complex political and economic currents on the Atlantic coast lay behind the struggle for control of the region's economy, the conflicts over taxation and tariffs, the problem of concessions and monopolies, and more generally the impact of Zelaya's rule. Reyes was a popular governor, appreciated by the merchant community because of his role in opening the region to gold mining, improving the port at Bluefields, and establishing better communications with Managua. However, the contemporary view on the coast was that his actions were 'always hampered by Zelaya's instructions to raise taxes'; Reyes himself estimated that he had sent \$450,000 to Zelaya during his three and a half years as governor. US merchants worked closely with him, enabling Reyes to keep Nicaraguan paper currency out of Bluefields until 1897, for example, and encouraging his protests against Zelaya's increases in duties. Thus the American support for Reyes' rebellion in 1899 surprised no one. The motive of those backing Reyes was no secret. As one English merchant explained, 'The increase of the duties had ruined my business and in the past few months I had lost over \$1000 ... Reyes promised lower duties and better government ... I cast my lot with him. It was ruin sure on one side, and possible success on the other.'³³ Reyes knew what to do in order to ensure support. When he seized control of the coast on 5 February 1899, the New Orleans *Daily Picayune* reported that he immediately 'reduced all

³² 'Más sobre La Compañía Emery,' *El Radical*, 24 April 1906; see also US Consul, San Juan del Norte, to David J. Hill, Assistant Secretary of State, 1 Feb. 1903, T348, microfilm roll 20, NA.

³³ 'Escaped from Nicaragua,' *Daily Picayune* (New Orleans), 9 March 1899, pp. 1–2.

duties to the old schedule and cut down the taxes to such an extent that all merchants and planters can be assured of prosperity'.³⁴ Echoes of other regional conflicts could be heard: Reyes sported a 'Remember the Maine' lapel pin, for example, and his bodyguard – organised by James C. Kennedy of New Orleans – was known as Kennedy's Roughriders. Such gestures were no doubt intended to generate support and sympathy from the American community.

Reyes held the Atlantic coast for twenty days, assisted by American merchants who paid duties to his fledgling government rather than Zelaya's, under the pretext of complying with tariffs. They hedged their bets, however, also requesting a US warship to protect their interests. The *Marietta* arrived on 16 February. By 24 February the short-lived rebellion had come to an end, and Reyes and Kennedy fled the country. Other rebels were not so fortunate. General Chamorro was imprisoned and later exiled. A young colonel, Adolfo Díaz, was jailed for a few months and then pardoned by Zelaya. However, Zelaya had no illusions about who was behind the insurrection. The region's new governor claimed 'he had convincing evidence that the firm of Sam Weil & Co. was the ringleader of the revolution', and 'this firm had been directly the cause of the outbreak, and that it had been backing General Reyes'. Zelaya was not about to overlook such partisan behaviour. He declared invalid the customs revenue that had been paid to Reyes and insisted that merchants pay to his government a sum equivalent to what they had given Reyes.³⁵ Weil and the other merchants refused, closing their shops and draping them in US flags, on the advice of the US Consular Agent, Michael J. Clancy. US naval and diplomatic intervention prevented Zelaya from recovering his lost income, although he tried to raise the tariff within the year, in another effort to regain from the US merchants the \$600,000 that it had cost him to put down the Reyes rebellion.³⁶

The extent of US involvement in the Reyes rebellion signalled an intensification of interest by the State Department in the Atlantic coast's politics, at the same time as mining became one of the region's key economic activities. In 1900, the industry's development relied on foreign investment and technology, both largely American. This was not a neutral or passive relationship: nowhere are the links between US economic interests and Nicaraguan politics

³⁴ 'Nicaragua for Peace,' *Daily Picayune*, 20 March 1899, pp. 1, 10. Throughout the spring of 1899, the newspaper carried regular reports on events in Nicaragua.

³⁵ 'Americans in Nicaragua,' *Daily Picayune*, 5 April 1899, p. 1. See also Anna I. Powell, 'Relations between the United States and Nicaragua, 1898–1916,' *Hispanic American Historical Review*, vol. 8, no. 1 (Feb. 1928), pp. 43–64.

³⁶ Petition to Assistant Secretary of State, David J. Hill, from Consulate San Juan del Norte, 17 Dec. 1901, T348, microfilm roll 19, NA; Juan Luis Alegret, 'La Comarca de Cabo Gracias a Dios: Apuntes Para Su Historia,' *Encuentro*, nos. 24/25 (April–Sept. 1985), pp. 65–95.

more explicit than in mining. For example, the young colonel, Adolfo Díaz, jailed for his part in the Reyes rebellion, remained on the coast and became the accountant for the leading gold producer, La Luz y Los Angeles. Ten years later he, along with the ubiquitous Samuel Weil and other Americans, would secure US financial support for the anti-Zelaya forces; later still, US backing would enable Díaz to become President of Nicaragua.

In the early 1900s the more successful mines were producing gold worth \$50,000 or more per year. Although these amounts may seem modest, the inflated business and diplomatic rhetoric that accompanied any perceived threat to American business interests was as important as the actual size or significance of the investment.³⁷ Contemporaries also found it difficult to obtain accurate data on mining in Nicaragua, as one journalist complained in London's *Mining Journal* in 1903, although he noted that significant mining activity seemed to be taking place: 'That the country bids fair to be the scene of some mining activity is shown by the fact that in 1901 64 claims were registered ... Were the Isthmian Canal to be constructed through Nicaragua the mineral wealth of the country would no doubt be more closely enquired into'.³⁸

The Demonisation of Zelaya

The idea of a canal, symbolising progress and national integration, had been debated in Nicaragua for many years.³⁹ Under Zelaya, however, the possibility of a canal took on political meaning.⁴⁰ While recognising the need for foreign assistance, he was not prepared to compromise national sovereignty. For example, Zelaya rejected an American offer of \$11 million for a canal deal in 1900, since Nicaragua would have had to cede a right-of-way. In 1903 the USA chose the Panama route for its canal, a considerable blow to Zelaya, who had counted on the Americans picking the Nicaraguan route. In frustration, Zelaya began to investigate the work of those foreigners who held concessions, to

³⁷ For production figures, see 'Table I – Mint Bullion Returns by Years,' in Scobey, 'The La Luz and Los Angeles Mine, in Nicaragua,' p. 7, and those in Hawxhurst, 'The Piz Piz Gold District,' p. 358. On the role played by rhetoric, see Joseph Fry, 'Imperialism, American style, 1890–1916,' in Gordon Martel (ed.), *American Foreign Relations Reconsidered, 1890–1993* (London, 1994), p. 56.

³⁸ 'Mining in Nicaragua,' *Mining Journal* (London), (9 May 1903), p. 557.

³⁹ See E. Bradford Burns, *Patriarch and Folk: The Emergence of Nicaragua 1798–1858* (Cambridge, Mass., 1991), pp. 160–161, and Frances Kinloch Tijerino, *Nicaragua: identidad y cultura política* (Managua, 1999), pp. 208–34.

⁴⁰ Frances Kinloch, 'El canal interoceánico en el imaginario nacional: Nicaragua, siglo XIX,' *Taller de Historia: Instituto de Historia de Nicaragua*, vol. 6 (July 1994), pp. 39–55; cf. Roscoe R. Hill, 'The Nicaraguan Canal Idea to 1913,' *Hispanic American Historical Review*, vol. 28, no. 2 (May 1948), pp. 197–211, and Richard H. Collin, *Theodore Roosevelt's Caribbean: The Panama Canal, the Monroe Doctrine, and the Latin American Context* (Baton Rouge and London, 1990).

determine if they were honouring the terms of their contracts. He subjected Americans to a particularly close scrutiny.⁴¹

US consular staff in Central America had been inclined to regard Zelaya as a capable leader, but this began to change as the decision to build the canal through Panama touched off an increasingly bitter quarrel between Zelaya and the US Government.⁴² From 1903 onwards, State Department reports tended to portray Zelaya as a dictator and a troublemaker in the region. US newspapers increasingly demonised Zelaya, characterising him as a cruel tyrant who oppressed his own people and denouncing his system of monopolies and concessions. Caricatures of Zelaya and the Central American States as spoiled children in need of discipline appeared in newspapers across America.⁴³ Zelaya shrugged off such criticism and issued new concessions, sought alternative financing for a Nicaraguan canal from German, Japanese and French sources, and made plans for a railway from western Nicaragua through the jungle to a new deepwater port at Monkey Point on the Atlantic.⁴⁴

US government officials regarded Zelaya's behaviour as increasingly provocative. Certainly, his timing was unfortunate, for the USA was in the process of consolidating its control over the Caribbean basin, the region that Jacques Crokaert and others would later describe as 'the American Mediterranean'.⁴⁵ In 1904 President Roosevelt announced his corollary to the Monroe Doctrine, declaring that the USA would exercise its authority as an international police power in any regional conflict that involved serious disorder, corruption, or financial mismanagement. Thus the USA made the Dominican Republic a protectorate in 1907, assuming control of its financial and political affairs. That same year Nicaragua's regional power was evident when – in the largest military encounter in Central American history – Zelaya's army defeated

⁴¹ See Healy, 'A Hinterland in Search of a Metropolis,' p. 35.

⁴² See the description in Schoonover, *The United States in Central America*, chapter 8, 'An Isthmian Canal and the Overthrow of Zelaya,' pp. 130–48; also Craig L. Dozier, *Nicaragua's Mosquito Shore: The Years of British and American Presence* (University, Alabama, 1985), pp. 172–5.

⁴³ See Michael H. Hunt, *Ideology and US Foreign Policy* (New Haven and London, 1987), pp. xiii & 59–68. See Paige, *Coffee and Power*, p. 164; John J. Johnson, *Latin America in Caricature* (Austin, 1980), esp. his discussion of the republics as children, pp. 116–19, and the two cartoons about Nicaragua, pp. 136, 141; James William Park, *Latin American Underdevelopment: History of Perspectives in the United States, 1870–1965* (Baton Rouge and London, 1995), chapter 3; and Frederick B. Pike, *The United States and Latin America: Myths and Stereotypes of Civilizations and Nature* (Austin, 1992).

⁴⁴ Karl Bermann, *Under the Big Stick: Nicaragua and the United States since 1848* (Boston, 1986), p. 137; cf. the comments in 'Nicaragua's Troubles,' *The Economist* (13 Aug. 1910), p. 334.

⁴⁵ Jacques Crokaert, *La Méditerranée américaine: l'expansion des États-Unis dans la mer des Antilles* (Paris, 1927); Eric Williams, *From Columbus to Castro: The History of the Caribbean 1492–1969* (Thetford, Norfolk, 1978); also, Bermann, *Under the Big Stick*, chap. 9; Thomas Skidmore and Peter H. Smith, *Modern Latin America* (Oxford, 1992), p. 326.

Honduran troops led by exiled Nicaraguan General Emiliano Chamorro.⁴⁶ Between 1903 and 1909 Secretary of State Elihu Root favoured diplomacy as a means to settle internal disputes in the region; his response to Zelaya's growing power was to establish the Central American Court with Mexico in 1907.⁴⁷ But the new administration of President Taft and his Secretary of State Knox adopted a more aggressive approach, arguing that Zelaya's rule destabilised the region. They supported Zelaya's opponents in Nicaragua and encouraged other Central American countries – especially Costa Rica – to work for his overthrow.⁴⁸ The US community in Bluefields sensed a growing official displeasure with Zelaya, against whom it harboured grudges of its own.⁴⁹

A few Americans continued to hold more positive opinions of Zelaya. The senior US diplomatic official in Central America, Minister Merry, defended Zelaya as capable and progressive, if hard on his enemies.⁵⁰ And the new Nicaraguan Consul in 1906, Mercury, formerly the agent for an American mahogany company on the Atlantic coast, maintained that Zelaya was 'nothing more than a second [Porfirio] Díaz ... [and] kindly disposed towards Americans'.⁵¹ Nonetheless, tensions clearly increased after 1903, from which point Zelaya tended to deal more harshly with foreigners holding concessions in Nicaragua. The official government publication, *La Gaceta de Nicaragua*, reported revisions to various contracts as well as lawsuits against concession holders. Zelaya's strategy was to require strict compliance with the contractual obligations.

The most famous of the disputes over concessions was the prolonged 'Emery Claim', involving the Massachusetts-based George D. Emery Company. It had worked a large mahogany concession on the Mosquito Coast since 1883, which was reported to cover one fifth of Nicaraguan territory.

⁴⁶ See Bermann, *Under the Big Stick*, 142. Carlos Cuadra Pasos claimed in his book, *Historia de Medio Siglo* (Managua, 1964), p. 25, that in 1907 even 'God had turned Zelayista.'

⁴⁷ See David Healy, *Drive to Hegemony: The United States in the Caribbean, 1898–1917* (Madison, 1988), pp. 134–44, and J. B. Scott, 'The Central American Peace Conference of 1907,' *American Journal of International Law*, vol. 2, no. 1 (1908), pp. 121–43.

⁴⁸ See Schoonover, *The United States in Central America*, p. 137; Bermann, *Under the Big Stick*, p. 142; Richard V. Salisbury, *Anti-Imperialism and International Competition in Central America 1920–1929* (Wilmington, DE, 1989), p. 10; Jürgen Buchenau, 'Counter-Intervention Against Uncle Sam: Mexico's Support for Nicaraguan Nationalism, 1903–1910,' *The Americas*, vol. 50, no. 2 (Oct. 1993), pp. 207–32; and Salisbury, 'Great Britain, The United States, and the 1909–1910 Nicaraguan Crisis'.

⁴⁹ See Charles L. Stansifer, 'José Santos Zelaya: A New Look at Nicaragua's 'Liberal-Dictator,' *Revista/Review Interamericana*, vol. 7, no. 3 (Fall 1977), pp. 468–85.

⁵⁰ See the entry on William L. Merry, *National Cyclopaedia of American Biography*, 1904, p. 310. Merry published several pamphlets on the Nicaraguan route, among them William L. Merry, *The Nicaragua Canal: The Gateway between the Oceans* (San Francisco, 1895).

⁵¹ 'Chances in Nicaragua,' *The American* (Bluefields), 29 Jan. 1906.

Initially the company had paid \$200,000 for the concession, and continued to pay \$20,000 annually as well as a royalty on the logs harvested. The company employed upwards of 1,300 men and its long-time manager, Sam Spellman, estimated an average annual profit of about \$186,000 during its last eight years of operations.⁵² In 1906 Zelaya accused Emery of defaulting on the contract, failing to build fifty miles of railway, and neglecting reforestation. He put the monetary value of these violations at \$500,000. The Emery company objected and the dispute went to arbitration, proceedings that were held in Bluefields and chaired by Samuel Weil (appointed by government) and J. A. Belanger (on behalf of Emery). The court fined Emery \$12,000 for minor infractions, but overall it upheld the validity of the company's concession. Then, in January 1907, Zelaya cancelled the concession outright, arguing that the company was selling duty-free goods in the marketplace and that it had failed to complete the railway. In response Emery claimed he would lose \$2,000,000 in earnings, appealed for international arbitration, and turned to the US State Department for help. Three years of bitter wrangling followed, further straining relations between the USA and Zelaya. The same issues were involved in other disputes throughout Central America: notions of property rights and contractual obligations as well as matters of legal interpretation and national sovereignty.

James Deitrick and the United States & Nicaragua Company

Despite such disputes, Zelaya continued to grant concessions to foreigners. The most notable was a controversial mining concession made to a US citizen, James Deitrick, in early 1903.⁵³ This gave Deitrick control over a vast area in northern Nicaragua, including virtually all the Mosquito Coast.⁵⁴ The US & Nicaragua Company assumed ownership of the extensive mining concession, as well as a producing gold mine, La Luz y Los Angeles, which Deitrick purchased in 1904.⁵⁵ The concession did nothing to soothe tensions on the Atlantic coast, since it effectively prevented others from engaging in any mining activity other than that to which they had already secured title. The fact that Deitrick seemed a speculative financier, rather than someone

⁵² See Spellman's comments in the US Congressional Hearings Supplement, Senate Committee on Foreign Relations 1914, SFO 63A, p. 477.

⁵³ Some biographical information on Deitrick may be found in the Register for the James Deitrick Papers, Acc. no. 140, Stanford University Libraries, Department of Special Collections, Stanford, California.

⁵⁴ See Records of Foreign Service Posts, Diplomatic Posts – Nicaragua, vol. 16 (on spine, 'American Legation Managua Misc. Corr. 1911, vol. 15'), RG 84, NA, and US Consul, San Juan del Norte, to David J. Hill, Asst. Secretary of State, 1 Feb. 1903, T348, microfilm roll 20, NA.

⁵⁵ See Fondo Adolfo Díaz, file box Minas, fol. La Luz y Los Angeles, Archivo Nacional de Nicaragua (dated 7 Jan. 1905).

committed to the business of mining, added to the criticisms of ‘this useless monopoly.’⁵⁶

Up to this point, US merchants with links to New Orleans had dominated the Bluefields business community, although a diverse group of planters, managers, and others also represented German, British and other business interests.⁵⁷ Deitrick’s activities brought a group of influential and well-connected Pittsburgh investors to Nicaragua’s Atlantic coast. These people – the stockholders in the US & Nicaragua Company and La Luz y Los Angeles – had close connections with the political elite in Washington.⁵⁸ They likely hoped only to earn a profit from what appeared to be a promising mining venture but their investment in the region complicated an already fragile situation.

The directors of the US & Nicaragua Company came to regard Deitrick’s business methods as unorthodox, extravagant, and ultimately unacceptable. He was summarily dismissed in 1906, amid charges of over-spending and misuse of funds.⁵⁹ The company subsequently hired an experienced mine manager, Arthur C. Hodge, to run La Luz y Los Angeles, although it was becoming apparent that operating a successful mining operation on the Mosquito Coast was no easy matter.⁶⁰ Nonetheless, investors in the company remained determined to profit from a speculative investment in a politically volatile situation.⁶¹ As the opportunity for profit appeared to slip out of sight, their opposition to the Nicaraguan government grew, and they joined others opposed to Zelaya. Their influence with the US government lent their actions particular significance. Years later the US Consul in Bluefields in 1909 testified before the US Senate’s Sub-Committee on Foreign Relations on the role of those involved with the US & Nicaragua Company in Nicaraguan affairs. Pointing out that Knox, US Secretary of State in 1909, had close ties to the company, Moffat drew attention to ‘the United States and Nicaragua concession, the Pittsburgh concession – a mining concession on the east coast. That, Senator, to my mind was the cause of the desire to eliminate Zelaya.’⁶²

⁵⁶ Connelly, ‘Piz-Piz District, Nicaragua,’ p. 351.

⁵⁷ See Schoonover, *The United States in Central America*, pp. 137–9.

⁵⁸ See the list of individuals appended to this article.

⁵⁹ See Arthur C. Hodge, Pittsburgh, to Adolfo Díaz, Bluefields, La Luz y Los Angeles Mining Company, 9 Feb. 1907, in Fondo Adolfo Díaz, folder 2565, Eng. corr., IHN.

⁶⁰ See for example ‘Nicaragua Mining,’ *The American* (29 March 1909), a reprint from the *Mexican Mining Journal*, and Michael J. Clancy to Gregory, 9 Jan. 1909, in Diplomatic Post Records, American Legation, Managua 1909–1910, Misc. Corr., vol. 10 (on spine marked ‘Vol. 9’), RG 84, NA.

⁶¹ See ‘Nicaragua,’ *The Economist*, 23 Oct. 1909, p. 809.

⁶² *Hearings before the Subcommittee of the Committee on Foreign Relations*, United States Senate, Sixty-Ninth Congress, second session, 25, 26, 27 Jan., and 16 Feb. 1927 (Washington, DC, 1927), p. 42.

The Transition from Root to Knox

A re-examination of the 1909 transition from Secretary of State Elihu Root's 'regime of legality' to the more aggressive policies of Taft and Knox adds weight to Moffat's assertions.⁶³ At this point the Emery claim was the most significant irritant in US–Nicaragua relations. Root described the lengthy negotiations surrounding the claim as 'one of the worst cases he had been compelled to fight during his incumbency in office'.⁶⁴ Within days of assuming office on 5 March 1909, Knox began to review the commercial disputes between US businesses and Zelaya, specifically requesting the file on the Emery claim.⁶⁵ Frustrated at the 'unsatisfactory attitude of the Nicaraguan Government' and 'unusual and unnecessary delays in negotiations', Knox instructed John Gregory, chargé d'affaires at the US Legation in Managua, to send a stern note to Zelaya and then recalled Gregory to Washington, as if he were breaking off diplomatic relations.⁶⁶

This action did not pass unnoticed. The *New York Times*, for example, reported that 'Secretary Knox is losing patience over the delays and the discourtesies of the Zelaya Government'.⁶⁷ Several weeks later, an editorial in the *New York Sun* speculated whether US policy towards Zelaya under Knox 'may prove to be less conciliatory and even actually less friendly?'.⁶⁸ A third New York paper also noted the change following Knox's assumption of office, observing that he had given 'the Nicaraguan Government unmistakable evidence of this government's intention to press the [Emery] matter to an issue at once'.⁶⁹ Three weeks later, the *New York Times* reported that the impasse over the Emery claim was resolved in the course of evening negotiations held in Knox's own home.⁷⁰

⁶³ Richard D. Challener, *Admirals, Generals, and American Foreign Policy 1898–1914* (Princeton, 1973), p. 266. Note also the comments in Healy, *Drive to Hegemony*, pp. 145–53.

⁶⁴ 'Deaths in Emery Claim,' *Baltimore Sun*, 12 May 1909, p. 3.

⁶⁵ See Noyes to Secretary of State Knox, Memorandum about Emery Damages, n.d., attached to memo from Knox to Espinosa, Minister of Nicaragua, 26 March 1909, and Henry Cabot Lodge to Knox, 31 March 1909, Numerical and Minor Files of the Department of State, 1906–1910, M862, microfilm roll 130, NA.

⁶⁶ For Knox's instructions to Gregory, see Knox to Gregory, 11 March 1909, Telegram, M862, microfilm roll 130, NA. Gregory's recall is described in 'Nicaragua Massing Troops on Frontier,' *New York Times*, 16 March 1909, p. 4.

⁶⁷ 'Nicaragua Must Arbitrate Claims,' *New York Times*, 21 March 1909, p. 2.

⁶⁸ 'A Serious Aspect of our Relations with Nicaragua,' *New York Sun*, 11 April 1909, attachment to Memo from the Office of Solicitor, Scott to Knox, 11 April 1909, M862, microfilm roll 130, NA.

⁶⁹ 'Nicaragua Agent to Settle Claim,' *New York Herald*, 4 May 1909; cf. 'Nicaragua Must Arbitrate Claims,' *New York Times*, 21 March 1909, p. 2; 'Nicaragua Objects to American Terms,' *New York Times*, 23 March 1909, p. 4; 'Emery Claim Still in Way,' *New York Times*, 28 March 1909, p. 5.

⁷⁰ 'Nicaragua to Arbitrate,' *New York Times*, 26 May 1909, p. 2; this story had the revealing sub-title, 'Knox Forces a Conclusion to the Long-Standing Emery Claim'.

These contemporary accounts support the view that Knox was ‘far more in control of the apparatus of foreign policy than Root or Hay’. Indeed, Knox’s principal assistant, Huntington Wilson, described him as ‘the complete autocrat in his domain. Like a cordon bleu chef who allows no one to interfere in his kitchen, ... no official from the President down was to say or do anything that touched upon foreign relations without his approval in advance’.⁷¹

When he assumed the office of secretary of state, Knox requested profiles of the Nicaraguan president from past and present US Consuls. The responses described Zelaya as greedy, deceitful and immoral (‘his fancy for the choice maidens of the country, his extensive progeny, I shall not touch upon here’). From Managua, John Gregory wrote that ‘99 per cent of people would welcome action by American Government leading to change, in the nature of intervention, a protectorate, or even annexation’, and concluded that ‘there is no liberty in Nicaragua, either political, commercial, or moral.’⁷² Frederick Ryder, formerly consul of San Juan del Norte, explained how ‘our representatives who have come in contact with President Zelaya are unanimous upon *one* point, particularly, and that is, his cunning diplomacy and complete disregard for truthfulness.’ Ryder was in Bluefields in 1906 when Zelaya cancelled the Emery claim, and he claimed that Zelaya ‘had so harassed the management of the Emery Company, with embargoes and other legal complications, that it was impossible to continue operations’. Asserting that he had made a ‘close study of Zelaya and his methods of government’, Ryder concluded that ‘there can be no peace in Central America until such time as Zelaya shall be shorn of his political power and aggressiveness, he is *the* menace to peace and prosperity in these countries’.⁷³ Such impressions informed the State Department’s understanding of Nicaragua and Central American affairs at a critical juncture. Descriptions of Zelaya’s threat to peace in the region were inseparable from those that warned of his threat to US business interests. Similarly the depiction of Zelaya as immoral, untruthful, cunning, aggressive and unethical in business dealings merged with the American concern to end financial irresponsibility in the region and prevent chronic disorder.

In the spring of 1909, as Knox was dealing with the Emery claim, he received news that Zelaya intended to annul the US and Nicaragua Company’s concession. Fearing ‘unjust confiscation by the Government of Nicaragua’, the company’s president wrote to Knox and appealed for ‘protection in the premises’, pointing out that the mining company was owned by Pittsburgh

⁷¹ Quoted in Challener, *Admirals, Generals, and American Foreign Policy*, p. 266.

⁷² Gregory to Secretary of State, 31 March 1909, M862, microfilm roll 130, NA.

⁷³ Ryder, American Consul, Rimouski, Quebec, to Assistant Secretary of State, 17 April 1909, in ‘The George D. Emery Company Arbitration. President Zelaya and his despicable methods,’ M862, microfilm roll 130, NA.

interests.⁷⁴ The State Department had known for nearly two years of Zelaya's intention to annul the concession, but that possibility acquired a new significance following Knox's assumption of office.⁷⁵ The parallels with the Emery claim seemed clear. The letter from the company's president was forwarded to assistant secretary of state Huntington Wilson, with the pencilled note: 'The definite charges against Z – in connection with the administration of justice might interest Mr. Wilson.'⁷⁶

In April further correspondence concerning the US & Nicaragua Company landed on Huntington Wilson's desk. The US consul in Bluefields advised that Juan Estrada, governor on the Mosquito Coast, claimed to have written to Zelaya and requested that he stop the action against the US & Nicaragua Company. The letter suggested that the US & Nicaragua Company had a friend in General Estrada although the consul observed bleakly that 'For your information, every action brought by the government of Nicaragua to repeal concessions granted foreigners has resulted in favor of said Government up to the present time.'⁷⁷ The letter closed by describing 'the utter neglect' of the US & Nicaragua Company properties in Cape Gracias.

Over the next few months, officials with the US & Nicaragua Company turned to Knox for assistance. On 14 September 1909, the company's secretary, William Rees, wrote to the secretary of state to introduce his friend, Captain Gardyne Stewart of London, who had 'the option to purchase certain holdings in a concession & mining enterprise owned by a number of your Pittsburgh friends in Central America'. Rees asked Knox to use 'his good office' to arrange a meeting for Stewart with the Spanish minister 'in the interest of your friends'. Two weeks later the company's chairman, Charles H. Myers, advised Knox that Stewart 'expects to go to Nicaragua in the interest of our mining properties ... for the purpose of taking up some matters direct

⁷⁴ Salisbury, President, US & Nicaragua Company, to Secretary of State Knox, 22 March 1909, M862, microfilm roll 283, NA. Knox came from Pittsburgh, where he had been a well-known corporate lawyer before embarking upon his political career. For a description of his early career, as well as his connections with leading Pittsburgh business people, see Anita Torres Eitler, 'Philander Chase Knox: First Attorney General of Theodore Roosevelt 1901–1904,' unpubl. PhD diss., Catholic University of America, 1959; also Paige Elliot Mulhullan, 'P. C. Knox and Dollar Diplomacy 1909–1913,' unpubl. PhD diss., University of Texas, 1966, p. 126.

⁷⁵ US Consul Ryder to the State Department, 2 December 1907, RG 84; Merry to Secretary of State Root, 19 December 1907, RG 84; Trimmer to State, 16 April 1908, M862, microfilm roll 283, NA; Clancy to Asst. Secretary of State, 12 September 1908, enclosing a clipping from a Managua newspaper that urged cancelling the US & Nicaragua Co. concession (M862, microfilm roll 283, NA).

⁷⁶ Note appended to letter from Salisbury, President, US & Nicaragua Company, to Knox, 22 March 1909, M862, microfilm roll 283, NA.

⁷⁷ M. J. Clancy to Salisbury, President, US & Nicaragua Company, Pittsburgh, 28 April 1909, M862, microfilm roll 283, NA.

with President Zelaya at Managua ... [and] desires to take up with you some matters which are in controversy with that Government before leaving.' Myers emphasised that 'the owners of these properties and concessions are about all Pittsburgh interests' and concluded that 'as we have upwards of a million dollars invested in that country, hope you can give the Captain [Gardyne Stewart] some of your valuable time in connection with the matter.' A few days later the president of the company also wrote to Knox, asking him to discuss with Stewart the La Luz y Los Angeles property and the US & Nicaragua Company's concession 'owned by Pittsburgh capitalists, some no doubt known by you'.⁷⁸ These pleas must have received a sympathetic hearing, for two weeks later Stewart advised the US & Nicaragua Company directors that:

Mr. Secretary Knox has requested me to take up the matter officially with the Solicitors of his Department, begining [sic] it before him in that manner, and after which I am then to consult with him again in person to discuss the policy of action.

Stewart let Knox know that he had forwarded the grievances 'in accordance with your suggestion' and speculated that 'Doubtless the matter will reach you in due time ... Interests of these parties, as well as my own, are suffering keenly through the unquestionably false attitude assumed by President Zelaya.'⁷⁹ On 19 November Assistant Secretary of State Huntington Wilson assured Stewart that the matter 'would receive the careful attention of the Department.' Knox broke off relations with Nicaragua on 1 December 1909. Six days later, Gardyne Stewart wrote to thank the State Department 'for its action in reference to the matter in question.'⁸⁰

The influence of American business interests on US policy in the months leading up to the 1909 Nicaraguan revolution – particularly their influence on Knox's anti-Zelaya position – remains controversial. The passages quoted above show that individuals associated with the US & Nicaragua Company frequently drew Knox's attention to 'his Pittsburgh friends'. While it is impossible to gauge exactly how this correspondence affected the Secretary of State's actions, the evidence clearly links business aims and government policy.⁸¹ Even though Zelaya had modernised Nicaragua's roads, railways and

⁷⁸ William Rees to Knox, 14 Sept. 1909; Charles H. Myers, US & Nicaragua Company, to Knox, 28 Sept. 1909; Salisbury, President, US & Nicaragua Company, to Knox, 2 Oct. 1909, M862, microfilm roll 283, NA.

⁷⁹ Gardyne Stewart to US & Nicaragua Company, 15 Oct. 1909; US & Nicaragua Company to Gardyne Stewart, 23 Oct. 1909; Gardyne Stewart to James Brown Scott, Solicitor, State Department, 9 Nov. 1909; Gardyne Stewart to Knox, 9 Nov. 1909; Wilson to Gardyne Stewart, 19 Nov. 1909, M862, microfilm roll 283, NA.

⁸⁰ Gardyne Stewart to Wilson, 7 Dec. 1909, M862, microfilm roll 283, NA.

⁸¹ See Senator Stone's comments in 'Senatorial Inquiry Asked on Nicaragua,' *New York Times*, 26 June 1910, p. 3; William Borah in the Senate (see for example Whitney T. Perkins, *Constraint of Empire: The United States and Caribbean Interventions* (Westport, CT, 1981), pp. 25 & 115); and Smedley Butler's letters from Nicaragua, reprinted in Anne Cipriano

ports and the country's finances were reasonably stable, American consuls reiterated US merchants' complaints of Zelaya's economic mismanagement, his abuse of contracts, unfair arbitration, unreasonable taxation, as well as his personal greed. Thus an image of Zelaya as 'the menace to prosperity' gained credence. To claim that dollars drove diplomacy over-simplifies matters, but Pittsburgh investors as well as US merchants and capitalists on the Mosquito Coast strongly influenced official Washington's perceptions of Zelaya. Racial and cultural stereotyping amplified those charged criticisms, which served to justify 'preventive intervention' in Bluefields in 1909, by describing Nicaragua as a poorly-led and mismanaged state that would benefit from American methods and supervision.⁸²

From Intervention to Supervision

The end came for Zelaya in late 1909. He had raised tariffs on the Atlantic coast by 30 per cent in March that year, provoking an angry reaction from the merchant community. English language newspapers in Bluefields claimed that the new tariff 'increases costs of operations for planters and at mines and may force some of the smaller mines out of business.'⁸³ In May the banana planters on the coast showed their frustration with another Zelaya monopoly, the Bluefields Steamship Line, by going out on strike.⁸⁴ Two American gunboats arrived, one carrying Knox's nephew, Drew Linard. His uncle probably heard a first-hand account of the opposition to the new tariff as well as the merchants' objections to concessions.⁸⁵ Zelaya further antagonised the US government by turning to a British syndicate for a loan, 'secured on the tobacco and liquor monopolies'.⁸⁶ Knox tried to block the loan, arguing that if Zelaya defaulted, a European power would have an excuse to intervene in the region. The

Venzon (ed.), *General Smedley Darlington Butler: The Letters of a Leatherneck, 1898-1931* (New York, 1992), passim. Although scarcely an impartial source, Zelaya also offered an interesting analysis: see 'Zelaya Would Aid Concession Inquiry,' *New York Times*, 15 Nov. 1913, p. 13, and 'Zelaya Blames Dollar Diplomacy for his Troubles,' *New York Times*, 23 Nov. 1913, Section 6, p. 2.

⁸² See Kelvin A. Santiago-Valles, *'Subject People' and Colonial Discourses: Economic Transformation and Social Disorder in Puerto Rico, 1898-1947* (Albany, 1994), p. 20.

⁸³ 'Situation More Serious than Ever,' *The American*, 26 April 1909; 'Strike Seems No Nearer Settlement,' *The American*, 3 May 1909; 'Strike Still Prevails,' *The American*, 10 May 1909; 'Strike Remains Unsettled,' *The American*, 24 May 1909.

⁸⁴ See O'Brien, *The Revolutionary Mission*, pp. 56-68.

⁸⁵ 'In Defense of Mr. Belanger,' *The American*, 19 April 1909.

⁸⁶ 'The Outlook in Nicaragua,' *The Economist*, 1 Jan. 1910, p. 4. For Knox's attempt to block this loan, see Walter V. Scholes and Marie V. Scholes, *The Foreign Policies of the Taft Administration* (Columbia, 1970), p. 50, and Hernandez, 'The Presidency of José Santos Zelaya,' p. 76.

loan also raised fears that Zelaya might be able to secure foreign financing to complete a Nicaraguan canal across the isthmus.⁸⁷

In August 1909 the US government sent Thomas Moffat to Bluefields to assume the duties of consul. Dubbed the ‘revolutionary consul’ for his experiences in Venezuela and the Dominican Republic, Moffat’s despatches included descriptions of late night meetings at Samuel Weil’s store between Zelaya’s governor, General Estrada, and Adolfo Díaz, now a prominent employee of La Luz y Los Angeles mining company. Years later, Moffat recounted under oath the conversations between Díaz and Estrada, testimony that implicated US naval officers in the revolution against Zelaya. Moffat told how they apparently urged the Nicaraguans to revolt because ‘some of the Americans up home are not satisfied with some of the concessions being interfered with, and Zelaya, they think, ought to be put out.’⁸⁸ American authorities also encouraged Nicaragua’s neighbours to take a hard line against Zelaya. Surviving records in Costa Rica, for example, reveal that State Department officials in late 1909 issued ‘a thinly veiled invitation to wage war against Nicaragua’. Costa Rica was not interested: ‘Frustrated in its effort to obtain surrogate support in Central America, the US government proceeded to launch a major diplomatic offensive against the Nicaraguan government.’⁸⁹

With dwindling support from his own Liberal party and surrounded by ‘personal hangers-on of both parties interested only in the monopolies and concessions’,⁹⁰ Zelaya seemed increasingly vulnerable. The revolt finally came, ominously, on the ‘Day of the Dead’ in 1909 and it began on the Atlantic coast. Estrada, Zelaya’s own governor, led the uprising with support from General Mena, as well as Conservatives Adolfo Díaz and Pedro Joaquín Chamorro.⁹¹ As in 1899, many Americans participated, including Leroy Cannon and Leonard Groce, both of whom had worked on concessions in Nicaragua. The two men were caught trying to blow up a Nicaraguan troop ship; the mine that they had intended for the ship exploded harmlessly after drifting from its target. They were subsequently court-martialled for their actions, and on 16 November both were shot on Zelaya’s order. Their deaths produced an uproar.⁹² Influential American opinion, reflected in the pages of

⁸⁷ Pérez, ‘Intervention, Hegemony and Dependency,’ p. 168.

⁸⁸ US Congressional Hearings 41st–73rd Congress 1869–1934, US Congress Senate Hearings 1926–27, Committee on Foreign Relations, vol. 289, ‘Foreign Loans,’ p. 34; on Moffat, see the comments in Perkins, *Constraint of Empire*, pp. 25–6.

⁸⁹ Salisbury, *Anti-Imperialism and International Competition*, p. 10.

⁹⁰ Amy Woods, ‘Nicaragua and the United States,’ *Congressional Record – Senate*, vol. 69, 70th Congress, 1st Session, 2 May 1928, p. 7614.

⁹¹ Emiliano Chamorro, ‘Autobiografía,’ *Revista Conservadora del Pensamiento Centroamericano*, vol. 1, no. 4 (1960–62): pp. 49–60.

⁹² See the comments under dates November and December 1909 in Federico Gamboa, *Mi diario: mucho de mi vida y algo de la de otras*, II Serie, II (Mexico, 1938).

the New Orleans newspaper, the *Daily Picayune*, depicted caricatures of Zelaya as a child in need of spanking from President Taft, and a scorpion to be crushed underfoot by Uncle Sam's boot.⁹³ Breaking off diplomatic relations with Nicaragua with his famous Note of 1 December 1909, Secretary of State Knox contemptuously described Zelaya as 'a blot upon the history of Nicaragua'. Yet such views were not unanimous: the senior American diplomat in the region, William Merry, was unsympathetic to the plight of Groce and Cannon, commenting that 'parties who join revolutionary service must take their chances and with Zelaya should like the French old guard "die but never surrender"'.⁹⁴ His views did not prevail, however, and the subsequent aggressive press campaign led to further denunciation of Zelaya's actions.

Following the example of the 1899 Reyes revolt, taxes collected along the Atlantic coast went into the coffers of the new revolutionary government, as a means of bolstering the cause. But financial support for the revolution went much further. Estrada candidly admitted in the *New York Times* that American merchants provided him with some \$1,000,000 in support. Among the Bluefields community, Joseph Beers gave \$200,000, and Samuel Weil Company another \$100,000. William Adler, a New Orleans businessman and La Luz stockholder, bought the ship *Hornet* to move arms and ammunition for Estrada and Díaz.⁹⁵ Adolfo Díaz, 'the efficiency manager of the revolution', arranged for some \$600,000 of the support, including \$63,000 of his own money.⁹⁶ This support assumed that victory would bring an end to concessions and usher in a new economic system by ending 'The abhorrent practice of granting monopolies ... one of the worst of Zelaya's crimes.'⁹⁷ True to

⁹³ See the following cartoons in *Daily Picayune*: 'Uncle Sam Ready to Spank Zelaya,' *Daily Picayune*, 22 Nov. 1909, p. 1; 'A Critical Time for a Little Fellow,' *Daily Picayune*, 24 Nov. 1909, p. 1; 'Time for Your Uncle to Put Down his Foot,' *Daily Picayune*, 13 Dec. 1909, p. 1.

⁹⁴ Merry to Caldera, 16 Nov. 1909, in *Consul Managua*, vol. 24, Correspondence with Legation at San José, CR, 1906–1910, RG 84, NA; see also 'A Hand in the War in Nicaragua,' *Daily Picayune*, 19 Nov. 1909, pp. 1, 3, and 'Americans Slaughtered by Zelaya's Command,' *The American*, 28 Nov. 1909. Note also the comments defending the executions in 'The United States in Nicaragua,' *The Economist* (11 Dec. 1909), p. 1212.

⁹⁵ 'Country Answers Call to Arms,' *The American*, 18 Oct. 1909; *New York Times*, 10 Sept. 1912, pp. 4–5; Langley and Schoonover, *The Banana Men*, pp. 79–83; Bermann, *Under the Big Stick*, pp. 123–50; Wm. Adler, New Orleans to Díaz, 9 Aug. 1910, in Fondo Adolfo Díaz, Folder 3033, Eng. Correspondence, IHN; Adler to Díaz, 12 May 1911, Fondo Adolfo Díaz, Eng. corr., General, IHN.

⁹⁶ See Lowell Thomas, *Old Gimlet Eye: The Adventures of Smedley D. Butler* (New York, 1933), p. 130. Healy suggests that \$90,000 as well as arms came from Guatemalan President Cabrera ('A Hinterland in Search of a Metropolis,' p. 39). See also Chamorro, 'Autobiografía,' p. 60; 'To Sift Congress Record of Sulzer,' *New York Times*, 24 Aug. 1913, pp. 1–2; & 'Sulzer's Guatemala Deal,' *New York Times*, 17 Nov. 1913, p. 4; cf. Jacob Alexis Friedman, *The Impeachment of Governor William Sulzer* (New York, 1968 [originally 1939]), pp. 120–22.

⁹⁷ 'Abolishment of Monopolies,' *The American*, 18 Oct. 1909.

A CRITICAL TIME FOR THE LITTLE FELLOW



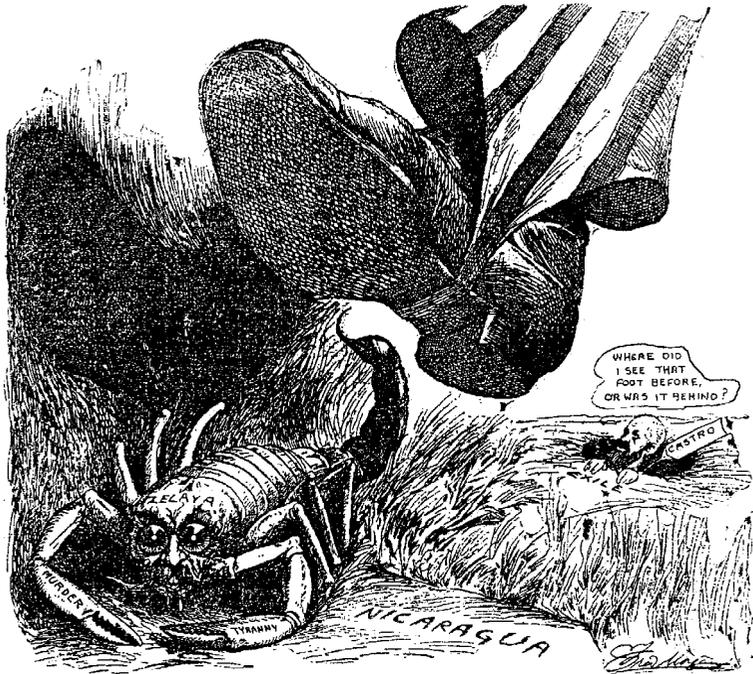
UNCLE SAM: If you are sure he deserves it, Bill, lay it on.

(Baltimore Sun.)

such expectations, Estrada cancelled concessions in December 1909. In a dramatic gesture he also seized the contents of the Emery store in Bluefields, distributing them to local people. According to the terms of the recently-negotiated Emery settlement, these goods were supposed to have been handed over to the Nicaraguan Government.⁹⁸

For some Americans personalities were not the issue. 'Capitalists ... see little choice between Zelaya and Estrada,' explained the New Orleans *Daily Picayune* in late November 1909. Anticipating American intervention, it concluded that 'Secretary Knox it is firmly believed will go as far as he can

⁹⁸ 'Abolishment of Monopolies,' *The American*, 18 Oct. 1909; 'Nicaragua News,' *Daily Picayune*, 22 Oct. 1909, p. 5. See 'Emery Claim Settled,' *The American*, 3 Oct. 1909; 'Emery Claim Settled,' *New York Times*, 19 Sept. 1909, pt. 3, p. 4; the official narrative in the Records of Foreign Service Posts, Diplomatic Post, Nicaragua, book with caption on spine: 'American Legation, Managua, Emery Case 1903-1908, vol. 1,' RG 84, NA.



(Philadelphia Inquirer.)

TIME FOR YOUR UNCLE TO PUT DOWN HIS FOOT.

without actual authority from Congress.⁹⁹ Americans dispatched to Nicaragua saw things rather differently. Rear Admiral Kimball wondered how people could lose sight of the real issues: 'I have never been able to understand', he grumbled, 'how comparatively small American commercial interests backing the Revolution could control practically the whole American press and give such generally false views.'¹⁰⁰ The commander of the US Marines in Nicaragua felt that 'the whole revolution is inspired and financed by Americans who have wild cat investments down here' and he angrily condemned 'The whole game of these degenerate Americans ... [who hope] to force the United States to intervene and by so doing make their investments good.'¹⁰¹

Under pressure from all sides and hoping somehow to salvage Liberal rule in Nicaragua, Zelaya stepped down, and Dr José Madriz assumed the presidency on 21 December 1909. Knox, however, was unsatisfied and demanded

⁹⁹ 'Zelaya's Reign in Nicaragua will Shortly End,' *Daily Picayune*, 21 Nov. 1909, p. 1.

¹⁰⁰ W. W. Kimball to Secretary of Navy, Corinto, Nicaragua, 25 May 1910, US State Department, Records of the Department of State Relating to Internal Affairs of Nicaragua, 1910-1929, M632, microfilm roll 5, NA.

¹⁰¹ Smedley Butler to Maud D. Butler and Thomas S. Butler, 1 March 1910, reprinted in Venzon (ed.), *General Smedley Darlington Butler*, pp. 75-7.

Madriz's removal because of his links to the Zelaya regime. Officials at the British Foreign Office could not understand Knox's approach. Reports led them to believe that the revolution was faltering: Chamorro's army had been annihilated at Tisma, Estrada had been unable to spark a popular uprising in Granada, and even Estrada's hold on Bluefields and Rama was tenuous.¹⁰² It was well-known that Estrada maintained his headquarters, arms, money and food in Bluefields, although the US government ensured that the town remained a neutral zone, preventing its bombardment or blockade by government forces.¹⁰³ The captain of the US naval vessel *Paducab* also landed marines 'to protect American lives and property'. Merchants in the community, noted the *Daily Picayune*, 'have extended to the revolutionists unlimited credit on the assurance that the support of the United States lay behind the revolutionists, and therefore they argue that the Washington Government is duty bound to safeguard their interests.'¹⁰⁴ The captain of the British warship *Scylla*, which was also on the scene, observed that 'allowing one side to make full use of its [Bluefields] advantages and not the other was most unjust. ... it is almost certain that the town would have been captured and the revolution ended.'¹⁰⁵ Few people had any illusions about the partiality of the US government or the American merchants in Bluefields, nor was there much doubt about the likely outcome in the struggle.

American officers in Nicaragua were notably unenthusiastic about the roles that they found themselves forced to play. Admiral Kimball challenged what he regarded as the 'misused dogma' that justified American intervention, warning of the dangers of conflating 'a claim for spoils resulting from fraudulent concession or monopoly worked through the aid of corrupt and heavily bribed officials' with the more general notion of the protection of American personal and property rights. Marine commander Smedley Butler agreed and was characteristically forceful in describing the American business community in Nicaragua; in a letter to his father, he characterised its members

¹⁰² Minute by R.S. re Carden's letter to Grey, 16 March 1910, FO 371/835, p. 364; Minute by R.S. re Bryce's letter to Grey, 28 March 1910, FO 371/835, p. 371, both in Public Record Office, UK [PRO hereafter]. Note also the comments in *The Economist*, which during this period normally reflected official British opinion: 'The Outlook in Nicaragua' (1 Jan. 1910), pp. 4–5; 'Nicaragua's Troubles' (13 Aug. 1910), p. 334; and 'The Nicaraguan Revolt' (27 Aug. 1910), p. 429.

¹⁰³ See Butler's depiction of the US Marines' role at Bluefields in *Old Gimlet Eye*, pp. 127–8.

¹⁰⁴ Clipping dated 5 March 1910, included in Carden to Sir Edward Grey, 16 March 1910, FO 371/835, p. 365, PRO. The previous quotation in the text is also from this source. See also 'U.S. Merchants Bluefields, to Philander C. Knox,' 26 May 1910, US State Department, Records of the Department of State Relating to Internal Affairs of Nicaragua, 1910–1929, M632, microfilm roll 5, NA.

¹⁰⁵ Bryce to Grey, 7 June 1910, FO 371/835, p. 459, PRO; also Admiralty to Foreign Office, 9 July 1910, Enclosure, Commander Thesiger of *Scylla* to Admiralty, 17 June 1910, FO 371/836, pp. 91–3, PRO.

contemptuously as 'These *renegade swine* from the slums of our race.'¹⁰⁶ A British official noted cryptically on a Foreign Office document that 'The support given by the USG[overnment] to the revolutionaries seems to be one of the worst of the many mistakes made by Mr. Knox in Central & South America.'¹⁰⁷ But American policy-makers were little interested in distinguishing between the general issue of American property rights and the legitimacy of the claims of American concession-holders. Knox used the presence of Americans and American capital to justify intervention, necessary 'to ensure the preservation of law and order wherever it is disturbed.'¹⁰⁸

From December 1909 until June 1910, pressure increased on President Madriz. US Marines remained in Bluefields and an expeditionary force of six US cruisers sat in the harbour of Corinto. Their commander believed that the majority of Nicaraguans actually supported Madriz rather than the revolutionaries. Admiral Kimball reported that Madriz remained open to peace talks, but the Estrada faction 'showed bad faith, and unwillingness to treat'. For its part, the British Admiralty concluded 'The United States of America have lent Estrada too much money to be able to see him beaten.'¹⁰⁹ The end finally came for Madriz on 21 August 1910. His country, he noted sadly, had been 'polluted by the Babylonians of the North'.¹¹⁰ A week later, the revolutionary forces arrived in Managua. Power now rested in the hands of Estrada, Mena, Chamorro and Díaz.

Adolfo Díaz and the Pittsburgh Connection

The manoeuvrings of a small foreign elite of merchants and mining entrepreneurs on the Atlantic coast intersected with other local and regional disturbances in 1909. A growing number of people opposed Zelaya's rule: striking banana planters along the Escondido river; anti-monopolist business

¹⁰⁶ W. W. Kimball to Navy Department, Corinto, Nicaragua, 28 March 1910, M632, microfilm roll 5, NA; Smedley Butler to Thomas S. Butler, Bluefields, 14 July 1910, reprinted in *General Smedley Darlington Butler*, pp. 87–88, emphasis in the original.

¹⁰⁷ Minute by R.S., re Carden's letter to Grey, 16 March 1910 (the initials of Sir Edward Grey—the British Foreign Secretary—follow these comments) in Political-Central America, file 286, FO 371/835, p. 364, PRO.

¹⁰⁸ Knox Papers, Correspondence, vol. 17, *The Policy of the United States in Nicaragua*, 3–7 March 1912, p. 2917. See also F. M. Huntington-Wilson, *Memoirs of an Ex-Diplomat* (Boston, 1945).

¹⁰⁹ 'Revolution in Nicaragua 1909–1910,' Admiralty Letter to Foreign Office, 'Scylla at Greytown,' 19 Aug. 1910, FO 371/836, pp. 252–59, PRO; Carden to Spicer, 17 Feb. 1911, FO 371/1055, p. 228, PRO.

¹¹⁰ Enclosure from *La Nación*, 6 July 1910 in José de Olivares to Secretary of State, Managua, 7 July 1910, US State Department, Records of the Department of State Relating to the Internal Affairs of Nicaragua, 1910–1929, 817.40, Enclosure N3, Despatch 328, microfilm roll 69, NA.

interests up and down the Coast; fractions of the country's Conservative and Liberal national elites; US diplomats in Nicaragua; and senior State Department officials in Washington, including Knox and Huntington Wilson. Foreign merchants and entrepreneurs fought to protect their concession rights; Creoles fought alongside Estrada to establish an autonomous republic; Nicaraguan and American merchants sought to end Zelaya's monopolies; and members of the Conservative elite joined with disaffected Liberals to recover political power. In this vortex of complaints, petitions, and armed uprisings, one group of US business interests – Knox's 'Pittsburgh friends' – had access to the highest levels within the State Department. US intervention did not occur simply to protect these investments. Rather, their vulnerability was a specific example of a more general problem that confronted US capital overseas, justifying Washington's determination to enforce fiscal stability and order throughout the region.

The United States recognised the new Nicaraguan government only after it agreed to a series of steps, known as the Dawson Pacts, which pledged Nicaragua to a programme of reform and in effect allowed the USA to police the country's financial affairs. Resistance to the US plan, as well as factionalism within the new government, forced Estrada to step down as President within months of assuming office.¹¹¹ Adolfo Díaz – Dawson's initial choice for president – took over the job.¹¹²

Scholars have recently begun to reconsider this complex era. Edmund Gordon describes how Chamorro and the Managua mestizos squeezed out Estrada's black supporters, defeating the separatist aims of Atlantic coast groups. Michel Gobat argues that US intervention altered 'the power and identity of the Nicaraguan elite' by creating social divisions based on differing views about US imperial domination.¹¹³ The US-backed Conservative elite sought to re-establish the hierarchical social and political order that preceded Zelaya, although it was opposed by Nicaragua's popular classes. Anti-Americanism was also growing, sparked in part by the Knox–Castrillo loan treaty of June 1911, which formalised the Dawson Pacts and made Nicaragua a financial protectorate of the United States, despite the fact that the country's financial affairs were on a secure footing.¹¹⁴ The treaty was signed by the new

¹¹¹ Martin to Carden, 10 May 1911, FO 371/1055, pp. 100–10, PRO. In addition to Martin's account, see Rippey, *The Caribbean Danger Zone*, pp. 174–8.

¹¹² See Glenn J. Kist, 'The Role of Thomas C. Dawson in United States-Latin American Diplomatic Relations: 1897–1912,' unpubl. PhD diss., Loyola University, 1971.

¹¹³ Gordon, *Disparate Diasporas*, pp. 73–4; Michel Gobat, 'Against the Bourgeois Spirit: The Nicaraguan Elite Under U.S. Imperialism, 1910–1934,' unpubl. PhD diss., University of Chicago, 1998, Chapter 2.

¹¹⁴ See Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy 1900–1930* (Cambridge, MA, 1999), p. 67, and Vargas, *La Intervención Norteamericana*, pp. 134–5.

president, Adolfo Díaz, who was to prove far more amenable to American interests than earlier Nicaraguan politicians.

Díaz's personal papers reveal his close ties to American investors, notably those interested in the US & Nicaragua Company. When the Nicaraguan government contemplated cancelling the company's concession in 1910, William Rees, a Pittsburgh industrialist as well as treasurer and long-time stockholder in La Luz mine, penned a confidential letter: 'Now Adolfo I just want to say to you, I have been endeavoring to enlist Capitalists to aid in the development of Nicaragua, and have spent more time and money, than all my associates in this way.'¹¹⁵ Rees proposed an alternative to Díaz:

I had a talk with Fletcher [President of La Luz] and my associates ... I have always felt inclined to turn over to the Nicaraguan Government the western portion of the concession, all West of Bocay ... with everything that we owned there in the way of improvements, mines etc. ... if this were done, and the United States and Nicaragua Company allowed to make the transfer of the concession to a large financial syndicate, who would be willing to begin a Railroad and docks and wharf ... we are all willing to lose half of what we have spent ... but cannot do anything until we know where we stand.

Demonstrating a familiarity that belies the claim that Knox was unaware of the company's interests, Rees advised Díaz of the political and financial supporters behind the Pittsburgh investors:

Our good friend [Secretary of State] Knox will help us all he can. He was at one time my father's lawyer and I know him very well ... I will just tell you as a personal friend in confidence, this syndicate is the strongest and wealthiest mining men in this country (not jews). I have mentioned you as the one man I could vouch for as an honest upright man. I did this when they asked me if I could name any one in your country they could depend upon to aid them in their development work, and attend to their finances.¹¹⁶

Since cancellation of concessions and monopolies had assumed a central role in the revolution to depose Zelaya, the new government's method of handling them is instructive. Although public feeling in Nicaragua was strongly in favour of cancelling concessions outright, Díaz's inaugural speech as president outlined a far more moderate approach.¹¹⁷ He defended the 1911 Mixed Claims Commission, whose three members included two Americans appointed by the secretary of state and whose function was to review claims for

¹¹⁵ William Rees to Adolfo Díaz, Managua, 18 Nov. 1910, Fondo Adolfo Díaz, IHN.

¹¹⁶ Rees to Díaz, 18 Nov. 1910, Fondo Adolfo Díaz, IHN.

¹¹⁷ Adolfo Díaz, 'An Important Message – Message of the President of Nicaragua, Don Adolfo Díaz,' 1911, translated into English & Introduction by José María Moncada, p. 8. For evidence of the popular feeling against the concessions, see the following newspaper accounts from *El Centinela*: 'Contratos Escandalosos,' 14 Jan. 1911; 'Deuda Interior,' 21 March 1911; 'Extinción de los Monopolios,' 31 March 1911; Editorial 'Promesa Cumplida,' 31 March 1911.

losses due to the war as well as the legitimacy of concessions made during Zelaya's administration.

The commission upheld the decision declaring the US & Nicaragua concessions invalid and found that the five contracts of the US & Nicaragua Company (which covered some 7,000 square miles of Nicaraguan territory and would have remained in effect until 1953) constituted a monopoly.¹¹⁸ While the cancellation freed up the Atlantic coast to other mining and shipping interests, the Pittsburgh interests in La Luz y Los Angeles mine were unaffected. President Díaz even held onto his position as secretary for the company, receiving his monthly salary of \$100 until his formal resignation in 1915.¹¹⁹

'The American Mining Engineer in Foreign Lands'

Mining continued in the Piz Piz district and at La Luz y Los Angeles during and after the 1909 revolution. Indeed, one can discern a new tone of defiance in the reports of American mining engineers: 'Our influence is now so important in Central America that the governments are eager to treat Americans fairly. In Nicaragua this is especially true.'¹²⁰ However, even this happy circumstance and the new political reality – with the president himself closely allied with US mining interests – could not alter some depressing geological realities. The easily worked oxidised ore was largely depleted and the underlying sulfide deposits were proving difficult and costly to treat. An article in the *Mining and Scientific Press* pointed out the inevitable result: 'With the exhaustion of oxidised ore in 1916, mining in the district came to a standstill.'¹²¹ Restructuring and consolidation of properties followed, but even these changes had little impact on the mines' profitability.

An article in the *Engineering & Mining Journal* on the 'New Mining Fields in Eastern Nicaragua' offered a less than enthusiastic assessment of the region's prospects.¹²² It concluded that the mines' successful operations lay 'in their ability to work the large ore bodies profitably. This can only be done by first constructing a railroad and the initiation of large-scale operations.' Zelaya's insistence that a railway be built to the Mosquito Coast, a condition of several concessions, was thus endorsed by the industry that had contributed to his

¹¹⁸ See Nicaraguan Mixed Claims Commission, Report of Nicaraguan Mixed Claims Commission, transmitted with report of its president to the secretary of state of the United States (Washington, DC, 1915) p. 56; Otto Schoenrich's article, 'The Nicaraguan Mixed Claims Commission,' *American Journal of International Law*, vol. 9, no. 4 (Oct. 1915), pp. 858–69.

¹¹⁹ Myers, Vice President, US and Nicaragua Company, to Adolfo Díaz, 8 Jan. 1913, f. 3481, Fondo Adolfo Díaz, IHN.

¹²⁰ T. Lane Carter, 'The Gold Mining Industry in Nicaragua,' *Engineering & Mining Journal*, vol. 90 (17 Dec. 1910), p. 1204. The phrase in the heading is also from this article.

¹²¹ Hawxhurst, 'The Piz Piz Gold District, Nicaragua,' p. 358.

¹²² Garbrecht, 'New Mining Fields in Eastern Nicaragua,' pp. 791–7.

downfall. And, as the tone of this article indicated, mining was in a less than prospering condition. However, the author did point out that, 'the government generally favours the exploitation of mines, and is particularly friendly toward American capital.'¹²³ Similarly, Jesse Scobey (a La Luz shareholder) noted in an overview of the mine's history and development that 'Government control is excellent, and the officials are courteous and efficient. ... Revolutions have occurred in Nicaragua, but the La Luz and Los Angeles mines have not been molested or threatened.'¹²⁴

Scobey's assessment turned out to be a little premature: Sandino and his armed supporters destroyed the mine's surface plant eight years later.¹²⁵ In a note left behind for La Luz y Los Angeles' manager, Sandino advised him to seek compensation for damages from Calvin Coolidge. The US president, Sandino wrote, 'is truly responsible for the horrible and disastrous situation through which Nicaragua is passing at present'.¹²⁶ The train of events to which Sandino referred had begun on 11 November 1926, when a beleaguered Conservative Party chose Adolfo Díaz to become president of Nicaragua once again. Four days after taking power, Díaz – who had requested US Marines in 1912 – called for US intervention, claiming that the Liberals in Bluefields were receiving help from Mexico and communists. In Washington, Gilmore Fletcher and his brother – a leading career diplomat – also lobbied for US intervention (and retained their considerable stake in La Luz mine).¹²⁷ Reiterating Knox's rationale for US intervention, President Coolidge sent in the Marines to 'protect the life and property of North American citizens living in Nicaragua'.¹²⁸ History seemed to be repeating itself. A Nicaraguan writer noted the striking similarity with the turmoil of 1909–1912: '*los sucesos se repiten con una fidelidad admirable ... los mismos hombres ocuparon el escenario político y de la guerra.*'¹²⁹

Nicaragua's unrest and the presence of the Marines in the country attracted much attention in the United States in early 1927.¹³⁰ In January the Senate's Sub-Committee on Foreign Relations heard from Thomas Moffat, consul in

¹²³ Garbrecht, 'New Mining Fields in Eastern Nicaragua,' pp. 791–7.

¹²⁴ Scobey, 'The La Luz and Los Angeles Mine, in Nicaragua,' p. 13.

¹²⁵ See Volker Wunderlich, *Sandino en la costa de las Segovias al litoral Atlántico* (Managua, 1989), chapter 3.

¹²⁶ 'Sandino in Letter Warns Americans,' *New York Times*, 18 May 1928, p. 4.

¹²⁷ For a description of how Gilmore and Henry Fletcher requested US intervention in September 1926, see Benjamin T. Harrison, *Dollar Diplomat: Chandler Anderson and American Diplomacy in Mexico and Nicaragua, 1913–1928* (Pullman, WA, 1988), pp. 82 & 114.

¹²⁸ Juan Manuel Ulloa Mayorga et al., *Apuntes de Historia de Nicaragua* (Leon, Nicaragua, 1988), pp. 75–84.

¹²⁹ Abella, *Los banqueros y la intervención en Nicaragua*, p. 41.

¹³⁰ See the comments in Woods, 'Nicaragua and the United States,' p. 7619; Salisbury, *Anti-Imperialism and International Competition in Central America 1920–1929*, pp. 67–8, 92; and Rosenberg, *Finacial Missionaries to the World*, pp. 144–47; note also her comments in

Bluefields in 1909, who gave an insider's account of that period's history, emphasising the role played by those involved with the US & Nicaragua Company.¹³¹ Eighteen months later, another senator received the necessary unanimous consent to introduce into the *Congressional Record* a lengthy chronicle of US–Nicaragua relations which echoed Moffat's analysis.¹³² In late 1929 the history of US involvement in Nicaragua made news once again, when Major-General Smedley Butler, publicly criticised the role played by the American military there in 1910.¹³³

By now the history of US intervention in Nicaragua was attracting the attention of American scholars. Scott Nearing and Joseph Freeman offered a scathing assessment of American actions and motives in their well-known book, *Dollar Diplomacy* (1925),¹³⁴ while Charles Beard's *The Idea of National Interest* (1934) devoted thirteen pages to 'The Diplomacy of National Interest in Nicaragua (1909–1912)', relying heavily on the testimony of Moffat and others at the 1927 hearings of the Senate Subcommittee of the Committee on Foreign Relations.¹³⁵ Critiques of the US role in Nicaragua were challenged by Dana Munro and others, who rejected what they viewed as the conflation of US business and geo-political interests.¹³⁶ Munro explicitly refuted the idea that any association between Knox and his 'Pittsburgh friends' influenced American policy: 'There is nothing in the record that suggests that this connection, if it existed, was of any real significance.'¹³⁷ That view has long dominated the literature.

Sufficient evidence survives to refute Munro's assertion. As this article has shown, US business actors on the Mosquito Coast did influence American policy towards Nicaragua during the period. Such influence has long been

'Economic interest and United States foreign policy,' in Martel (ed.), *American Foreign Relations Reconsidered*, esp. pp. 39–40.

¹³¹ *Hearings Before the Subcommittee of the Committee on Foreign Relations*, 25, 26, 27 Jan. & 16 Feb. 1927, p. 42.

¹³² See Woods, 'Nicaragua and the United States,' pp. 7613–22.

¹³³ See 'Asks Gen. Butler To Explain Speech,' *New York Times*, 15 Dec. 1929, pp. 1 & 22; 'May End Butler Incident,' *New York Times*, 18 Dec. 1929, p. 24; 'Accepts Butler's Version,' *New York Times*, 22 Dec. 1929, p. 26; Hans Schmidt, *Maverick Marine: General Smedley D. Butler and the Contradictions of American Military History* (Lexington, KY, 1987), pp. 204–5, and Venzon (ed.), *General Smedley Darlington Butler*, pp. 298–9.

¹³⁴ See Scott Nearing and Joseph Freeman, *Dollar Diplomacy: A Study in American Imperialism* (New York, 1925), esp. pp. 151–72.

¹³⁵ Charles A. Beard, with the collaboration of G. H. E. Smith, *The Idea of National Interest: An Analytical Study in American Foreign Policy* (New York, 1934), pp. 170–82.

¹³⁶ In addition to works by Munro cited previously, apologists' accounts are given in Isaac Joslin Cox, *Nicaragua and the United States, 1909–1927* (Boston, 1927) and Henry Lewis Stimson, *American Policy in Nicaragua* (New York, 1927).

¹³⁷ Munro, *Intervention and Dollar Diplomacy*, p. 174. See also Scholes and Scholes, *The Foreign Policies of the Taft Administration*, p. 51, and Lars Schoultz, *Beneath the United States: An Interpretation of U.S. Policy toward Latin America* (Cambridge, MA, 1998), p. 212.

suspected, despite the contrary claims of Dana Munro and other more recent US historians. But how significant a role did commercial actors play, compared to geopolitical concerns for 'order and stability in the region' or the need to protect the Panama Canal? The answer is twofold: first, commercial disputes are best understood in terms of the discourse of 'order and stability'. American business interests defined order and stability to mean protecting concessions, defending contracts, maintaining currency stability, establishing international legal forums and due process, and guaranteeing the transnational flow of resources.¹³⁸ The related point is that these interests framed the US State Department's perceptions of the region, as the former's concern for commercial security influenced the latter's worries about geopolitical instability. In Nicaragua, the US business community's depictions of Zelaya as a 'menace to prosperity' vindicated American intervention as a 'civilizing mission'. As Rosenberg argues, dollar diplomacy used a 'rhetoric of reform' that envisaged replacing 'graft with efficiency and substituting corrupt interests with government directed public purpose.'¹³⁹ Disputes over concessions made to US interests legitimised the rhetoric of reform and the reality of armed intervention.

Many contend that Knox himself owned shares in La Luz y Los Angeles, implying that self-interest influenced his actions. Research undertaken for this paper did not uncover evidence substantiating or refuting the claim, although the argument here does not hinge on this fact. The charged relationship between Zelaya and the United States became increasingly complex as Zelaya appealed to nationalism to control foreign investors and as US domestic business interests began to exert greater influence on foreign policy. The history of La Luz y Los Angeles illustrates that conjuncture. The ad hoc mining development during the late nineteenth century gave way to the investment interests of leading Pittsburgh business people. Their close ties to Knox and their demand for secure terms of trade drew the US State Department into the domestic politics of Nicaragua, toppling a president and imposing fiscal and administrative conditions which weighed heavily on the nation. Sandino's destruction of La Luz mine in 1928 was his response to that legacy.

¹³⁸ See A. G. Hopkins, 'Back to the Future: From National History to Imperial History,' *Past and Present*, no. 164 (Aug. 1999), pp. 198–243; Harry Magdoff, 'Imperialism without Colonies,' in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism* (London, 1972), pp. 144–69.

¹³⁹ Rosenberg, *Financial Missionaries to the World*, p. 56; cf. Emily S. Rosenberg, 'Revisiting Dollar Diplomacy: Narratives of Money and Manliness,' *Diplomatic History*, vol. 22, no. 2 (Spring 1998), pp. 155–76, and Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890–1945* (New York, 1982).

*Appendix**List of the Shareholders of the La Luz y Los Angeles Mining Company*

Note: The correspondence files of Secretary of State Knox indicate that the following individuals were La Luz shareholders (see Charles H. Myers, US & Nicaragua Company, to Knox, 28 September 1909, and M. K. Salisbury, President, US & Nicaragua Company, to Knox, 2 October 1909, M862, microfilm roll 1283, NA). Biographical information on the shareholders was gathered from the following sources: *The Story of Pittsburgh and Vicinity* (Pittsburgh, 1908); *Industries and Wealth of Pittsburgh and Environs* (New York, 1890); *Standard History of Pittsburgh Pennsylvania*, Erasmus Wilson (ed.), (Chicago, 1898); *The Book of Prominent Pennsylvanians: A Standard Reference* (Pittsburgh, 1913); *The Dictionary of American Biography* (New York, 1935); *National Cyclopaedia of American Biography* (Ann Arbor, 1967); *Who Was Who in America 1897–1942* (Chicago, 1943).

Thomas B. Riter. Riter was president of the largest steel construction firm in the US, Riter-Conley Manufacturing Company of Pittsburgh. The company built blast furnaces, steel mills, and the open hearth for U. S. Steel and Pittsburgh Steel. Riter organised the purchase of La Luz mine with Pittsburgh investors in 1905.

J. Gilmore Fletcher. Fletcher was president of La Luz and was also vice-president of the Riter-Conley Manufacturing Company of Pittsburgh.

Henry P. Fletcher. The brother of Gilmore Fletcher and a career diplomat, Fletcher served as US Ambassador to Chile and Italy. He was the State Department's representative who accompanied president-elect Herbert Hoover on a Latin American tour in November 1928, after which there was speculation that Hoover would name Fletcher as his Secretary of State.

William Rees. Rees was treasurer of La Luz. He was also president of James Rees & Sons Company, Pittsburgh-based shipbuilders of paddle wheelers used throughout North and South America, Russia, and China. In addition, Rees was a director of the Union National Bank of Pittsburgh.

Durban Horne. Horne was a director of the Union National Bank of Pittsburgh.

W. W. Blackburn. Blackburn was a vice-president and secretary of the Carnegie Steel Company.

Robert Pitcairn. Pitcairn was superintendent of the Pittsburgh Division of the Pennsylvania Railroad Company, director of the Masonic Bank, director of the Citizen's National Bank of Pittsburgh, vice-president and director of Westinghouse Air Brake, as well as a friend of Andrew Carnegie.

Daniel Clemson. Clemson was president and managing director of Carnegie Natural Gas, a director of Carnegie Steel Company and all its subsidiaries, and

President of the Pittsburgh Steamship Company, which operated Carnegie's fleet of ore carriers.

Other shareholders included Charles H. Myers, M. K. Salisbury, Alex Peacock and F. H. Lloyd.

In 1928 the *New York Times* reported that 'La Luz mine is owned by three brothers, J. Gilmore, G. Fred and D. Watson Fletcher of this city, and their brother-in-law, Joseph Riter. Henry P. Fletcher, American Ambassador to Italy, is a brother of the three owners, but has no interest in the mines.' The newspaper also noted that the company was now based in New York ('Sandino Captures American Mines; Takes 5 Workers,' *New York Times*, 24 April 1928, p. 1).