The United States and the Collection of Debts in Latin America with Special Reference to Santo Domingo

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THE UNITED STATES AND THE COLLECTION OF DEBTS IN LATIN AMERICA WITH SPECIAL REFERENCE TO SANTO DOMINGO

BY

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTERS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I  Introduction</td>
<td>1</td>
</tr>
<tr>
<td>II The Protocol of 1905</td>
<td>8</td>
</tr>
<tr>
<td>III THE MODUS VIVENDI</td>
<td>26</td>
</tr>
<tr>
<td>IV The Convention of 1907</td>
<td>34</td>
</tr>
<tr>
<td>V  Reforms during the Receivership</td>
<td>43</td>
</tr>
<tr>
<td>VI Commerce and Finance</td>
<td>56</td>
</tr>
<tr>
<td>VII Conclusion</td>
<td>73</td>
</tr>
<tr>
<td>Bibliography</td>
<td>76</td>
</tr>
</tbody>
</table>
The policy followed by the United States in the collection of the debts of its citizens owed to them by Latin-American countries has differed widely from the policy of most of the European countries. The United States has always been averse to the forcible collection of debts and has never resorted to such means except when there has been arbitrary wrong committed by those in authority either to the persons or to the property of American citizens. In case the debt originated from a contractual loan, the United States has gone no farther than the offering of its "good offices", a measure which has little influence if the debtor nation does not wish to make payment. This policy is based upon the generally accepted belief that there is no redress when a sovereign power repudiates its debts.  

Most European governments have gone much farther in the policy of forcible collection of debts. Germany, France and Italy have all used force to effect settlements of claims held by their citizens against the weaker countries. England while asserting her right to do so in extreme cases, has not interfered except when the persons of her subjects have been injured or

1. Foreign Relations of the United States. 1905, P. 335.
the national honor insulted. This policy has upon several occasions, when applied to the Latin American republics called for remonstrance from the United States as involving violation of the Monroe Doctrine. This doctrine as usually interpreted does not attempt to prevent European countries from collecting their claims, neither does it guarantee any American country from punishment if its obligations are not met, but it does guarantee that the government shall not be changed and no permanent acquisition of territory be made by European powers in this hemisphere. This principle has been recognised either tacitly or definitely by several of the European powers.

The difference in policy between European powers and the United States has caused dissatisfaction to certain citizens of the latter country, especially to bankers and merchants who have extensive dealings with the Latin-American republics. The reason is easily seen. European bankers can make loans, European merchants can furnish supplies to these countries knowing that if voluntary payment is not made their own governments will enforce payment. The United States citizen realizes that his government will not enforce payment, that it will tender its "good offices," but will go no farther. Thence he is at a disadvantage in competing with his European rivals.

3. Lataneal America as World Power, P. 256. 258.
4. Foreign relations, 1905, P. 335.
Three occasions in which the United States has intervened, will be sufficient to show the development of the policy which is now being pursued in the effort to give satisfaction to the creditor nations, to the debtor nations, and to United States' citizens. In 1860 Mexican finances had reached such a condition that France, England, and Spain made preparations to collect by force the debts owed their citizens by the Mexican government. They intended to gain the co-operation of the United States if possible but France, at least, was ready to proceed with hostilities whether the United States approved their action or not.\(^1\) As a matter of fact the United States did not co-operate but neither did she raise any serious objection as long as all the countries were working together and agreed to make no territorial acquisitions. Then, however, the other contracting nations, having become suspicious of the purposes of France, left her to act alone the United States made strong representations to her that permanent occupation would not be tolerated. Throughout the whole period of French occupation no recognition of Maximilian's government was made by the United States. The American government, however, because of their own civil war, deemed it unadvisable to do more than protest. At the close of the civil war, the demands made by the United States that the French withdraw their troops, became so pressing that Emperor Napoleon felt obliged to comply. Soon after the removal of the French forces, Maximilian's government fell and he himself was executed.\(^2\) Although the French retained

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2. Bancroft, Life of Benard, P. 423 ff
possession of Mexico for several years and changed the form of government without active opposition from the United States, it must not be inferred that the Monroe doctrine had been abandoned, for the government throughout its whole dealings with France, although not mentioning the Monroe doctrine by name, yet maintained the principle, and showed conclusively at the end of the war that it was willing to maintain the principle by force of arms if necessary.

In the first few years of the present century, the situation in Venezuela was in many respects more complicated than had been the situation in Mexico. The Venezuelan debt had originated upon the breaking-up of Greater Columbia into the three modern countries, Ecuador, Columbia, and Venezuela at which time the national debt of Greater Columbia was distributed among the three new countries. The Venezuelan debt was not paid or even decreased, but on the other hand it grew steadily. Rapid increase of the debt was made under Guzman Blanco, who borrowed large sums from European countries, for the purpose of making internal improvements and for the erection of statues and public buildings. New loans were contracted by Blanco's successors who continued his policy. Loans also had to be negotiated to meet the extraordinary expenditures caused by many revolutions. The main creditors were banking houses of England, Germany, France, Italy and Belgium, in Europe, and the United States and Mexico in America.

Venezuela was torn by revolution in 1899, when General Cipriano Castro, the leader of the opposition, succeeded in

overtaking the government and winning the presidency for himself. Great Britain, Germany and Italy, the three powers most interested in the settlement of claims against Venezuela, had for several years been insisting that some notice be taken of their claims. This had not been done. Castro, who as the leader of the revolutionists had advocated the settlement of the financial condition of the country, was upon his accession to the presidency, expected to take steps to bring about the settlement of the foreign claims. When he did nothing, Great Britain, Germany, and Italy tried the effect of intimidation, but without success. In December, 1901, the German ambassador at Washington, called the attention of the United States to the fact that no steps were being taken by Venezuela to meet her obligations and that Germany was ready to use force to enforce her claims if that should be necessary. He recognized the principle of the Monroe Doctrine by stating that Germany had no intention of making any territorial acquisition.

On December 12, 1902, a "pacific blockade" was announced by Germany. A few days later a formal blockade was announced by Germany, Great Britain, and Italy. The German, British, and Italian ministers withdrew from the capital leaving the business of their embassies in the hands of Mr. Bowen, the American minister to Venezuela. Mr. Bowen's position was rather delicate for, while he was acting for these hostile powers, he was at the same time acting in an advisory capacity to President

3. Foreign Relations, 1903, P. 794.
Castro, who seemed much more concerned with the internal affairs of the country than with the blockade and left the management of foreign affairs very largely to Minister Bowen.

In January, 1905, Mr. Bowen to whom plenipotentiary powers had been granted by the Venezuelan government met the British and German ambassadors at Washington. After several conferences all matters, except that of preferential treatment for the blockading powers, were satisfactorily settled. Mr. Bowen contended that this matter should be referred to some disinterested person or to the Hague Tribunal for adjustment. President Roosevelt was asked to act as arbitrator but upon his refusal it was decided to submit the question to the Hague Tribunal. Since the matters in dispute were so satisfactorily arranged the hostile powers decided to remove the blockade which was done February 15, 1905.

The hearing of the question of preferential treatment came up at the Hague in October, 1903, and lasted thirteen days. On February 22, 1904, a unanimous decision in favor of the blockading powers was handed down. This meant that the settlements would be made first with those powers which had been hostile and that the other powers would have to wait for their payment. Sanction was therefore given to and precedent established for the use of force in making collections.

Although the settlement of the Venezuelan question marks an advance over similar ones it was not altogether satisfactory. The blockading powers had been to an expense in fitting

1. Ibid., p. 795, 797, 798.
out their expedition, Venezuela felt herself humiliated, and
the creditors from the non-blockading powers felt that they
had not been treated fairly. An attempt was made by the United
States when a like difficulty arose in Santa Domingo, to
adjust matters so that there would be a minimum of dissatisfac-
tion. How well the attempt succeeded will be set forth in the
succeeding chapters.
CHAPTER II

THE PROTOCOL OF 1905

The Dominican Republic occupies about two-thirds of the island of Santo Domingo. This island is situated almost midway between Cuba and Puerto Rico. Its area is about twenty-five thousand square miles, and the population of the republic is slightly over six hundred and fifty thousand. The soil and climate are such that almost any kind of tropical and temperate vegetation can be grown. The natural resources are very great. Besides the agricultural advantages there are many splendid mineral deposits, good timber, and good natural harbors.

It was largely because of these natural resources that in early colonial days the Spaniards settled on the island and established a government there. Since that time the history of the island has been filled with warfare. At first the Spaniards and natives fought one another, later when the negroes, the French and the English had come in, fighting was almost continual, the combinations seldom being exactly the same. After the gaining of independence and the separation from Hayti civil wars continued, there being no long period of peace until General Heureanx became president and practically dictator in 1886.

There was a period of comparative peace and prosperity then for almost thirteen years, when a new revolt broke out and Heureanx was shot. This peace was however dearly purchased. To secure allegiance, Heureanx had resorted to bribery in various forms.

and so many citizens were accustomed to pensions and governmental sinecures that they began to feel that the country owed them a living whether they worked for it or not. A lowering of moral standards, apathy in regard to work, and a failure to develop the resources of the country resulted.

Then in addition, in order that he might secure sufficient funds for bribery, Henreaux was obliged to borrow great sums of money and to grant ruinous concessions—concessions which have been very difficult to extinguish.

After the assassination of Henreaux in 1899, President Jimenez, who had obtained his position by overthrowing President Figuero who as vice-president succeeded Henreaux, made an attempt to reform the finances. Strong opposition to his presidency caused him to revert to the practices followed by Henreaux.

In 1902 Vice-President Vasquez led a successful revolution and was installed as provisional president. In 1903 Carlos Morales, governor of Puerto Plata revolted. Aided by the Horicista party which opposed President Vasquez, he was successful and was able to establish a fairly strong government.

With internal affairs on a fairly firm basis, the president turned his attention to foreign relations. Complications had arisen with most of the European powers because of the failure of the Dominican government to meet its obligations. The national debt had grown steadily during the period of revolutions and rapidly during the dictatorships of Henreaux until in September, 1904, it had reached thirty-two million.

2. Ibid. P. 594.
two hundred and eighty thousand dollars, — an enormous amount when we consider the backward condition of the country.

European creditors held claims amounting to over twenty-two million dollars, which were distributed among the Belgians, French, Germans, English and Spaniards. 2 The estimated revenue from customs for 1904 amounted to one million eight hundred and fifty thousand dollars, the expenses of administration to more than one and a quarter million, payments due on indebtedness almost one and three quarter million, arrearages in payments nine hundred thousand, 3 making a total of almost four million to be paid out of less than two million. This condition naturally caused a great deal of uneasiness to those nations whose citizens held claims against the government. Various expedients had been tried by santo Domingo to remedy the finances but because of political disturbances not one was given a fair trial. As early as 1888, the collection of customs was placed in the hands of the Westendorps, bankers of Amsterdam, Holland. 4 The arrangement was unsatisfactory and was later discontinued. The Santo Domingo Improvement Company, a corporation controlled by American capital, was given charge but their administration did not suit the government and they were finally forced to surrender their privileges.

The settlement with the improvement company is a fair example of arrangements made with other claimants and for that

2. Ibid, P. 302.
reason will be explained at some length. In January, 1904, the Dominican authorities sent representatives to Washington to arrange for a settlement. A special arbitration committee was appointed and both the Dominican government and the improvement company were to file their estimates of claims and to prepare plans for settlement. The final decision was announced July 14, 1904. By its terms the company was to surrender its stock in the bank of Santa Domingo within ninety days; it was to surrender its rights to the state railways upon the payment of one million five hundred thousand dollars; it was to surrender the bonds of the republic which it held, upon the debt owed being reduced to two million seventy-six thousand dollars; payments upon the debt were to be made in monthly installments; the customs duties were to be security; in case payments should fail the United States was to appoint a financial agent to make collections; the salaries of agents, arbitrators and employees were to be paid by the Dominican government. When we consider that similar arrangements had been made with several creditors, we are not surprised that the government was receiving practically no revenue, and that some of the creditors were left without security.

Toward the close of 1904, Italian, Belgian, and Spanish war vessels came to Dominican ports in order that they might obtain settlement of the claims held by their citizens against the Dominican government. It seemed that action similar to

1. Ibid, 1904, P. 274, 375.
2. Foreign Relations, 1904, P. 275, 375.
that which had been taken in Venezuela in 1901 and 1902 would result unless some very strong measures were taken. It was at this time that the State Department at Washington cabled Minister Dawson at Santa Domingo instructing him to learn the feeling of the Dominican government in regard to asking aid of the United States. President Morales was in favor of getting aid from the United States if a satisfactory agreement could be reached. A formal request for aid was then made and assurance was given that the American government would do all in its power to establish a business-like administration of finances.

There were three principal bases of agreement between the two governments: first, the United States was to oversee the collection of customs out of the funds of which they were to pay about forty percent to the government and to apply the remainder on the debt after meeting the expenses of collection; second, the United States was to supervise the adjustment of claims through an impartial tribunal; third, Santa Domingo was to make no changes in customs duties and taxing system without the consent of the United States.

On January 13, Captain Dillingham, who had been largely instrumental in securing peace the previous year, arrived with special powers from the State Department at Washington. At a conference held between him and President Morales the next day

1. Cf. supra. P. 7
5. Ibid, P. 303.
the latter asked that the American government take larger obligations upon itself, such as reforming the tariff, and bettering industrial conditions in the republic. The president also urged haste fearing internal as well as external trouble unless some definite action should be taken. There was some uneasiness felt in the capital and police protection was increased. There were rumors spread that the United States intended to annex Santo Domingo. In order that the people might know what was actually being done, the text of the agreement was published in Santo Domingo even before it had been sent to Washington.

In January 20, 1905, the first protocol was signed by Minister Dawson and Captain Dillingham, representing the United States and by Secretary of foreign relations Sanchez and secretary of finance and commerce Velasquez, representing Santo Domingo. There were eight articles, the substance of which is here given: First, the United States guaranteed the territorial integrity of Santo Domingo; second, the United States was to superintend the adjustment of obligations, the terms of payment and the claims; third, Santo Domingo was to be represented on the arbitral tribunals; fourth, the United States was to take charge of the customs houses and employees, to make collections and to turn over forty five percent to the Dominican government; fifth; Santo Domingo was to be allowed an inspector of customs; sixth, the tariffs were to be reformed only with the consent of the United States; seventh, the United States was to help

1. Foreign Relations, 1905, P. 305.
restore order, to help raise the credit and to help improve industrial conditions; eighth, the arrangement was to take effect February 1, of the same year (1905).¹

There was more or less dissatisfaction felt throughout the country. Some of the citizens thought it a disgrace to have to call in foreign aid. Others of a different class saw that there would not be so much likelihood of successful revolution and the consequent administration of the customs for themselves, if the agreement should be ratified. Upon the publication and explanation of the full agreement, the better classes were satisfied, but the lower classes and the discontented politicians continued to be such a disturbing element that Captain Willingham recommended the sending of a war vessel to the island.² Monte Christi and Azua, two provinces which had long been centers of opposition to the government and which had never been entirely pacified by President Morales, were especially restless and on January 21 were reported to be in arms. Although this was later found to be untrue, danger of an outbreak still remained. The other provinces remained comparatively quiet.

The first draft of the protocol as signed by Minister Dawson and Captain Willingham was not entirely satisfactory to the United States government. Accordingly instructions were cabled to the effect that the agreement would not be binding and a new draft was sent to Santo Domingo by the state department.³ Because of the wide discussion which followed, the second draft,

¹. Foreign Relations, 1905, P. 311.
². Foreign Relations, 1905, P. 305.
³. Ibid., P. 313.
with the omission of the preamble is given here:

"Article First. The United States Government agrees to attempt the adjustment of all the obligations of the Dominican Government, foreign as well as domestic; the adjustment of the payment and of the conditions of amortization; the consideration of conflicting and unreasonable claims, and the determination of the validity and amount of all claims.

"If, in order to reach such adjustment, it shall be considered necessary to name one or more commissions the Dominican Government shall be represented on said commissions.

"Article Second. In order to enable the United States government to render the assistance above mentioned, it shall take charge of the existing custom houses and those which may hereafter be created, shall name the employees necessary to their management, and shall collect and take charge of all custom-house receipts.

These employees shall be subject to the civil and criminal jurisdiction of the Dominican Republic.

The Dominican Government may appoint in each of the custom-houses an officer for the purpose of making an inspection on behalf of Dominican interests.

"Article Third. Out of the revenues which shall be collected in all the custom houses of the Republic, the government of the United States shall deliver to the Dominican Government a sum, which shall not be less than 45 percent of the total amount collected, for the purpose of meeting the needs of the public service, and which the Dominican Government shall receive in monthly payments from the date of the taking possession of the
custom-houses by the officials of the United States, divided into four installments in the following manner:

Forty-five percent of the total sum collected monthly in periods ending on the 8th, 15th, 22d and the last day of each month.

Article Fourth. The Government of the United States will apply the 55 percent which it retains toward the payment of——

A. The employees of all custom-houses
B. The interest, amortization, and installments of the Dominican debt, foreign and domestic, in accordance with what is hereinbefore provided, according as it shall be fixed and liquidated.
C. The whole surplus which may remain at the end of each fiscal year shall be delivered to the Government of the Dominican Republic, or shall be devoted to the payment of its debts, if it shall so determine.

"Article Fifth. The collectors in the custom houses shall send monthly to the contaduria -general and the Department of the Treasury statements of the corresponding income and outgoing, and annually a general statement which shall embrace the total of what has been collected and paid out.

"Article Sixth. Any reform of the system of duties and taxes shall be made in agreement with the President of the United States, and therefore the present tariff and port dues may not be reduced except with his consent, as long as the whole of the debt which the Government of the United States takes charge of shall not have been completely paid, with the exception of the export duties upon national products which the Dominican
Government remains authorized to abolish or reduce immediately, but not to increase said export duties or its public debt without the consent of the President of the United States.

"Article Seventh. The Government of the United States, at the request of the Dominican Republic, shall grant the latter such other assistance as the former may deem proper to restore the credit, preserve the order, increase the efficiency of the civil administration, and advance the material progress and welfare of the Dominican Republic.

"Article Eighth. The agreement shall continue in force during the time required for the amortization of the debt of which the Government of the United States takes charge.

"Article Ninth. This agreement shall take effect after its approval by the United States Senate and the Congress of the Dominican Republic."¹

On February 7, 1905, the above protocol was signed by Minister Dawson representing the United States and by Secretary Velozquez representing Santo Domingo.² On February 15 it was submitted to the Senate of the United States, President Roosevelt making a strong plea for its adoption. In his message the president gave his views as to the application of the Monroe Doctrine to the Dominican question and since his interpretation called forth a great deal of comment, the more striking points are quoted:

"It has for some time been obvious that those who profit by the Monroe doctrine must accept certain responsibilities

2. Ibid. P. 325.
along with the rights which it confers; and that the same statement applies to those who uphold the doctrine. It cannot be too often and too emphatically asserted that the United States has not the slightest desire for territorial aggrandizement at the expense of any of its southern neighbors, and will not treat the Monroe doctrine as an excuse for such aggrandizement on its part. We do not propose to take any part of Santo Domingo, or exercise any other control over the island save what is necessary to its financial rehabilitation in connection with the collection of revenue, part of which will be turned over to the government to meet the necessary expense of running it, and part of which will be distributed pro rata among the creditors of the Republic upon a basis of absolute equity. The justification for the United States taking this burden and incurring this responsibility is to be found in the fact that it is incompatible with international equity for the United States to refuse to allow other powers to take the only means at their disposal of satisfying the claims of their creditors and to refuse, itself, to take any such steps.

"An aggrieved nation can without interfering with the Monroe doctrine take what action it sees fit in the adjustment of its disputes with American States, provided that action does not take the shape of interference with their form of government or of the despoilment of their territory under any disguise. But, short of this, when the question is one of a money claim, the only way which remains, finally, to collect it is a blockade, or bombardment, or the seizure of the custom-houses, and this means, as has been said above, what is in
effect a possession, even though only a temporary possession, of territory. The United States then becomes a party in interest, because under the Monroe doctrine it cannot see any European power seize and permanently occupy the territory of one of these republics; and yet such seizure of territory, disguised or undisguised, may eventually offer the only way in which the power in question can collect any debts, unless there is interference on the part of the United States."

The protocol was referred to the committee on foreign relations which reported favorably but the Senate adjourned without having taken definite action.¹

While the United States Senate was considering the protocol, there was more or less excitement in foreign countries but especially in the smaller Latin-American republics. Some of these became alarmed, fearing that intervention in Santo Domingo was the first step of the United States toward territorial expansion. The larger countries, especially Chili, interpreted the action in its true relation. "LAS ULTIMAS NOTICIAS" one of the leading papers of Santiago, Chili, published the following. "The United States does not wish any territory of conquest for the simple reason that it does not need more territory."

It gave Cuba as an example relating how the United States gave her liberty, and states that the tendency is toward "commercial" not "territorial expansion."

"Intervention," it continued "should be avoided, but it is not a menace to government but to anarchy---to peoples who have lost

¹. Foreign Relations, 1905, P. 357.
character as civilized nations. Those who have established
governments, and have due respect for foreign rights, have
nothing to fear from the United States. The terror of the
North is only a myth if the South does not provoke the North
with internal disturbances or violations of international law,
or break its word in financial matters."

Meanwhile affairs were going very well in Santo Domingo.
President Morales felt confident that the Dominican congress
would ratify the agreement and intended to submit it to them
as soon as expedient. Provision had to be made for the running
expenses of the government while negotiations were being carried
on. Mr. Michelena, a banker of the city of Santa Domingo agreed
to furnish the funds if the custom receipts of two of the ports
be offered him as security. He was instructed to take over the
ports of Monti Christi and Azua. The Santo Domingo Improve-
ment Company was still in charge of these ports but according
to the award of July 14, 1904, the United States might administer
them when asked to do so by the Dominican Government. This
was now done and Mr. Michelena was placed in charge February 3.
It was feared that Governor Arias of Monte Christi might object
to this arrangement and revolt. He did make some objection,
but upon the intervention of Captain Dillingham, made no further
complaint.

On February 24, there was an attempt made to assassinate

1. Las Ultimas Noticiuus quoted in Literary Digest, Feb. 11,1905
   P. 197.
4. Ibid, P. 332.
President Morales. There was no evidence to connect the would-be-assassins with the opponents of the treaty with the United States. The opponents of the treaty were greatly encouraged over the delay of the United States Senate to take definite action but made no demonstration.  

On March 14, the Italian cruiser, COLABRIA, arrived. It was believed by many that it came to urge the settlement of claims held by Italian citizens against the Dominican Government. The commander called upon Minister Dawson and expressed his satisfaction at the steps already taken and the hope that the convention would soon be ratified.  

On March 28, the vessel returned and the commander, knowing of the adjournment of the Senate without ratification, was prepared to make peremptory demands for Santa Domingo to resume payment under the Italian protocols which had been in effect up to the time negotiations were begun between the United States and Santo Domingo. As soon as he learned that temporary arrangements were being made, he again expressed his approval.  

Excitement was great in the capital when it was reported that the Senate had adjourned. The revolutionists were encouraged and it was feared by the government that there would be an outbreak. The fact that the treaty had been reported favorably by the committee and that it would be taken up at the next session helped restore order.  

1. Ibid, F. 353.  
3. Ibid, P. 364.  
4. Ibid, P. 357.
Sentiment in regard to the action to be taken with the convention differed widely as expressed in the leading periodicals. The Nation was strongest in its opposition. In the issue of February 2, 1905, it expressed the view that the president had suffered a deserved check in his Santo Domingo plans. "It is desirable," the Nation stated, "to teach foreign nations that Theodore Roosevelt is not the American Government." There is very little in regard to the treaty itself but the article seems to be more of a personal attack upon the president. In another editorial in the same issue the Nation stated that the financial administration of Santo Domingo had been made over to the United States and that the latter government was sending cruisers to carry out the terms of the agreement. These statements were true only in part. Two of the ports had been taken over by the United States but it was in accordance with the award of the Santo Domingo Improvement Company of July 14, 1904, and not in accordance with the treaty then being negotiated. Those ports were then given to Mr. Michelena as security for loans which he had made to the Dominican government for the purpose of paying expenses until final action should have been taken by the senate.  

THE NATION also charged that the state department had no intention of submitting the protocol to the senate for ratification. This statement seems unwarranted in view of the evidence. Minister Dawson had been given general and not specific directions as to the terms of the agreement. The first

draft of the protocol was not satisfactory and in the second draft we find that instead of the treaty going into effect on February 1, as stated in the first draft, it is to go into effect after having been ratified by the Senate of the United States and by the Dominican congress. In the same editorial THE NATION expressed the opinion that President Morales played a good trick upon the American government by gaining its aid to keep him in power. The suggestion that the United States aid Santa Domingo came from the United States and not from President Morales as the statement would seem to indicate.

Much comment was made by the various periodicals upon the bearing which the Monroe doctrine would have upon the question. The French papers seemed to favor the view taken by President Roosevelt. The JOURNAL DES DI' BATS said, "The President's interpretation of the Monroe doctrine will make it more acceptable to Europe." The London and German papers expressed much the same view favoring the position taken by the president and censuring the senate for its delay. "The senate will not let the European powers interfere and will not interfere itself," says the FRANKFURTER NACHRICHTEN. The LONDON TIMES said the arrangement proposed was in no sense a protectorate, that it merely established the United States as the financial guardian of Santa Domingo.

1. Ibid, P. 314.
2. Ibid, P. 296.
3. The Nation, Feb. 9, 1905.
4. As quoted by the Literary Digest, April 6, 1905.
5. As quoted by the Literary Digest, April 6, 1905.
Most of the American journals took the view that along with our intention to protect our own interests by preventing European acquisition of territory in this hemisphere, we owed certain obligations to the smaller countries of this hemisphere. In this connection the NEW YORK TRIBUNE printed the following, "Practically Santo Domingo asks the United States to save her from ruin by assuming a large measure of administrative control of her affairs. This is a good deal to ask. It would be a good deal to grant. But it would also be a good deal to refuse. Indeed it might be questioned whether this country could afford to refuse it in view of what such refusal might mean." The OUTLOOK has a similar article. In effect it said that we must accept responsibilities if we assert powers of restraint. It then continued, "We owe it to American residents to see that their claims and interests are not injured by undue preference to other countries."2

While several of the papers took the view that the president's action was rather hasty and perhaps unconstitutional, they were almost unanimous in the belief that the senate should ratify the treaty. When the senate had adjourned without ratifying, the papers assigned various reasons for their failure to take action. The extreme views were expressed by the LITERARY DIGEST,3 which gave the idea that the senators were piqued because of the hasty action of the president, and by the NATION which claimed the senators took no action because the protocol

2. The Outlook, Feb. 25, 1905.
3. The Literary Digest, May 25, 1905.
would in effect establish a protectorate.\textsuperscript{1}

1. The Nation, May 23, 1905.
CHAPTER III
THE MODUS VIVENDI

The failure of the United States Senate to ratify the agreement of February 1905, left Santo Domingo in a deplorable condition. Foreign creditors had thought that they were about to see a satisfactory settlement made. The peaceful law-abiding citizens of Santo Domingo had been expecting a period of peace and prosperity such as they had never seen. But now that their hopes seemed in vain, conditions changed rapidly. Belgian and French agents were very active and insisted that their claims be met. Revolutionary feeling ran so high in the republic that President Morales redoubled his precautions to prevent an outbreak. The minister of finance seeing that the plan for which he had worked so faithfully was about to come to naught, threatened to resign. All signs pointed toward such a period of anarchy as had been so common before Mr. Morales became president. In this state of affairs, there was still one hope left. Secretary Velasquez suggested that Minister Dawson act as trustee until such time as the final action might be taken by the senate. Accordingly Mr. Dawson was asked by the Dominican officials to take charge of collections and to carry out the provisions of the treaty except that instead of paying the returns to the creditors, these sums should be placed in trust in some designated depository. There was also to be no provision made for the adjustment of claims. When Minister

2. Ibid., p. 353.
Dawson received this proposition, he replied that it would be impossible for him to act as receiver but suggested that it might be advisable to have the United States government to appoint a receiver. This suggestion was acceptable to the Dominican government and was enthusiastically received by the representatives of several of the more important creditors.¹

Notification of this plan was sent to Washington and on March 28, the state department telegraphed Minister Dawson that steps should be taken to carry out the arrangement. The three bases of agreement were as follows: first, the receiver should be appointed by the war department of the United States; second, all moneys were to be deposited in a bank in New York City; third, if the treaty should be ratified, the money should be distributed among the creditors; if not ratified, the money should be turned over to the Dominican government.²

In accordance with these bases, an agreement called the MODUS VIVANDI was drawn up. The substance of this agreement is given here. First, the president of the United States was to select a receiver of customs. Second, 45 percent of the sums collected were to be given to the Dominican government for operating expenses. Third, the remainder, or 55 percent, was to be deposited in a bank of New York City to be held until the Senate of the United States and the Congress of the Dominican Republic should have acted upon the agreement. Fourth, if the action were favorable, the sums were to be distributed to the

¹. Ibid, F. 358, 359.
creditors in proportion to their claims and if adverse, the sums were to be given to the Dominican government. Fifth, the President of Santa Domingo was to suspend payment on debts until final action. Sixth, the agreement was not to change the rights of creditors. Seventh, the agreement was to go into effect April 1. Since this was not a treaty nor a protocol it was necessary to have only the signatures of President Morales and Minister Velasquez to make it take effect in the form of a presidential decree.

In accordance with this decree, Mr. George Colton of the United States was appointed general collector with the power to name his assistants. President Morales, realizing how important the patronage of the customs positions was to himself, made some objection saying that he, himself, ought to have the power of appointing minor officials. When it was pointed out to him that the United States was responsible and would not guarantee a business-like administration without the power of appointment to and removal from office, he withdrew his objections. The salary of the general collector was placed at five hundred dollars per month while the assistants were paid in proportion. There were several questions which now assumed great importance.

The first of these concerned the suppression of the agencies of the French and the Belgian bond holders. These agencies had been established in the hope that the creditors whom they represented might be enabled to receive their share of the payments

2. Ibid, P. 367.
made. They had been supported by the Dominican government, receiving ten thousand dollars annually. The government felt that they were now un-necessary and wished as a matter of economy to do away with them at least to cease to support them. The state department advised that no hasty action be taken, at the same time intimating that this would come up for final action under the treaty. The Belgians and the French were content to wait.¹ The British legation brought up the question as to the provision made for British share holders in the Santo Domingo Improvement Company. They were assured that all were upon an equal footing and that the improvement company would receive the same treatment as other claimants, but that no definite provisions could be made until final action should be taken on the treaty.²

Since the "MODUS VIVendi" was merely a preliminary of the convention of 1907 and since the transactions under them were very similar, no attempt will be made here to do more than give the general results of this temporary arrangement, the details being reserved for later chapters. The "MODUS VIVENDI" went into effect April 1, 1905, and continued until replaced by the "Convention of 1907," which went into effect July 1, 1907. There were many defects in the arrangement but that it was sound in principle and that it accomplished great good, cannot be questioned. Minister Dawson in a report to the state department July 1, 1905, said that the

². Ibid, P. 374, ff.
"MODUS VIVENDI", was the "natural outcome of the situation, the logical development from what had gone before."¹ In summing up the effects he remarked that, for the first time since 1899 there had been no active plotting against the established government. The sugar and tobacco plantations were being worked after having been almost abandoned. The government, even after fifty-five percent of the collections had been sent to New York, had more money for running expenses than it had had before. The government was relieved from making short time loans at ruinous rates of interest. The country was freed from the menace of forcible seizure by foreign powers. The arrangement made it possible for the government to negotiate for fair terms of liquidation of indebtedness. The civil government had time and money to apply to civil, municipal and judicial affairs, for improvements of schools, streets and buildings. One hundred thousand dollars was being deposited to the credit of the trust fund monthly. Finally, for the time, at least, Santo Domingo had ceased to be a disturbing international factor.² This report was given after the MODUS VIVENDI had been in effect only three months and of course that is too short a time from which to draw many definite conclusions. There were several events aside from Dawson's report which show how strong a hold the "MODUS VIVENDI" had taken upon the Dominicans themselves even before the end of the first fiscal year.

2. Foreign Relations, 1905, p. 379, ff
no fighting. Vice President Caceres was immediately installed as president, and the administration at once made known its faith and belief in the MODUS VIVENDI. Again in May, 1906, when money was desired for the improvement and building of rail-ways and there was no direct provision made in the temporary arrangement by which the money could be obtained, President Caceres and Minister Velasquez and Tejera signified that they would rather do without the improvements than suspend the MODUS VIVENDI for a "suspension of the MODUS VIVENDI would bring about the overthrow of our government." President Caceres in his message to congress in February 1906, voiced much the same opinion. "Peculation and extraordinary military expendi-tures," he said, "have been the bottomless pits in which the nation's wealth has disappeared. To chaos has now succeeded regularity." Minister Velasquez in his annual report for the year, 1906, wrote to much the same effect. "The items of revenue," the report read, "during the years, 1905 and 1906, speak clearly of the fact that for some time past we have been living, in public posts, a life of order and honesty where but a few years ago life, with few exceptions, was one of shamelessness, dilapidation, cupidity and permanent disgrace for the republic, being the principal cause, if not the only one, why our weak state has felt itself more than once trembling on the brink of the abyss and that for a long time we have found ourselves without economic autonomy, overweighted by debts, unjust

3. Ibid. P. 569.
for the greater part, suffering insults and humiliation. Thanks to the "MODUS VIVENDI" we have lived two years with relative ease and have accumulated a respectable amount of money destined to the payment of said debts."

Mr. Pulliam, who succeeded Mr. Colton as general collector recognized the great changes in the country's condition. "Santo Domingo", he said, "has been raised in a little more than two years, from financial chaos and political anarchy to a position of comparative ease and security, while its commerce has developed to a marked degree as business conditions have improved with the increasing assurance of peace."  

That all this was not obtained without effort, is shown by the difficulties which had to be overcome. At first the substantial people throughout the island were so discouraged that, though they did not actively oppose the agreement, still they did not give it their aid nor were they especially eager to endeavor to build up the business and commercial interests of the republic. They were simply apathetic. A more active class consisted of the disappointed politicians who, being out of office, felt that they would have little chance of returning. There were also the political revolutionists who made it their business to cause trouble for the administration. Besides these there was a class which while wishing reformation, had some special privileges which they were unwilling to surrender for the public good. These various evil influences had to be checked.

1. Foreign Relations, 1907, P. 331.  
3. Foreign Relations, 1907, P. 333.
That they were being checked is shown by the opinions given above.
CHAPTER IV

THE CONVENTION OF 1907

After the Senate had adjourned in 1905 without ratifying the agreement with Santo Domingo, the state department immediately began preparing a new treaty which would be acceptable both to the Dominican Republic and to the United States. The main objects of such a treaty were practically the same as they had been before. Briefly they were as follows: first, the payment of the indebtedness of Santo Domingo; second, the retirement and extinction of certain concessions and monopolies which had been granted by the government and which were harmful to the best interests of the country; third, the utilization of available funds for the construction of railroads, bridges, and other public improvements.¹

That it was possible to pay off the indebtedness of Santo Domingo by a careful administration of the customs, was shown by the operation of the "MODUS VIVENDI". There still remained the objection supposed to have been made by the United States Senate to the former treaty. That is that it approached too nearly to a protectorate.² To do away with this objectionable feature the State Departments of both the United States and Santo Domingo worked, and with very good success.

The Dominican officials with the aid and advice of the United States arranged for the settlement of all claims against the government for between fifteen and seventeen million dollars or at the rate of about fifty cents on the dollar.³ This was

². Cf. Supra, p. 25.
³. Foreign Relations, 1907, p. 354.
probably a very fair arrangement in as much as most of the loans
had, because of the poor financial condition of the country, been
made at much less than their face value and had drawn exorbitant
rates of interest. By the arrangements now made the loans were
to draw interest from the date of the agreement with the United
States at the rate of five percent. Most of the important
foreign creditors agreed to these conditions, provided that the
United States would guarantee the payments or would administer
the customs.

After almost two years these negotiations were so far
completed that it was believed that a treaty satisfactory to
all of the interested parties could be arranged. Opposition to the
treaty which had never been strong among foreign creditors was
now almost entirely removed. The Dominicans seemed very favor-
able and the United States Senate appeared ready to ratify.
These changes had been brought about largely by the MODUS VIVI
which, while only a temporary arrangement, had demonstrated what
might be accomplished politically, socially, and economically
under a more perfected plan.

It is not surprising, then, that when the convention con-
cluded February 8, 1907, 1 was presented to the respective ratifying
bodies, it was soon approved. It is true that there was some
uneasiness in Santa Domingo because of a letter written by
United States Senator Hayburn being published in the Capital. 2
In this letter it was stated that the senator had voted for the

1. Foreign Relations, 1907, P. 303
treaty because in the end it would lead to the annexation of the republic by the United States. The letter seems to have had very little if any effect for the treaty was ratified by the Dominican Congress on May 2. In the meantime the United States Senate had voted in favor of ratification February 25. The final ratifications were exchanged at Washington on July 8 and the treaty was publicly proclaimed by President Roosevelt on July 25.

The reasons for making the agreement were well stated in the president's proclamation. First, the Dominican government had contracted debts amounting to over thirty million dollars face value. Second, this indebtedness had been increased instead of decreased thus causing hardships both to the people and to the government. Third, a provisional settlement of claims amounting to over twenty-one million dollars had been made for about twelve and a half million and the remaining unarbitrated claims would bring the total to about seventeen million. Fourth, a plan had been formed for floating a loan of twenty million dollars for payment of these debts and for internal improvements. Fifth, the whole plan was dependent upon the assistance of the United States.

This agreement or treaty is much briefer and simpler than the one considered in 1905, due largely to the fact that so much progress had been made in the arbitration of claims. That a comparison may be made between the two, the treaty of 1907 is here given. The Dominican Government and the United States Government have agreed:

1. Foreign Relations, 1907, P. 313.
3. Foreign Relations, 1907, P. 307 ff
I. That the President of the United States shall appoint a general receiver of Dominican customs, who, with such assistants receivers and other employees of the receivership as shall be appointed by the President of the United States in his discretion, shall collect all the customs duties accruing at the several custom houses of the Dominican Republic until the payment or retirement of any and all bonds issued by the Dominican Government in accordance with the plan and under the limitations as to terms and amounts hereinbefore recited;\(^1\) and said general receiver shall apply the sums so collected, as follows:

"First, to paying the expenses of the receivership; second, to the payment of interest upon said bonds; third, to the payment of the annual sums provided for amortization of said bonds, including interest upon all bonds held in sinking fund; fourth, to the purchase and cancellation, or the retirement and cancellation, pursuant to the terms thereof, of any of said bonds as may be directed by the Dominican Government; fifth, the remainder to be paid to the Dominican Government.

The method of distributing the current collections of revenue in order to accomplish the application thereof as hereinbefore provided shall be as follows;

The expenses of the receivership shall be paid as they arise. The allowances to the general receiver and his assistants for the expenses of collecting the revenues shall

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1. In the preamble.
not exceed five percent unless by agreement between the two Governments. On the first day of each calendar month the sum of one-hundred thousand shall be paid over by the receiver to the fiscal agent of the loan, and the remaining collection of the last preceding month shall be paid over to the Dominican Government, or applied to the sinking fund for the purchase or redemption of bonds, as the Dominican Government shall direct.

Provided, that in case the customs revenues collected by the general receiver shall in any year exceed the sum of three million dollars, one half of the surplus above such sum of three million dollars shall be applied to the sinking fund for the redemption of bonds.

II. The Dominican Government will provide by law for the payment of all customs duties to the general receiver and his assistants and will give them all needful aid and assistance and full protection to the extent of its powers. The Government of the United States will give to the general receiver and his assistants such protection as it may find to be requisite for the performance of their duties.

III. Until the Dominican Republic has paid the whole amount of the bonds of the debt its public debt shall not be increased except by previous agreement between the Dominican Government and the United States. A like agreement shall be necessary to modify the import duties, it being an indispensable condition for the modification of such duties that the Dominican Executive demonstrate and that the President of the United States recognize that, on the basis of exportation
and importations to the like amount and like character during the two years preceding that in which it is desired to make such modification, the total net custom receipts, would at such altered rates of duties have been for each of such two years in excess of the sum of two million dollars United States gold.

IV. The accounts of the general receiver shall be rendered monthly to the contadoría general of the Dominican Republic and to the State Department of the United States and shall be subject to examination and verification by the appropriate officers of the Dominican and the United States Governments.

V. This agreement shall take effect after its approval by the Senate of the United States and the Congress of the Dominican Republic.  

There were several features not included in these articles which were agreed to but not incorporated in the treaty proper. These had to do with the urgency of tariff reform and the fact that the United States should protect the receiver and assistants only in case the Dominican government was unable to do so.

In comparing the treaty of 1907 with the proposed treaty of 1905 several differences are noticeable. Article one, which was found in the earlier treaty is entirely omitted from the later treaty. This provided for the adjustment of claims by the United States. Because so much had already been done in this direction such a provision was unnecessary. The article authorizing the United States to aid in restoring order and credit is also omitted. The reason for this is probably found in the fact

1. Foreign Relations, 1907, P. 308, 309.
that in the consideration of the earlier treaty it was interpreted to mean a virtual protectorate.

It was further provided that in case financial arrangements for the proposed floating of bonds were not completed that the article in the "Modus Vivendi" ¹ covering that point should remain in effect—that is that the receiver general should continue to deposit the same percentage of collections as heretofore. This was continued for one year after the remainder of the agreement had gone into effect.

The original plan in regard to the loan was for the country to issue bonds bearing five percent interest, payable in fifty years and redeemable after ten years at 102 1/3. The proceeds were to be applied to immediate payment of the indebtedness, the remainder to be used for internal improvements or for an emergency fund. In 1906 Señor Velasquez, minister of finance and commerce was given authority to make arrangements for the loan in the United States. A contract was arranged by Minister Velasquez with the firm of Kuhn, Loeb and Company of New York² but because of the money stringency of 1907, it was considered inadvisable to sell the bonds in the open market, it being feared that they would sell for below par.³ It was then proposed to dispose of the bonds to the creditors themselves through a fiscal agent. The proposition was to pay 20% in cash and the remainder in 5% bonds at 98 1/2% of face value together with accrued interest from August 1, 1907. The bonds were to be payable in fifty years and redeemable at 102 1/3. A sufficient number of creditors

2. Foreign Relations, 1907, P. 354.
agreed to this plan to assure it of success. It was possible to pay the 20% because slightly more than this amount had already been deposited in New York as a result of the "Modus Vivendi" and the first year of the receivership. The Morton Trust Company of New York was made the fiscal agent and was also designated as the depository of the receivership. Kuhn, Loeb and Company agreed to promote and complete the adjustment and settlement of the debt and to obtain official quotations for the bonds on the European stock exchanges.¹

July 25, 1907, a set of regulations was issued by President Roosevelt, by which the provisions of the treaty were to be carried out. The method of appointment and the salaries of the employees, the rendering of accounts, expenditures and disbursements, the time and character of reports were all provided for. Minor regulations were left to the receiver general.² Mr. Wm. Pulliam was appointed general receiver with Mr. James Edmonds as his assistant, the appointments to take effect August 7, 1907. Besides these citizens of the United States there were twenty-seven other American employees, consisting of the central office force, the traveling inspectors and the deputy receivers. There were also Americans employed in the revenue cutter service and the frontier guard but these were not directly connected with the receivership. The regular Dominican employees were retained in most cases but the Americans had general supervision.

The receiver general had the responsibility of overseeing

collections, of paying out funds, making reports and such work. The deputy general receiver assisted the general receiver and acted in his place if he were not present. The central office force consisted of bookkeepers, stenographers and accountants. Their duties were similar to those of other office forces. The travelling inspectors investigated the different ports, made reports of landings, helped classify merchandise and did other work of a like nature. The deputy receivers were stationed at the various ports and attended to the routine business, sending in reports and being responsible to the general receiver.

It is interesting to note the change in opinion regarding the proposed treaty of 1905 and the treaty of 1907. To the former there was much opposition but in the senate it was along party lines. To the latter there was very little opposition manifest either in the senate or throughout the country. The periodicals are almost unanimous in favor of it. Even the Nation which had so bitterly opposed the earlier treaty was in hearty sympathy with the treaty of 1907 and published an editorial pointing out the advantages of such an arrangement.1 This change of opinion was brought about largely because of the splendid showing made by the MODUS VIRINDI, but also because it was now possible for the United States to act merely as general receiver of customs instead of assuming a limited protectorate.

The "Modus Vivendi" had demonstrated that various changes were necessary in the personnel of the Dominican employees in the customs service if the best results were to be obtained. Accordingly on July 1, 1907, the Dominican government arranged for a reorganization.¹ A rearrangement was made so that the more capable officials superceded those who had held office through political influence. Salaries were also readjusted and in most cases increased. Finally there were changes made in the designation of employees to bring out the individuality and responsibility of the various positions. Thus such terms as examiner and cashier were used where formerly all were known by the general term, clerk. The result was very pleasing as the personnel was improved and the employees began to take greater interest in their work.²

Many reforms have been undertaken during the receivership: some directly by the receivership, some by the government at the instigation of the receivership, some apparently without having been influenced by the receivership, but still in some degree due to the new conditions caused by the receivership. Besides the improvement of the personnel of the custom service the receivership endeavored to improve the living quarters of the American employees, to improve the customs houses, the ports and harbors, to prevent smuggling by land and sea by the establish

². Ibid, p. 8.
ment of frontier guard service and revenue cutter service.

Efficiency demanded the service of a number of Americans and these were difficult to retain under conditions existing at the time of the treaty. There were very few modern conveniences such as electric lights, telephones and plumbing fixtures, few amusements for Americans, the market was limited and the food poorly cooked. It was felt that in the end improvement of conditions would not only increase the efficiency of the employees but would be a distinct saving. The first steps taken were for a co-operative mess where all of the employees might receive the best which the market afforded and prepared by the best cooks obtainable. This dining club was established in a building adjoining the general offices at the capitol and was used by all the American employees at the central office and the others when in the city. The servant question gave some trouble at first, the natives proving both lazy and incompetent. Finally Chinese servants were employed and were found very capable while their wages were comparatively small.

The results were so satisfactory that further steps were taken and it was decided to provide permanent quarters. The plan was to segregate about fifty thousand dollars from the five percent allowed for cost of collection and with this either to purchase a building or to construct a new one. A new building owned by the government would not only give better service but would cause a distinct saving in rentals and the building could

be used by the government after the receivership had ended. In June, 1913, more than sufficient funds for the purpose had been set aside and plans were formulated for the erection of a suitable building. A site was purchased and actual construction begun.¹

More important to the commerce of the country, was the question of ports and harbors. There were several harbors which with a little care and expenditure would be excellent but which through neglect had become almost useless except for small vessels. The harbor at the city of Santo Domingo was greatly improved by the government. The river was dredged and concrete piers constructed so that before long, large vessels could be accommodated. Like improvements, though on a smaller scale were being made at the other harbors. Many of the customs buildings were very nearly unfit for their particular use and were for the most part owned by private individuals who charged the government exorbitant rentals. Where the old buildings were suitable they were being purchased by the government and repaired, where they could not be remodelled new ones were either purchased or erected.² At Commandador a new building was erected, improvements were made at Puerto Plata and Monte Christi and a new building was erected for the offices of the receivership at Santo Domingo. All of these improvements were being made by the government but are an indication of the hold taken upon the people by the receivership.³

¹ Sixth Annual Report Dominican Receivership, P. 14.
² Sixth Annual Report Dominican Receivership, P. 25.
³ Second Annual Report Dominican Receivership, P. 16.
Office fixtures were as out of date as the buildings. Typewriters, filing cabinets, safes and adding machines were almost unknown. These were purchased as there was need for them, making possible a greater amount of work with greater ease. Trucks, scales, metric measures and like equipment were purchased for the warerooms. Most of the buildings were fire traps and without fire-fighting apparatus. Since there were no waterwork systems, even in the capitol, chemical fire extinguishers were installed and prevented several severe conflagrations.¹

In line with other reforms the government adopted new regulations for the ports. There were two special reforms undertaken: the lowering of port dues and the reformation of the customs courts. The port dues had been very high—sometimes as much as two dollars per ton—both for imports and exports. Naturally this would tend to keep out a considerable amount of merchandise. In 1907 the rate was reduced to fifty cents a ton and two years later to forty cents for imports and twenty cents for exports.² This was a reasonable charge and aided in increasing the commerce. The reform of the courts was a more difficult matter and one of more importance. Heretofore there had been one court at each port and each court had acted independently. The officials of the courts were poorly paid and often inefficient. The courts were reduced to two in number, one at Santo Domingo the other at Puerto Plata while a superior court was established at the former place. The members were more carefully

selected and received a regular salary from the government, no longer having to accept fees which they had been accustomed to collect from the importers. The benefits were soon felt. Complaints about charges and classification were fewer and settlements were quicker and more satisfactory.¹

The new courts also aided materially in reducing the fraud practiced. Aside from smuggling proper, there were many questionable practices carried on with the aid or at least the knowledge of some of the employees. Invoices were forged and improper classification made thus allowing goods to come in at low valuations. Under the old courts this was seldom detected. With a stricter watch and the new courts this trouble was largely eliminated.²

Smuggling had long been common both by land and sea. On the sea by small swift vessels which could approach the shore, unload, and get away quickly. On the land smuggling was carried on along the Haytian frontier. Most of the Haytian customs dues were lower than the Dominican, hence it was a paying business to have merchandise sent to Haytian ports and then smuggled across the frontiers.³ Strenuous measures were taken to break up this practice. Even during the "Modus Vivendi" a frontier guard was established, and later strengthened and improved under the receivership. The members of the guard were Dominicans who were officered by both Dominicans and Americans. This work was very hazardous especially during the first few months. Two Americans

3. Foreign Relations, 1907, P. 326.
were killed and one wounded while several Dominicans met like fates.\(^1\) The one hundred and fifty miles of frontier was patrolled by about one hundred mounted and armed men. At Comendador and El Fondo, the two frontier posts, combination customs and guard houses were built. At these houses, deputy receivers were placed to attend to the customs collections, and here also the guards made their headquarters. While the collections at these frontier posts did not directly pay for the guard service, it was estimated that a rather large saving was made by the prevention of smuggling.\(^2\)

After the guard had been firmly established, it was turned over to the government and the work continued to be well done.\(^3\) The receivers could still summon the guard in case of smuggling but had no further control over them. In 1911, when the revolutionary action, which finally resulted in the intervention of the United States,\(^4\) was taking place, the frontier guard was made a part of the regular army.\(^5\) During this period no seizures were made, though it is probable that smuggling was being carried on. A new guard was soon organized and most of the smuggling was stopped. These guards not only patrolled the frontier but were useful as messengers, carrying mail between Monte Christi and Barahona.

1. Ibid, P. 326.
2. Foreign Relations, 1907, P. 335.
5. Sixth Annual Report Dominican Customs Receivership, P. 17.
To prevent smuggling by sea four cutters were purchased in the United States at a cost of about seventy five thousand dollars. These cutters must certainly have soon paid for themselves. They patrolled the coast, intercepted smugglers, carried mails, supplies and messengers from one port to another, and furnished rapid transportation for both the officials of the government and of the receivership. 1 During the troublous times of 1911 and 1912 they acted as auxiliaries for the government. They carried many troops and a great amount of supplies during this period. 2 In all the time they have been in commission not an accident has happened to a passenger.

During the first few years of the receivership various reforms were noticeable in the interior condition of the country. Where plantations had been deserted, they were again occupied and the naturally good soil began to yield again. This was indicated as early as 1906 when increasing prosperity was felt throughout the republic. There was a greater amount of raw material marketed than ever before while the consumption increased at the same time. 3 The principal products were sugar, cacao, tobacco, bananas, coffee, hides, wax and dyewoods. 4 The reasons for the increased production were numerous but they all depend to some extent upon the receivership. In the first place the government was more stable, the producers felt they had a ready market, the facilities for getting the produce to market were improved, more employees could be obtained. 5

3. Foreign Relations, 1907, p. 345.
4. Report of "Modus Virindi, Apr. 1, 1906--March 31, 1907, p. 23
5. Foreign Relations, 1907, p. 345.
After the convention of 1907 still greater progress was made. More permanent improvements could be undertaken, for it seemed a certainty that the benefits under the "Modus vivendi" would continue under the treaty. A real interest began to be taken in agricultural developments. Inducements were offered to planters to increase their yield. To better the quality of the farm products samples of the best cotton seeds, cacao, and tobacco were distributed among the farmers.\(^1\) The government established agricultural experimental stations in which the advantages of better methods of cultivation and better choice of seeds were shown. It was also demonstrated that many products such as corn, rice, potatoes, onions and beans, which were imported in large quantities, could be raised to advantage on the island.\(^2\)

The mines which had been worked to no great extent since the Spanish occupation have begun to assume new importance. Quarts and alluvial gold are found in paying quantities in the central mountain chain, along the Jamina river, and on the northern coast. Extensive copper deposits are found in various places. There is some coal and also iron of very good quality but no great beds have been discovered. A large petroleum belt covering about one hundred and ninety square miles has been explored. Silver mines remain productive and there are extensive salt deposits. These mineral resources are now beginning to be developed and should be a splendid source of wealth with the introduction of modern machinery.\(^3\)

In 1910, a department of public works was organized under the supervision of a British engineer. A splendid boulevard leading from the city of Santa Domingo to San Cristobal was begun in the same year. Improvements were made in various harbors and wharves. In the provinces of Ozama and Monte Christi irrigation schemes have been undertaken on a rather large scale. New roads into the interior were opened and old ones reaired. In 1908 contracts had been let for four new railroads which were soon in process of construction. Two of these when completed, opened up interior districts and connected them with the coast towns, thus increasing the value of the land. In 1912 contracts for other lines were let and these lines are now probably in operation.

Miscellaneous improvements of various kinds have also been undertaken. Schools have received more careful attention, new school buildings opened, higher standards required. In 1912 a School of Arts and Crafts was founded at Monte Christi. Contracts for light houses, for improvements of ports, and for government buildings were let in 1913. All of these improvements with the spirit of progress which they show are aiding greatly in the material progress of the country. So many undertakings also revealed the need of laborers and the government has gone to work systematically to encourage immigration to Santo Domingo. Agencies have been established in the United States and in

Europe. There have been few immigrants so far but many inquiries have been made by prospective immigrants so that it seems likely there will soon be an increase in the population from this source.

In an earlier chapter the political condition of the republic before 1905, has been described. Up to this time there had been continued outbreaks, no president had been able to complete his term of office, the prosperity of the country had been almost destroyed. It was hoped that, when the United States took over the administration of customs, the chief incentive to revolution would be removed and that the country would prosper politically as well as economically as it never had before. This hope seemed about to be realized.

During the operation of the MODUS VIRENDI there was but one disturbance which might be called a revolutionary outbreak. In 1904 when Carlos Morales was formally recognized as president a truce had been arranged with the governor of the province of Monte Christi: It was felt at the time that this arrangement was only temporary and that both sides were merely waiting to recuperate before renewing hostilities. The ill-feeling was against Morales personally and though the rebels were defeated in two small engagements it was believed to be for the best interests of the country for the president to resign. His letter of resignation was received January 12, 1906. He was permitted to leave the country and was molested in no way. Vice-President Caceres was immediately sworn in as president and there was no

2. Chapter II.
further outbreak.\(^1\) Even in this event the good results of the receivership may be perceived though it is difficult to judge just how far it may have aided in the prevention of hostilities. Where a few years before there would doubtless have been a long and bloody contest there was peace and quiet, the whole country apparently being united.

The next few years were very peaceful. The reports of the American Minister at Santa Domingo and of the receivership show the country peaceful and quiet. The newspapers and periodicals which had before contained many references to the disturbed conditions contain practically no mention of the country. In 1907 the general receiver spoke of the country being quiet with every indication of remaining so.\(^2\) In 1909 the report was more specific. "Each succeeding near revolutionary agitation (for it now hardly amounts to anything else)," writes the general receiver," that has arisen during the past five years was of diminishing degree in intensity, showing that such manifestations are purely spasmodic: the dying gasp of an old order of things that has practically passed from being a live topic in this country."\(^3\)

In 1911 and 1912 we find conditions quite changed. There were very serious outbreaks in the western provinces and in the interior. On November 19, 1911, President Caceres was assassinated. The leaders in the plot were captured and executed. They seemed to have no connection with a revolutionary party, yet in

1. Foreign Relations, 1906, P. 541 ff
a short time a large part of the country was in arms. The fighting continued for a little more than a year with varying results but on the whole it was favorable to the government. In October 1912, a special commission, which had been appointed by President Taft of the United States to aid in restoring order, arrived in Santa Domingo and after three months succeeded in having a special session of the Dominican Congress called. At this session, President Victoria resigned and Archbishop Nouel was elected provisional president. It was believed that he would be able to unite the factious but his administration proved disappointing and he resigned March 31, 1913. He was succeeded by Josi Bordas Valdez.\(^1\) After the resignation of President Victoria, the fighting ceased and was not continued until the present year (1914) when there was another outbreak in the province of Monti Christi. Demands have been made that the United States again intervene to put a stop to hostilities but up to the present no definite action further than protecting foreigners has been undertaken.\(^2\) The whole movement of 1911-1912 was characterized by a spirit of fair-mindedness and humanity which had been lacking in former movements of like extent. There was little destruction of property except that which is unavoidable in actual warfare. The lives and property of non-combatants were not molested. No attempt was made to seize the customs houses or to take charge of the revenue. On the other hand, when the insurrectionists occupied the ports of Samana and Dajabon they placed guards around the customs houses.

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2. Chicago Record-Herald, May 2, 1914.
to see that no injury was done.¹

Evidence of the changed conditions is found in the attitude of the people. Formerly, when there was fighting of any extent, plantations were deserted, business neglected and many industries abandoned. During this revolution however the great majority of the people continued at their occupations, apparently taking small interest in the turmoil about them.² These are the conditions but it is impossible to say how greatly they were due to the receivership.

¹. Fifth Annual Report Dom. Cust. Receivership, p. 34.
². Ibid.
CHAPTER VI.

COMMERCE AND FINANCE

Tariff reform had long been needed in the Dominican republic and as early as 1896 steps had been taken looking to a more scientific tariff schedule.\(^1\) Except for a few slight modifications nothing had been accomplished. When the protocol of 1905 was up for consideration one of the stipulations made by the Dominicans was that the United States should aid in drawing up a more satisfactory tariff.\(^2\) Since that treaty was never consummated and since the "Modus Vivendi" was only a temporary arrangement nothing of moment was accomplished until after the convention of 1907.

The imperfect tariff laws in effect in 1905 greatly hindered the systematic working of the MODUS VIVINDI. Collections were delayed or avoided by appeals from the decisions of the receivers as to classification of merchandise and as to the charges to be paid. Any payment exceeding five hundred dollars did not need to be paid before a period of from ten to thirty days depending upon the amount. If the importer then made objection to the payment he had the right of appeal to the customs court. This court was unusually very far behind in its work and a delay of several months might ensue before a decision was reached.\(^3\) In the meantime the importer would have the use both of his capital and merchandise without extra payment. Of thirty-six decisions made by the receivership and protested, only one was over-ruled by the court, indicating that many merchants appealed to the court not that

3. Foreign Relations, 1907, P. 342.
they believed they had been treated unfairly but simply that they might gain time to make their payments. This was remedied by the reorganization of the customs court mentioned above.\(^1\)

There were three principal objections to the tariff proper: there were many sections worded vaguely giving occasion for questions of interpretation; the tariff schedule was in the form of an index without any scientific grouping or classification; the rates were in many cases so exorbitant as to shut out many kinds of desirable merchandise.\(^2\) The miming of these defects was essential to the best working of the receivership so that when in 1908 the general receivers was asked by the Dominican government to aid in drawing up new schedule, he was very ready to help in an advisory capacity.\(^3\)

A tentative schedule was drawn up and a complete draft submitted to the Dominican congress early in 1909. Because of the advalorem features congress did not greatly favor the schedule so a new one much more elaborate and specific was drawn up by the receivership. This was adopted by congress and went into effect January 1, 1910. Care had to be taken that the revenue would amount to not less than two million dollars since this sum was imperative if the country were to attain good standing financially. It had been estimated that under the new schedule the yield would not decrease more than thirteen percent leaving, on the basis of the proceeding years, a comfortable margin. Care was also taken to remove all burdensome import duties upon the

1. Chapter V.
prime necessities. Weights and measurements were all based upon the metric system, doing away with the difficulty caused by using several different systems. Export duties were removed from sugar and tobacco and materially reduced on all other articles. Cacao, the chief dutiable export was reduced fifty three percent, resulting in a direct annual loss of two hundred thousand dollars in customs dues. It was believed that these reductions in export duties would stimulate production.

The new tariff was well received by the exporters and importers as well as by the people in general. The effects were soon evident. Many articles commonly considered necessities which had been imported in very limited quantities began to show a decided increase, while at the same time other articles which had been almost unknown now became more or less common. Among the former were oils, beef and port products, lard, butter and cheese; among the latter, typewriters, electrical appliances, cash registers and like conveniences. Automobiles of which there were none before 1910, were imported to the number of twenty-one in that year. The trade in structural hardware, paints, and oils was greatly stimulated, due partly to the lowered tariff duties and partly to increased building operations. The showing made in increased industrial activity and in revenue were so pleasing that further modifications were made the next year when export duties were almost entirely removed.

The results in an administrative way were also very

satisfactory. The specific classification made possible the more careful auditing of accounts so that adjustments and refunds could be quickly and accurately made. The appointment of special inspectors at the time the new tariff rates went into effect also aided materially in the better auditing of accounts and in the prevention of false invoices. Disputes as to classification were greatly decreased and what few there were, were quickly settled. Various minor changes have been made in the tariff from time to time but it still remains largely the same today as it was when adopted.

The foreign trade of the Dominican Republic which had been very nearly in a state of stagnation for a number of years has increased very rapidly since the inauguration of the receivership. There are various reasons for this. The government has been more settled, means of communication and transportation facilities have been improved, more land has been put under cultivation, tariff reductions have been made and there has been a general revival of industrial activity. It would of course be difficult to estimate just how much influence the receivership has exerted upon this awakening but it has undoubtedly been great.

In 1905, the year the "Modus Vivendi" went into effect, the value of the imports amounted to two and three-quarter millions of dollars while the exports amounted to over six and three-quarter million. The value of the imports was greater than that of any year for which there is a record except 1902 in which year the value exceeded that of 1905 by almost half a million. The value of exports was greater than that of any preceding year.

The principal articles imported were bread stuffs, cotton goods, iron and steel ware, paints and oils, meats, dairy products and rice. The United States furnished almost two million dollars worth of the imports or about sixty percent. Germany, Great Britain, France and Spain supplied most of the remainder. The principal exports were cacao, coffee, sugar, tobacco and bananas. Most of these products were sent to the United States which received four and a half million dollars worth or about seventy percent. Germany, France and Great Britain taking practically all of the remainder. ¹

The calendar year, 1906, showed an increase of approximately one million dollars over the preceding year, the total amount of foreign commerce being slightly more than ten and one half million. This increase was due very largely to the greater value of imports, the exports showing a decline due to a decrease in the value of sugar which was the principal article of export. Cacao, tobacco leaf, coffee, hides and skins showed an increase. The total value of exports was six and a half million dollars—more than half of which went to the United States. The imports amounted to four and a quarter million a net increase of about forty-nine percent over the preceding year. The gain in imports came largely from increased purchases of food supplies and staple merchandise. Cotton goods and rice made the greatest increase. There was also an advance made in the amount of builders hardware purchased. ²

The year 1907 set a new record in all lines of foreign trade. The total value of imports and exports was more than twelve and three quarter million dollars, a gain of more than two million over the preceding year. The increase was material both in imports and exports, the former amounting to almost five million and the latter to above seven and three-fourths million. The United States, as in former years, enjoyed most of the trade though the percentage of the whole was hardly so great. In imports the gain in rice was noticeable and for the first time cotton became a factor in the exports of the country.¹

Though the year 1908 was one of money stringency in many parts of the world because of the panic of the year before, the foreign trade of Santo Domingo again increased, the total amounting to over fourteen million dollars, a gain of more than one and one half million. The causes are found in increased quantity and better quality of the exports which were again greatly in excess of the imports, amounting to nine million four hundred thousand dollars, the imports to four million seven hundred and sixty thousand. The most noticeable feature is the increase in value of cacao which made up almost half the exports for the year. Cocoanuts, bananas, and other tropical fruits also showed gains.²

The steady increase shown in previous years was not maintained in 1909, the total value being slightly more than a million and a half dollars less than that of 1908 or about equal to that of 1907. There are several reasons for the decrease, the principal

one being the decline both in yield and value of cacao crop. Large areas of the plant were destroyed by insects and in other places heavy rains decreased the value. Political conditions also entered into the general decrease. The fact that the tariff schedule had been approved and would go into effect January 1, caused many to hold their crops to enable them to take advantage of the reduction in export duties. The decrease in tariff duties was also the principal reason for the decrease in imports. The United States showed an increase in the value of trade with Santa Domingo for this year, while all other nations showed losses. Sugar was the leading export of Santa Domingo, cotton and iron and steel goods were the principal imports.

The benefits of the new tariff were shown by the increased commercial activities of 1910 when the values of both exports and imports were the greatest ever attained. The increase was due to increased quantity and higher prices. All of the exports increased except leaf tobacco which suffered a partial crop failure. Sugar reached its greatest value, cacao increased over the previous year, but the effects of the blight were still felt on the yield. Coffee showed a splendid gain and gave evidence of becoming one of the leading exports. Cotton also began to be a factor in the foreign trade. In imports there was a marked gain in almost all manufactured goods. The aggregate foreign trade for the year was slightly in excess of seventeen million dollars which represented an increase of four and three-quarter million over the year before. Almost eleven million

dollars were received for the exports while six and a quarter million dollars was expended for imports. The United States showed a remarkable gain furnishing fifty-nine percent of the total imports. The gain in exports was even more remarkable, the United States receiving more than seventy percent of the total.\(^1\) What seems a trade anomaly is the fact that Santa Domingo furnished tropical fruits and other products to Cuba and Porto Rico while before she had purchased from them.

The record for 1911 is very pleasing in several respects. The foreign trade amounted to eighteen million dollars, thus setting a new record. This record was especially pleasing in view of the fact that there was a great decrease in the sugar production, showing that the country need not depend upon one crop for its prosperity. A new export began to be of importance at this time. Molasses which had been thrown away in the refining of sugar was sold at a valuation of over sixty-three thousand dollars. Cotton increased steadily both in quantity and quality. Tobacco which had been bringing a lower price than that of neighboring islands because of poorer quality and poorer handling was being improved by experimenting with other seeds and methods of curing.\(^2\)

It was predicted that in 1912 there would be a decrease in commerce because of the revolutionary movement of that year. Instead there was a decided gain of more than one and one third million in exports and more than a million in imports. The total

\(^2\) Dominican Trade Statistics, 1911, P. 8, ff.
trade for the first time reached twenty million dollars and even exceeded that mark by over six hundred thousand dollars. All of the more important products showed increases but there were decreases in the exportation of the minor products such as wax, dyewoods, and hardwoods. Iron and steel goods went to first place among the imports with cotton goods second. The reason for the remarkable gain made in the purchases of iron and steel goods is found in the fact that so many improvements were being made for manufacturing purposes and that power and electric light plants which required great amounts of machinery, were being erected.

In reviewing the trade statistics for the years from 1905 to 1913 one cannot but be impressed by the increase in value of trade and in the improvement of the class of articles purchased. An awakening of the industrial spirit of the people is clearly shown.

The real cause for the establishment of the receivership was not the improvement of the government, the bettering of industrial conditions, or the reform of the tariff. All of these were desired, but the real occasion was the necessity of putting the country upon a sound financial basis. The fiscal condition of the republic has already been shown: the treasury was empty, deficits were regular occurrences, the country was practically bankrupt, foreign creditors were clamoring for settlement. It has been related also how the foreign creditors agreed not to press their claims when negotiations were begun between the United States and Santa Domingo, and how agreements as to terms

1. Chapter II
2. Ibid.
of settlement were finally reached. It is intended now to show how far the creditors were justified in placing their trust in the United States.

The customs receipts for the year, 1904, that is the year preceding the MODUS VIVENDI amounted to one million eight hundred and fifty thousand dollars. This represented almost the entire income of the government and would seem a very small amount with which to pay off interest rates, arrearages, payments on indebtedness and at the same time conduct the affairs of government. It was evident that greater revenue must be obtained or the United States would be as unable to cope with the situation as the Dominicans had been. It was inadvisable to raise the tariff rates for they were, in many cases, already prohibitive. There must first, then, be a careful administration of the customs and second there must be a material increase of foreign commerce. The first was obtained when men of known ability and integrity were appointed to responsible positions under the receivership. The second was obtained with stability of government, exploitation and development of the resources of the country, with the industrial awakening and with the introduction of new capital. We have related how the foreign commerce increased under these conditions and we would naturally expect the customs receipts to increase in proportion.

The customs receipts for the first year under the "Modus Vivendi" amounted to slightly more than two and a half million dollars, the largest amount of which there is any record.¹ At 1. Report of Modus Vivendi, April 1, 1906—March 31, 1907. P. 29.
this time there had been no change made in the tariff, there had
time been few new industries. The increase seemed to be due very
largely to the honest and scientific administration. Of the
amount collected forty-five percent was turned over to the
Dominican government in accordance with the provisions of the
MODUS VIVINDI. This surplus amounting to one million, eighty
seven thousand dollars was the largest revenue which the govern-
ment had received. The government was also allowed thirty per-
cent of the export duties to use for internal improvements.
After paying all expenses there still remained about one and a
quarter million dollars which was placed to the credit of the
trust fund.¹

The next year was even more satisfactory, the receipts
increasing more than six hundred thousand dollars, the total
amount being three million one hundred and eighty thousand dollars.
The Dominican government received one million, three hundred and
twenty nine thousand dollars, an increase of almost a quarter
million. The amount deposited for the trust fund was also greater
being one million four hundred and eighteen thousand dollars.²
There had still be no change made in the tariff duties. The
government had had no political disturbances and to this fact
and the continued careful administration must most of the credit
for this, the second year's splendid showing be given.

The next four months mark the end of the MODUS VIVINDI,
the convention of 1907 going into effect August 1. The record
for these four months shows a corresponding increase over the

¹. Ibid, P. 32.
same period for the previous years. The total collections for the two years and four months amounted to six million eight hundred and forty-five thousand dollars. Of this amount, two million eight hundred and ninety-six thousand had been paid to the Dominican government and three million one hundred and fifty thousand dollars had been deposited in New York, the remainder was used for defraying the expenses incident to the receivership. During this time the government had received more money for operating expenses than ever before and had at the same time more than three million dollars deposited with which to make payments on the national indebtedness.

The success attained under the MODUS VIVENDI was continued under the convention. The first year under the permanent arrangement the collections amounted to three million four hundred and seventy thousand dollars of which the government received one and a half million an amount in excess of the total revenue before the MODUS VIVENDI went into operation. One million six hundred and thirty thousand was placed in the New York depositary.

The second convention year shows the first decrease in collections since the United States took charge. The reasons for the decrease have been stated in the discussion of tariff revision and commercial statistics. The total collections were three million three hundred and sixty thousand dollars. In spite of the decrease in collections the Dominican government received a larger amount than ever before. The reason for this lay in the

different distribution provided by the convention from that which had been in effect under the MODUS VIRANDI and during the first convention year. Under the latter the government received forty-five percent of the gross collections,\(^1\) under the former it was provided that monthly deposits of one hundred thousand dollars be made for the trust fund, the remainder going to the Dominican government. It was provided, however, that in case the collections exceeded three million dollars one half of the excess should be applied to the sinking fund.\(^2\) This arrangement had not gone into effect the year before because at that time final settlement had not been agreed upon with the creditors thus necessitating the continuation of the MODUS in this one respect. The amount received by the government for this year was one million eight hundred and forty-six thousand dollars while the trust fund received only one million two hundred and forty thousand.\(^3\)

The customs collections for the third convention year showed a still greater decline than had the collections of the preceding year. The poor showing is due largely to the decrease in commerce for the first five months of the convention year. The new tariff rates went into effect January 1, 1910, and the next seven months showed an increase over the corresponding period of the year before, but the increase was not sufficient to balance the decrease of the first five months. The total collections amounted to two million eight hundred and seventy-

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1. Foreign Relations, 1905, P. 345.
2. Foreign Relations, 1907, P. 309.
seven thousand dollars, a decrease of almost a half million dollars compared with the second convention year. The Dominican government received one million four hundred and eight thousand dollars from the total receipts while one million two hundred thousand dollars were deposited in New York.¹

The next year, which was the fourth convention year, showed a great improvement in customs receipts. The total collections amounted to three million four hundred and thirty-three thousand dollars. This amount represented an increase of nineteen percent over the preceding year but lacked several thousand dollars of reaching the record mark of the first convention year. When the lowering of tariff duties and port dues is considered, the showing is really the best which had been made. A new record was made in the receipts from imports. These, for the first time, reached three million dollars. The Dominican government received more than two million dollars, the largest amount that had ever been paid over to it. One million two hundred and ninety-six thousand dollars was placed to the credit of the trust fund.²

Splendid as was the showing of the fourth convention year, it was surpassed by the fifth, when collections amounted to three million six hundred and forty-five thousand dollars, a gain of more than two hundred thousand dollars. It must be remembered that this was the year of the greatest political activity which had taken place during the whole receivership. The gain in revenue was largely through imports although exports showed a slight increase. The Dominican government received one million

nine hundred and sixty thousand dollars, an amount smaller than the year before when collections were not so great. There were several reasons for this. The expenses were greater, more money was in transit to the central office at the close of the fiscal year, and a larger amount was paid into the sinking fund due to the fact that Santa Domingo had been forced to make a new loan.¹

The sixth convention year showed a still greater increase in collections for they reached over four million dollars for the first time. This is remarkable in several ways. The revolutionary action of the previous year extended over into this year. Ordinarily the plantations and places of business would have been deserted to a large extent leaving commerce almost at a standstill resulting in depression that would have lasted over several months. This amount is the more remarkable when we consider that the framers of the convention of 1907 seemed to regard three million dollar collections as a remote possibility under the tariff revision as then proposed.² During most of this time, also, the lands ports were unoccupied causing a decrease in collections not only at those places but also in the sea ports nearest them as well, since there was more or less smuggling carried on thus avoiding the payment revenue which would otherwise have gone to these ports. The government received one and three quarter million dollars this year, one million five hundred and sixty thousand going to the trust fund.³

The sixth convention year closed July 31, 1913, since which time no reports have been available. We must therefore be

content to give a resume of the collections and disbursements up to that time. The total collections have amounted to twenty seven and three quarter million dollars of which sum the Dominican government has received thirteen and one quarter million and the trust fund eleven million five hundred and sixty-nine thousand.\(^1\) The remainder has been expended for operating expenses and for various improvements.

The funds deposited with the fiscal agent in New York are being used to pay interest charges and to lessen the indebtedness. The interest charges alone amount to one million dollars annually. These charges did not begin until the treaty went into effect August 1, 1907. The total amount which had been collected up to that time was applied directly to the amortization of the debt, making up the twenty percent necessary for the acceptance of the financial arrangement entered into between Santa Domingo and the creditors.\(^2\)

In 1908, the bonded indebtedness amounted to twenty million dollars. In the convention of 1907, it was provided that one hundred thousand dollars be paid monthly to the fiscal agent by the general receiver.\(^3\) It was absolutely necessary that this amount should be available, for the interest charges alone amounted to one million dollars annually. The remainder of the fund, or two hundred thousand dollars, was to be used for the reduction of the principal of the debt. As a matter of fact, the amount deposited to the credit of the sinking fund has exceeded two

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2. Foreign Relations, 1907, P. 308.
3. Ibid, P. 309.
hundred thousand dollars every calendar year except 1909. As a result, payments have proceeded more rapidly than had been expected.

The total assets of the sinking fund on August 1, 1913, were slightly in excess of two million dollars. This amount represents more than one-tenth of the original bonded indebtedness of Santa Domingo, and it has been collected in five years. The growth of this sinking fund increases more rapidly every year because of the increased interest on the sums deposited, hence we may expect the amortization to be even more rapid than it has been heretofore. The bonds of Santa Domingo which, a few years ago, were difficult of dispose of at almost any price were selling at par and even above in 1911. This condition exists in very few of the Latin-American republics.

In the financial condition of Santa Domingo there is only one disquieting feature and it promises to become troublesome. In spite of the fact that the government is receiving more revenue than ever before it is apparently unable to keep the expenditures from exceeding the income. Mr. Walter Vick, who in 1913 was appointed general receiver to succeed Mr. Pullian, thinks this condition can be remedied only by the appointment of a comptroller who would have authority for the auditing and approving of all expenditures. No action along this line has as yet been taken.

CHAPTER VII

CONCLUSION

In the concluding chapter it is the intention to summarize the results of the intervention in Santa Domingo by the United States so that it may be shown whether the objects of the intervention have been achieved and whether or not the United States has been justified in the steps taken.

It was hoped that one of the results of the intervention would be the decrease in number and extent of revolutions. In this respect intervention has not been entirely successful, for at the present time (May, 1914) there is internal strife, almost if not entirely, as great as before the United States took charge of the customs. There have been fewer revolutions and the property and lives of non-combatants have been more secure, so that in respect to revolutions, intervention has resulted in a partial success.

It was hoped that the internal condition of the republic would be improved; that civilization would be advanced; that modern methods and modern institutions would be introduced. In this the intervention has been a success, for there have been new railroads constructed, telegraph lines and telephone systems extended, electric light and power plants installed. Schools have been improved and new ones founded. Wharves, harbors, and government and municipal buildings have all been improved.

It was intended that the American citizens who held claims against the Dominican government should, as a result of the intervention, receive the same treatment as that which was accorded to citizens of European countries. In this the success was undoubted
since by the terms of the settlements, the citizens of all countries received equal and impartial treatment.

In the prevention of intervention by European powers, the result of the treaty of 1907 has been entirely successful, for there has been no hint at intervention since the ratification of the convention.

In rehabilitating the finances of the country the intervention has been a success, for the debt is being reduced, the commerce of the country is increasing steadily, and the bonds of the Dominican republic are selling at about par.

In preventing a violation of the Monroe doctrine a like success has resulted. No European power has attempted to overthrow the government, to blockade the ports, or to acquire, even temporarily, any Dominican territory.

Bearing all these good results in mind, there is little wonder that general satisfaction has been expressed, little wonder that countries like Hayti should desire the United States to take over their customs collections, little wonder that the periodicals which had not been over-enthusiastic in the beginning, should suggest similar arrangements for other Latin-American countries in like conditions.

As to the future it is difficult of judge. The indications are that Santo Domingo will soon be free of debt, that she will, if given the opportunity, be prosperous, and that she will for a long time to come be untroubled by the clamors of creditors. As to the justification of the United States taking the action she did, the results speak for themselves. It would be difficult to imagine any other action that would have been equally successful
and it is very probable that similar measures will be taken in other small Latin-American countries when the occasion arises.
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