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## A Comparison of Cuban-American Relations: 1920-1934

Marion A. Kelly  
*Loyola University Chicago*

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COMPARISON OF CUBAN-AMERICAN RELATIONS

1920-1934

Marion A. Kelly

### Vita

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## INTRODUCTION

In 1898 the United States assisted in the pacification of Cuba and the gaining of her independence from Spain. To ensure Cuba's independence it seemed necessary at that time for the United States to secure from her certain rights which everyone would recognize and respect, not merely rights that in an emergency the United States would be willing to enforce. Accordingly the Cuban Constitution, when framed, contained at the express wish of the United States, an appendix comprised of eight articles, dictated word for word by the United States and known as the Platt Amendment. This amendment was a thorn in the side of Cuba from the day of its adoption to the day of its abrogation.

Through the provisions of the Platt Amendment the United States had among other rights, that of intervention in Cuba whenever in her judgment that seemed necessary for the maintenance of a government adequate for the protection of life, liberty and individual property. This provision remained operative until the Platt Amendment was abrogated in 1934 as part of the "Good Neighbor" policy of the Roosevelt administration.

During the thirty-six years following Cuban independence the United States exercised the right of intervention on several occasions and in varying degrees. It has been well said that Cuba has been subjected to a laissez-

faire policy, a tutorial policy, lectures, admonitions and threats. There has been a policy based on a strict construction of the Platt Amendment; there has been a policy based upon a broad construction as well.

In this study two periods have been examined exhaustively to try to determine the attitude of the United States at each time. The first period, 1921-1922 covers the years of political, financial and economic disturbance which threatened ruin to Cuba. During this time there was intervention of a new sort. Major General Enoch H. Crowder was called to Cuba with the mutual consent of the rival factions to revise the electoral code preparatory to the elections of the following year. He completed this task in August, 1919 when he returned to the United States, only to be appointed in January 1920 as the special personal representative of President Wilson, commissioned to confer with President Menocal with respect to the political and financial condition of Cuba.

The second period, 1933-1934 covers the years when the United States seemed determined to all costs to avoid intervention in Cuba by word or deed. This period culminated in the accomplishment, with seemingly no opposition in the United States, of what the Cubans had sought for years, namely abrogation of the Platt Amendment and a new trade agreement.



## CHAPTER I

### The Political Situation 1920-1921

On August 8, 1919 General Enoch H. Crowder was on his way home to New York after four months spent in Cuba, during which period he prepared for Cuba three laws of great value. These were: a census law, an electoral law, and a statute controlling the executive's pardoning power. All were approved by the Cuban Congress and signed by President Mario Menocal before Crowder's departure. Of the three the one undoubtedly destined for a tempestuous career was the electoral law. It would certainly be a crowning achievement for Crowder if the electoral law, when tested at the next general election, proved satisfactory to Cuban office seekers after the votes had been counted and returns announced. Defeated candidates were notorious for blaming their failure on the electoral law and the election officials.<sup>1</sup>

Generally speaking, the attitude of the Cuban press was decidedly complimentary to General Crowder. He seemed to know just how to handle the Cuban people, so that he accomplished desired results without antagonizing either leaders or their adherents. Particularly tactful was his handling of the situation when he declined to accept resolutions tendered to him by the Liberal party, congratulating him upon his draft of the new electoral law. These resolutions carried riders condemning the American minister, William E.

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<sup>1</sup>The New York Times, August 9, 1919.

Gonzales and abusing President Menocal's administration. Had Crowder accepted the congratulations he would have placed himself in the position of tacitly approving these attacks. All through his four month stay General Crowder had made it perfectly plain that he was in Cuba as a codifier and had no direct sympathy with the purpose of any faction.<sup>2</sup>

More than a year before the 1920 presidential elections the United States Department of State was receiving letters and petitions asking for supervision of the forthcoming elections. These requests were numerous enough to cause the State Department to take up the matter with Minister Gonzales on October 23, 1919. In a telegram signed by the Acting Secretary of State, William Phillips, Gonzales was instructed to broach the matter to President Menocal. Phillips said that the Department was satisfied that the Cuban president was able to cope with the situation, but since there were so many of his own people who did not hold that view, it was thought that it might be wise for Menocal to take the initiative himself and plan for supervision. This work could be undertaken by the United States or by Cuban agencies under the supervision of General Crowder. The State Department thought that even the Liberals, strong critics of Menocal, would be satisfied if the interpretation and application of the new law proceeded under Crowder's direction. In the same communication Gonzales was told that the willingness of the State Department to try supervision under General Crowder was not an indication of a desire to shirk any responsibility under the Platt Amendment. Rather, it was to be

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<sup>2</sup>Ibid., July 14, July 27, August 9, 1919.

viewed as another effort to help Cuba to solve her own problems in what would seem to be the simplest way.<sup>3</sup>

Minister Gonzales reported on November 7 that President Menocal was unwilling to accept either proposal, regarding both as a form of intervention. As a substitute Gonzales suggested that the Cuban president extend to General Crowder an invitation to visit Cuba to witness the manner in which his electoral law was put into effect. To this Menocal replied that he would have been perfectly willing to do so, but public announcements by Fernando Ortiz, a Gomez representative, had already been made, stating substantially that Crowder was coming to Cuba to supervise the elections. Under the circumstances a visit of General Crowder, in any capacity, would be heralded by the Gomez faction as supervision by the United States and as a rebuke by the United States of his (Menocal's) administration. The Cuban president flatly stated that he would welcome observation by the Legation, newspaper correspondents, or secret agents, but he would retire from office before consenting to the humiliation to his administration of supervision of the elections.<sup>4</sup>

In this dispatch Gonzales gave to the Secretary of State a few very pertinent comments about the Liberal party and its component elements. It seems that the party was splitting wide open and up to that date no one knew which group would continue to be the official Liberal party. Gonzales made it plain

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<sup>3</sup>Foreign Relations, II, 1919, United States Government Printing Office, Washington, D. C. 1934, 78, (Telegram. The Acting Secretary of State to the Minister in Cuba) October 23, 1919.

<sup>4</sup>Ibid., 79, (Document Number 1103), (The Minister in Cuba (Gonzales) to the Secretary of State) November 7, 1919.

that Doctor Ortiz, of whom Menocal had spoken, was not the official spokesman for the Liberal Party when he went to Washington to ask for supervision. Whether Doctor Alfredo Zayas or General Pino Guerra of the Gomez group would be president of that party remained for the courts to decide. Our minister stated that the three divisions of the Liberal party thus far organized, were the Gomez faction, the Zayistas and an offshoot under General Asbert, known as the Union Liberal party. Neither of the latter two had endorsed the Gomez request for supervision. It was very evident that Gonzales felt that Gomez and his followers were "not the proper spokesmen for the Cuban people nor the ones who should assume the role of demanding that the Cuban political house be set in order along lines which they dictate". Said Gonzales, "I see only failure in compromising with or attempting to placate representatives of disorder"<sup>5</sup>

Although permanent electoral registers had been set up under the electoral laws of 1908 it was clearly evident that these could not be used as a basis for future elections. Two courses were possible--to take a population census or to provide for a voluntary registration before each election. After considerable discussion it was agreed that a population census was most advisable. It was realized that very few would go voluntarily to the registration offices because the great mass of voters in Cuba was indifferent to political affairs. Also the obtaining of a fair and honest voluntary registration would have necessitated an elaborate and complicated system of registration.<sup>6</sup> The census

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<sup>5</sup> Ibid.

<sup>6</sup> Foreign Relations, II, 1919, 55, (Letter from General Enoch H. Crowder to the Secretary of State. Final Report on Mission to Cuba.) August 30, 1919.

completed by Major Stephenson of the United States Army indicated a total population of between 2,800,000 and 2,900,000 and a bona fide electorate of between 450,000 and 475,000, eliminating the large vote previously recorded from graveyards and alien labor camps.<sup>7</sup>

An attitude of absolute neutrality maintained by President Menocal toward various candidates for nomination gave reason to hope that the eventual nominee of the Conservative party would be the free choice of the rank and file. In the Liberal ranks Alfredo Zayas, Liberal candidate in the last presidential election and Jose Miguel Gomez, ex-president, were fighting bitterly for the control of the Liberal party.<sup>8</sup> The fight ended in November, when the Junta Central Electoral College declared that the assembly, presided over by Pino Guerra, a Gomez follower, represented the Liberal party. At once Dr. Zayas issued a statement that he would appeal the decision to the Supreme Court. This meant the separation of the Zayas following from the Liberal party.<sup>9</sup>

It was officially announced again that the United States refused to supervise the elections, an indication that she did not intend to use her rights under the Platt Amendment in the hope that the Cubans would place patriotism above politics.<sup>10</sup>

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<sup>7</sup>L. J. DeBekker, "Cuba and Her President", The Nation, Volume 110, February 21, 1920, 230-231.

<sup>8</sup>Ibid.

<sup>9</sup>Foreign Relations, II, 1919, 82, (Telegram. The Minister in Cuba (Gonzales) to the Secretary of State). November 25, 1919.

<sup>10</sup>DeBekker, "Cuba and Her President", 230-231.

In an interview with L. J. DeBekker, recorded in The Nation, President Menocal said that he could see no possible benefit in closer political relations than then existed between Cuba and the United States. He said that there were many factors to be considered and that these same factors would never deserve or permit annexation to or incorporation with a foreign power. Among these factors he enumerated the character of Cuban people, their past history, their contributions to literature, commerce, and science plus their strong sentiment of nationality. He urged that the existing ties binding Cuba to the United States be drawn tighter, since he considered that the economic, social, and political interests of both countries were identical. Menocal plainly stated that Cuba did not fear ulterior motives on the part of the United States for she had good reason to know otherwise. However, he did give as his opinion the thought that the United States should put an end to the occupation of Haiti and Santo Domingo as speedily as possible in order to stimulate a friendly attitude toward the United States on the part of the Latin American nations.<sup>11</sup>

All through the spring and summer of 1920 it was utterly impossible to analyze Cuban politics. Each day's developments completely upset what had gone before and the shifting of party affiliations which took place would be unbelievable in the United States. Cuban political psychology is totally different from that of her northern neighbor and is essentially that of all Spanish American republics. In Cuba it is a question of personal following,

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<sup>11</sup> Ibid.

rather than party platform or allegiance to party principles. This fact was certainly strongly evident in the nominations for the national campaign.

In May 1920 the Conservative party met in convention or assembly, to use the Cuban expression, to choose its slate. It was unanimously agreed that General Rafael Montalvo was to be the Presidential candidate. On the question of Vice-President the convention struck a snag. The Conservatives had hoped that a coalition could be effected between them and the Popular party, a new political group organized by Zayas in 1919 but not recognized by the General Electoral Board of Cuba until May 27, 1920. If such a coalition could be arranged and Zayas would accept the nomination for Vice-President, the Conservatives felt that their ticket could poll many votes from the Zayas following. Dr. Zayas, however, refused to accept second place on the ticket. Then the convention reassembled and the nomination was offered to Senator Ricardo Dolz, and accepted by him. It seemed that this early in the campaign Montalvo feared the very thing that did eventually happen, namely that the desired coalition would be arranged and that Zayas would be the choice of the coalition ticket.<sup>12</sup>

Even this early complaints of fraud were reaching the ears of the United States Legation and State Department, so many in fact that on June 4 the Acting Secretary of State (Phillips) sent special instructions to Francis White, Charge d'Affaires. White was instructed to make it perfectly plain to the Liberal party and to the citizens of Cuba that the United States had no

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<sup>12</sup>The New York Times, August 28, 1920.

Foreign Relations, II, 1920, 12, (Telegram. Charge d'affaires (White) to the Secretary of State) May 23, 1920; Ibid., 13 (Telegram. Charge d'affaires to the Secretary of State) May 27, 1920.

intention of acceding to the repeated requests of the Liberals for intervention in the form of supervision of the elections. White was told to call to their attention the remedies prescribed by the Crowder election law for the inspection and recording of difficulties which would inevitably arise between June and November 1, which was election day. It was not surprising that complaints were being made. That had been expected, but White was instructed to urge President Menocal to see to it that all complaints were promptly investigated and accurately reported. Unless this was done, witnesses might disappear and trustworthy evidence might be impossible to get. Menocal was to be told, as were the Liberals and citizenry, that "little consideration can be given to the assertions of one party against another unless such assertions are substantiated by proof obtained in the manner so clearly set forth" in the electoral law. President Menocal was to be requested to make this note public. Should he fail to do so the Secretary of State was to be informed.<sup>13</sup> When August 12 arrived and Menocal had not complied with the request, the Secretary of State sent further instructions to White. There were two dates for which Menocal might be waiting. Possibly he felt that August 29 was the appropriate date, because on that day certificates of nomination were to be filed with the Municipal Boards in all the districts. Possibly he felt that September 15 would be a better date, because that was the last day for presenting certificates of nomination which had had some defect when originally presented. At any rate, if White felt that Menocal intended to wait until

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<sup>13</sup> Foreign Relations, II, 1920, 13-14 (Dispatch, No. 107. The Secretary of State to the Charge in Cuba (White) ), June 4, 1920.



the latter date he was authorized to tell him that the United States considered it highly desirable that the statement of June 4 be made public on August 29, the beginning of the electoral period proper.<sup>14</sup>

Céspedes, Cuban minister in Washington explained the delay of Menocal by saying that it would be embarrassing for the Cuban president to issue our note; that the substance of the note without the actual statement might well be given to the Cuban people as a message of their president. The United States had no objection to this arrangement, but to be on the safe side White was ordered to inform Menocal that if the announcement was not made by August 29 that the American Legation would publish it, exactly as given in the June 4 communication.<sup>15</sup> Apparently this mild ultimatum was sufficient for the announcement came from the Cuban president on August 29. His proclamation also stated that it was "the duty of all to vote at the coming elections, confident in the guarantees of the law as regards the electoral operations and in the protection of the Government and tribunals as regards the security of persons and goods."<sup>16</sup>

By September 12, 1920 an entirely new alignment had taken form. There were two major parties but each included various contradictory elements. The National League was a coalition of Conservative and Popular parties plus

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<sup>14</sup>Ibid., 16, (Dispatch. The Secretary of State to the Charge d'Affaires in Cuba (White) ) August 12, 1920.

<sup>15</sup>Ibid., 16, (Dispatch, No. 106. The Secretary of State to the Charge d'Affaires in Cuba (White) ) August 25, 1920.

<sup>16</sup>Ibid., 19, (Telegram. The Charge in Cuba (White) to the Secretary of State) August 30, 1920; ibid., 19-20 (Dispatch. The Charge (White) to the Secretary of State) August 27, 1920.

the personal followers of Ernesto Asbert. The Liberal party was the other and it had the support of the National Democratic party headed by Emilio Nunez. The candidates of the National League were Alfredo Zayas for President and Francisco Carillo for Vice-President. On the Liberal ticket the candidates were Jose Miguel Gomez for President and Miguel Arrango for Vice-President. The change had come about in this manner. Earlier, as above indicated, the Conservatives originally nominated Montalvo and Dolz. When the question of combining with the Popular party came to the fore, its leader Zayas specified that the price for such a combination was his nomination as Presidential candidate. Ultimately this was done and meant of course the ousting of Montalvo, even though he had previously been certified by the Electoral Board. Dolz retired from the contest voluntarily and indicated his willingness to help in defeating Gomez. It seemed for a time that Montalvo's opposition might necessarily culminate in a court battle for he maintained that the second meeting which had named Zayas was invalid. It is indeed difficult for the American mind to realize that affiliations can be shed as easily as they apparently are in Cuba.<sup>17</sup>

Zayas until the 1920 contest had been known as a staunch Liberal, had been associated with Gomez in the events prior to the Revolution of 1906 and the second United States' intervention. He had been Vice-President from 1909 to 1913 when Gomez was President. Similarly Asbert, now in the National League, was also one of the most conspicuous leaders against Palma in the

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<sup>17</sup>The New York Times, September 12, 1920.  
Chicago Tribune, September 12, 1920.

1906 revolution. One local political writer characterized the situation well when he said "The impossible has happened--the lion has laid (sic) down with the lamb".<sup>18</sup>

The coalition of Conservative and Popular parties was made possible by modifications of the Crowder law to eliminate the clause prohibiting coalitions. The Liberals then formed a counter coalition by choosing Arrango for second place on their ticket. Arrango had been a Conservative congressman until shortly before his nomination on the Liberal ticket. The climax in this strange assortment came when Emilio Nunez, Vice-President of the Conservative Menocal administration, joined the forces of Gomez. Until only three years before Gomez had been head of a revolutionary movement to overthrow the Conservative administration of which Nunez was still a part. How a man could be Vice-President of one party and chief supporter of the opposition party at one and the same time is certainly a paradox.<sup>19</sup>

The outcome of the election was difficult to forecast. Rumor was current almost immediately after the coalition that Asbert would bolt the National League. There was still considerable agitation among the Liberals for United States' supervision. They threatened withdrawal from the election unless they received sufficient guarantees of a fair election and openly declared their distrust of Menocal. This threat had been made several times earlier but this time it was answered by the release of a statement sent months before by Secretary of State Colby to Minister Long. The state-

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<sup>18</sup> The New York Times, September 12, 1920

<sup>19</sup> Ibid.

ment said, in part,

The withdrawal of any political party from participation in an election, be it national or local, is regarded by this Government not only as undemocratic, but as tending to undermine the foundations of popular government. Such withdrawal would, in the view of this Government, mean that the leaders of the party thus counselling their followers to abstain from exercising the political duties of citizenship have in reality urged them to withdraw from the political life of the country. Such a proceeding would be regarded in the United States as a grave injustice to the Cuban people and would place any party adopting such a policy not only beyond the pale of the political life of the country, but as indicative of their incapacity to participate in a fruitful and constructive way in the development of democratic institutions. The withdrawal of any element from the national elections will in no way influence the policy of the United States to regard the result of a fair election as expressive of the national will. This government will therefore expect all citizens of Cuba, whatever their political affiliation, to accept and abide by the results of such an election. Any other attitude on the part of the Cuban people, or any section thereof, would not only be destructive of the best interests of the Island but would seriously menace the political development of Cuban institutions.<sup>20</sup>

About this stage in the campaign the United States once more forcibly stated its position in a formal communication to the Cuban press issued by Francis White, Charge d'Affaires of the American Legation. The import of the statement which was very lengthy was to the effect that that country had only one interest in the approaching elections. That interest demanded that the elections should be conducted in such a way that the freest and fairest expression of the popular will of Cuba could be manifested and that the candidate thus securing the highest popular vote should be declared President-

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<sup>20</sup> Foreign Relations, II, 1920, 10 (Telegram. The Secretary of State to the Minister in Cuba (Long) ) March 31, 1920; *ibid.*, 11 (Dispatch. No. 58. The Secretary of State to the Minister in Cuba) April 13, 1920.

elect of Cuba. The United States wished it plainly understood that it did not favor either candidate. It exhibited also its complete confidence in the Crowder election law. The communication further stated what should have been well known in Cuba that President Menocal was fully able to and intended to cope with any difficulties appearing at election time. The United States thus indicated that full responsibility for the conduct of the election rested with the government and people of Cuba. To offset this last point, the next part of the statement sounded a bit formidable. The United States felt it must use all available means to observe the conduct of the electoral procedure in Cuba as well as the spirit in which the electoral law was being enforced, both because of the close relations existing between the United States and Cuba and for the reason that there still was a possibility that the United States might be asked to make a decision in the election despite the new laws and all ironclad promises. In other words the United States did not intend to actually supervise the election but did intend to emphasize in every possible way that it remained unalterably opposed to intimidation and fraud.<sup>21</sup>

On the same night that the United States issued the above declaration, the Liberals announced that they were going to send to Washington a commission authorized to contradict the propaganda which they claimed was being issued against them by the Menocal administration. When this came to the notice of the State Department, White was immediately told to tell the Liberals

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<sup>21</sup>Ibid., 16. (Dispatch. The Secretary of State to the Charge (White). August 25, 1920; The New York Times, supra; Chicago Tribune, supra.)

that the State Department was of the opinion that no good could come out of such a mission and that it was very unwise for them to attempt to transfer the center of political activity, in any degree, from Cuba to Washington.<sup>22</sup>

Gomez, confident of success one minute and clamoring for supervision to protect him from defeat the next, was promising lasting peace as the outcome of Liberal success, because there would be no more revolutions once usurpations of power stopped.<sup>23</sup> Undoubtedly the coming elections would have a marked effect upon the future of the country. If Gomez was to be believed Liberal success would mean the restoration of democracy and law, reorganization of administration and peace.<sup>24</sup> At that particular moment he seemed satisfied that the American government was fully cognizant of its obligation to see that the Crowder law was strictly enforced in all its provisions. Therefore the Liberal party could rest, confident that it would exercise the rights of suffrage, certain of triumph if "fraud and coercion were not allowed to intervene".<sup>25</sup>

Just about this time, the middle of September, there was an interchange of dispatches and telegrams between Secretary Colby and Minister Long which did not find their way into the press. These all related to the idea of

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<sup>22</sup>Foreign Relations, II, 1920, 19, (Telegram. The Acting Secretary of State to the Charge (White) ). August 30, 1920.

<sup>23</sup>The New York Times, September 14, 1920; Chicago Tribune, September 14, 1920.

<sup>24</sup>Ibid.

<sup>25</sup>Ibid.

increasing the number of United States marines detailed for duty in Cuba. Long was requesting three hundred and fifty more to add to the one hundred and fifty already at Camaguey, saying that there were twenty important towns which needed to be covered for at least two weeks prior to election.<sup>26</sup> The State Department asked for definite reasons why Long felt that American lives and property would be endangered.<sup>27</sup> To this Long answered that a considerable percentage of the total sugar production of the 1920 crop was controlled by American interests in four eastern provinces. He stated that it was being openly declared by partisans of both parties that in the event of a revolution or other disturbances, American interests would be the first to be destroyed.<sup>28</sup> This answer did not satisfy Cely whose response was that the State Department was "exceedingly reluctant" to send additional marines because of "the delicate situation already existing". Long was told to discuss the matter with Menocal, to indicate his feeling of uneasiness about the number of Cuban troops available for duty at Camaguey. If Menocal said that he was unable to increase the number but would be glad to have more American marines then the United States could possibly view the matter in a different light.<sup>29</sup> Apparently Menocal didn't care whether the marines were increased or decreased, so long as what was done could not be interpreted as any lack

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<sup>26</sup> Foreign Relations, II, 1920, 22, (Telegram. The Minister in Cuba (Long) to the Secretary of State) September 19, 1920.

<sup>27</sup> Ibid., 23, (Telegram. The Secretary of State to the Minister in Cuba (Long) ) September 23, 1920.

<sup>28</sup> Ibid., 23, (Telegram. The Minister in Cuba to the Secretary of State) September 25, 1920.

<sup>29</sup> Ibid., 23-24, (Telegram. The Acting Secretary of State to the Minister in Cuba (Long) ) September 27, 1920.

of confidence in his ability to handle the situation. The Cuban president did say definitely that he was sure Cuban forces could protect American property should any untoward demonstrations occur, but that he was not opposed to an increase in the number of marines provided it could be accomplished quietly.<sup>30</sup> Still worried, Long sent word that many Cuban citizens were carrying arms, with or without a license, that political feeling was high in some quarters and that he feared the appointment of Military Supervisors to temporarily supersede the Chief of Police in various localities. Such supervisors were responsible, he said, only to the Secretary of the Interior. Since it was certain that only staunch Conservative sympathizers would receive the posts and since such supervisors would only be placed in Liberal strongholds, Long feared what the reaction might be.<sup>31</sup>

Finally, on October 11 Secretary Colby asked for Long's carefully considered personal opinion as to the necessity of the increase in the marine force, saying that President Wilson had said he was not opposed to the idea itself but must be sure that such a step would produce only a fortunate effect on Cuban public opinion.<sup>32</sup> To this request Long made substantially the same answer as he had been giving---that he wanted the marines increased though he still had no definite information that any attempts at property destruction had been made as yet.<sup>33</sup> The whole situation was closed on

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<sup>30</sup> Ibid., 24-25, (Dispatch. The Minister in Cuba to the Secretary of State) October 1, 1920.

<sup>31</sup> Ibid., 25-26, (Dispatch. The Minister in Cuba (Long) to the Secretary of State) October 5, 1920.

<sup>32</sup> Ibid., 27, (Telegram. The Secretary of State to the Minister in Cuba (Long) ) October 11, 1920.

<sup>33</sup> Ibid., 27, (Telegram. The Minister in Cuba (Long) to the Secretary of State) October 13, 1920.



October 20 when Colby sent a telegram stating as follows:

The President does not believe that this measure, or any like it, would at this time be advisable. In his opinion this action by our Government would be taken in Cuba as an evidence of our partiality for one or the other of the two leading parties.

The telegram concluded with the words

Until the proof should be clear that the Cuban Government is incapable of protecting life, property and individual liberty, the President considers that the rights of the United States in Cuba do not go so far as to allow this Government to embark on the course of action indicated above, which could be interpreted as intervention.<sup>34</sup>

As the days wore on and November 1 approached, the campaign seemed fairly quiet and there was very little of the anticipated talk about revolution. True, there was great interest in the campaign but it seemed to be offset, at least in so far as business people were concerned, by the interest in port congestion, the high cost of living, the financial distress and the resulting moratorium. Though both sides claimed victory was to be theirs, Gomez seemed more positive in his shouting, insisting that the Liberals could only be defeated by fraud.<sup>35</sup>

President Menocal had issued a decree against the carrying of arms on election day, soldiers were in readiness for every emergency and the army was organized for service around the polls on election day, only five days away. There seemed to be no little uneasiness on the part of the army as to their fate should Gomez win--they had captured him when he was hunted as a

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<sup>34</sup> Ibid., 22 (Telegram. The Secretary of State to the Minister in Cuba (Long) ) October 20, 1920.

<sup>35</sup> The New York Times, October 25, 1920; Chicago Tribune, October 27, 1920.

fugitive several years before.<sup>36</sup>

Interest in the Cuban election was not confined to the island. It was being closely watched by the United States and by other foreign observers. The Crowder election law was to be tested. Each voter was registered and must have his card with him to vote. Ballots were to be counted publicly and all work must be finished by midnight of election day.<sup>37</sup>

The cards which the voters had to present were numbered in series so that no two electors could receive cards of the same number and series. Often the card contained a personal description of the voter. Despite these precautions, numerous complaints went to the United States Department of State that countless voters were being fraudently deprived of their cards of identity. President Menocal was informed of the State Department's concern over this matter and was asked to urge the Military Supervisors to practice strict impartiality in treating with disputed cases of identity. To further ease the minds of all concerned, Minister Long was instructed to ask President Menocal to perfect arrangements for immediate publication of returns by posters or flashlights readily accessible to the public. It would, of course, be desirable to have official and uninterrupted telegraph service. If such arrangements were made and announced as such to the public, the effect on the general public would undoubtedly be favorable.<sup>38</sup>

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<sup>36</sup> Ibid.

<sup>37</sup> The New York Times, October 27, 1920. (Editorial).

<sup>38</sup> Foreign Relations, II, 1919, 76, (Telegram. The Acting Secretary of State to the Minister in Cuba (Gonzales) ) October 23, 1919; Ibid., 51 (Letter from General Enoch H. Crowder to the Secretary of State) August 30, 1919; Foreign Relations, II, 1920 (Dispatch. The Secretary of State to the Minister in Cuba (Long) ) October 22, 1920; Ibid., 32, (Dispatch. The Secretary of State to the Minister in Cuba (Long) ) October 25, 1920.

The question in the minds of all concerned was "Will the Cubans respect the electoral law and abide by it?" True, the actual day of election might be quiet but what would happen when the results of the election were made known? It seemed fairly evident that if Gomez were defeated he would claim fraud, and in that case would bear strict watching by the United States. However unwilling she might have been to interfere with the election she would clearly have a duty to perform in connection with the Platt Amendment should actual insurrection occur.<sup>39</sup>

Election day dawned and passed with no alarming happenings. As had been expected the demonstrations began when the Electoral Board closed its offices. At once it was apparent that the contest was close. Gomez men claimed victory in Havana and in two of the provinces. Dispatches from the provinces were conflicting and meager. Some citizens were protesting that they had not been allowed to vote. Of the six provinces in the island a candidate needed three to win--two large and one small. At the outset it seemed that Gomez could claim the city of Havana but Zayas carried the province of Oriente. Since there were no adding machines available, slow returns by archaic methods were to be expected. Mingled with the rumors, good and bad, of election results came a false story contradicted at once by Minister Long that the United States would not permit a loan, then under negotiation, to be made to Cuba if Gomez should be successful. In his statement Long emphatically asserted that the United States was absolutely neutral as always in Cuban political questions and that economic questions had nothing to do with poli-

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The New York Times, October 27, 1920. (Editorial).

tical questions.<sup>40</sup>

The day after the election, November 2, 1920 with only one-third of the returns in, it was known that Zayas was leading, with 12,112 votes to 7,235 for Gomez. The delay in announcing returns was annoying to the Liberals. They charged the Government with holding up the count, but election officials said a statement would be issued by the afternoon of November 3.<sup>41</sup> Electing a president in Cuba and counting returns promptly was no small task. The Crowder law stipulated that all votes must be counted by midnight of election day, yet two days later the results were still not complete. Perhaps the tardiness may be attributed to the fact that people with a "manana" complex were attempting to follow a law not of Spanish origin. In addition, the physical conditions were not favorable to speed, since returns from many precincts had to come by horseback.<sup>42</sup>

In its last analysis the real test of the Crowder law would be "its efficiency in settling or obviating the typically Cuban disputes" arising from disappointment over election results. True, elections were tangible evidence that Cuba had decided to settle its governmental problems and governmental leadership by majority opinion, but the men who took part in the elections were largely representative of the old school, to whom the measurement of political power rested on a basis of personal influence and following. Such a group, accustomed to gaining its ends by promises or by buying off opponents,

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<sup>40</sup> Ibid., November 2, 1920.

<sup>41</sup> Ibid., November 2, 3, 1920; Chicago Tribune, November 2 and 3, 1920.

<sup>42</sup> The New York Times, November 4, 1920. (Editorial).

would undoubtedly question any adverse majority and would undoubtedly be strongly tempted to brush the majority aside by a show of force.<sup>43</sup>

Reports to Washington by the Cuban administration claimed there had been less violence than in any preceding election. As promised the returns from the Electoral Board office were made on November 3, based on reports from three-fourths of the voting precincts. Zayas was elected, with a lead of approximately 12,000 over Gomez.<sup>44</sup>

By November 4 it was clear that Zayas had a large majority outside Havana but Gomez still led in the capital.<sup>45</sup> As late as November 13 a feature writer for The New York Times wrote that while returns were still not definite, both sides claimed the victory, and said in a half joking, half serious vein that anyone who valued his life would not risk it by announcing victory for either candidate. Especially was this true in the outlying districts. This writer very aptly described the Cuban voter when she said,

The Cuban must follow a hero and once he has chosen his hero he not only votes for him but is willing to fight his neighbor for voting for someone else. The outsider, looking on it all, comes to the conclusion that no one cares about parties or party issues in Cuba, that they are simply playing a game of "follow the leader".<sup>46</sup>

As threatened earlier in the season a committee of Liberals, three in

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<sup>43</sup>The Christian Science Monitor (Boston) November 23, 1920. (Editorial).

<sup>44</sup>The New York Times, November 4, 1920; Chicago Tribune, November 4, 1920.

<sup>45</sup>The New York Times, November 5, 1920.

<sup>46</sup>The New York Times, November 14, 1920 (Special article by Clara Savage, entitled "Cuba's Orgy--Election Day").

number, arrived in Washington to protest the election. They were assured in no uncertain terms that the State Department would receive no complaints about the election--that any such must be filed with the General Electoral Board as provided by the Crowder law. All regular processes thus provided must be exhausted before the Department would pass judgment on any appeal from the rulings of the Cuban Electoral Board.<sup>47</sup>

Despite the firm stand so taken, by December 1 it was evident that some type of intervention was imperative in order to forestall the necessity of military intervention which, of course, was only to be considered as the last conceivable resort. The United States was admittedly concerned over conditions in Cuba; her concern was divided between worry over the political plight and the financial chaos, which latter was undoubtedly the worse of the two. The election was still in dispute, due to non-returns from many precincts. On the basis of the collected returns Zayas had been elected but enough votes were missing to furnish the possibility of throwing the victory to Gomez.<sup>48</sup>

At this juncture there was talk of sending Major General Crowder back to Cuba on a diplomatic mission, designed to lay a stronger foundation for better political and financial conditions. Ultimately, it was suggested, Crowder might occupy the post of Minister to Cuba. If the proposed appointment were to take place Crowder would not be superseding Boaz W. Long, since his would be a special mission, one which would <sup>not</sup> interfere with Long's general

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<sup>47</sup> Ibid., November 28, 1920.

<sup>48</sup> Ibid., December 1, 1920.

diplomatic work. This idea of a Crowder ministry gained credence from the fact that the General had recently renewed his application for retirement from active military service. An editorial in The New York Times offered as the reason for sending Crowder the following explanation:

That is to say, to prevent a demonstration by the suspicious partisans of Gomez. The suggestion that General Crowder might untangle a complicated financial condition seems superfluous, because in the Washington Dispatch this is indicated as work for Albert Rathbone, a former Assistant Secretary of the Treasury to do. General Crowder has been Cuba's codemaker and he is generally not regarded as a financier.<sup>49</sup>

The problem which would confront Crowder would be to untangle the snarls of the November 1 election. There was no real reason to believe that the Xayas victory would turn into defeat when all returns were finally in but there was ample evidence to indicate that the Cubans found the Crowder law too much for their capacity as poll clerks and judges. This was not surprising, for their experience hitherto in holding a real election was nil. What was clear and precise to the framer of the law was undoubtedly obscure and baffling to the Cubans. Under those circumstances it no doubt seemed advisable to send the creator of the law to prove to the irate Liberals that their candidate had not been counted out of the election, for he angrily declared that such was the case.<sup>50</sup>

In the December 12 issue of The New York Times there appeared a letter, very biased in tone, purporting to be written by a Cuban and claiming that

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<sup>49</sup> Ibid., December 2, 1920. (Editorial comment and news item).

<sup>50</sup> Ibid.

true information on the election was either being withheld in the United States or was being cleverly distorted. The writer bitterly denounced Menocal, accusing him of stealing the 1916 election by fraud and trickery when clearly the Liberals had won. These untoward events produced the 1917 revolution, though the long-suffering Liberals took every means to prevent it. Then, said the angry correspondent, Menocal plunged the country into political and economic chaos and into financial collapse. Now adding insult to injury, he intended to trample upon the laws of the country by placing his own hand picked candidate in the Presidential chair.<sup>51</sup>

New Year's Day came and went. Still the Cuban election was not settled. In anticipation of just such a situation the Crowder law had planned for partial or by-elections in districts where the vote was contested. It became increasingly evident to the Electoral Board that this plan offered the solution. As might have been expected, Liberal leaders clamored for supervision on the grounds that Menocal was no more trustworthy for these than he had been before. Fernando Ortiz and Julio de la Torre flatly declared that fair free elections were impossible unless the United States would supervise them.

A statement issued by the Liberal leaders said, in part:

Therefore it becomes necessary that the Cuban people shall have the firm assurance and effective guarantee that in the forthcoming elections there shall not be a repetition of the scandalous militaristic intimidation that marked the elections in November. Inasmuch as the government of General Menocal will not confer upon Cuban citizens of recognized standing and honor the right to supervise elections with the necessary

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<sup>51</sup>Ibid., December 12, 1920 (Letter to editor).



power that would be given to an American supervisor, the Liberal party of Cuba is asking American electoral supervision. It makes its request in behalf of the public peace and to preserve the independence of Cuba and the effective sovereignty of the Cuban people. The Liberal party regrets that these difficulties cannot be settled among Cubans themselves, because President Menocal and his party cannot be trusted in their promises to the Cuban people.<sup>52</sup>

In this same communication the Liberal leaders announced that their party fully approved of the enforcement and maintenance of the Platt Amendment and fully counted upon the fact that the United States was obligated to see that the Cubans should have a government of their own choosing.<sup>53</sup>

The next day, January 4, American newspapers carried the story that President Wilson was sending Crowder to Cuba on what promised to be a long stay, to confer with President Menocal. The action of President Wilson in sending Crowder was announced by Joseph P. Tumulty, in a statement which further added that a continuation of the current crisis in Cuba would be most detrimental to the prosperity of that country and harmful to the relations between the United States and Cuba.<sup>54</sup>

The fear of revolution was growing in Cuba. At the time of Crowder's appointment the United States had no real intention of supervising the future by-elections but perhaps Crowder's report would change that attitude. In the United States and in Cuba President Wilson's action in sending Crowder was

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<sup>52</sup>Ibid., January 3, 1921; The Christian Science Monitor, January 3, 1921; Russell H. Fitzgibbon, Cuba and the United States, Menasha, Wisconsin, Banta Publishing Company, 1935, 168.

<sup>53</sup>The Christian Science Monitor, January 3, 1921.

<sup>54</sup>The New York Times, January 4, 1921; Chicago Tribune, January 4, 1921; Foreign Relations, XI, 1920, 41-43, (Dispatch. Acting Secretary of State to the Judge Advocate General, War Department (Crowder) ) December 31, 1920.

interpreted to mean that he doubted that the Cuban Government had done all it might and should do in the direction of settling its economic situation and also the uncertainty respecting the general elections. Crowder was given as his first duty that of inspecting the situation as rapidly as possible and reporting at once to President Wilson with recommendations as to remedies. The moratorium in Cuba had been extended to February 1 and the State Department was receiving many complaints about the hardships befalling business men because of this moratorium. Rathbone's suggested remedies had the approval of the United States but so far Menocal had not reacted favorably to them.<sup>55</sup>

In Cuba attitudes toward Crowder's visit varied. The Liberals interpreted it as a victory for them and a reflection on Menocal. In official circles a rather tense situation developed. The Cuban Minister of Foreign Affairs, Desvernine, intimated to Minister Long that President Menocal might not receive General Crowder, ascribing as his reason the fact that no advance notice had been given by our government of his coming. It was said that notice so given and a statement that Crowder was being sent on a mission of friendship to study Cuba's immediate needs, would have helped to render the situation less embarrassing.<sup>56</sup> This attitude was confirmed by Menocal who told Long he could not understand why the matter had been so handled.<sup>57</sup> He said a delay of a few days for an exchange of notes giving fundamental

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<sup>55</sup>The New York Times and Chicago Tribune, supra.

<sup>56</sup>The New York Times, January 5, 1921; Chicago Tribune, January 5, 1921; Foreign Relations, I, 1921, 672, (Telegram, 3 P. M. The Minister in Cuba (Long) to the Secretary of State) January 3, 1921.

<sup>57</sup>Foreign Relations, I, 1921, 670-671, (Telegram, 7 P. M. The Minister in Cuba (Long) to the Secretary of State) January 3, 1921.

reasons, a customary formality between friendly nations, would help even at this late stage.<sup>58</sup> Twenty-four hours later Long reported that President Menocal's ire seemed to have subsided a bit when he had been told the contents of the December 31 dispatch conveying President Wilson's instructions to General Crowder. That note, carrying Menocal's desired "fundamental reasons" said, in substance, that by reliable authority the State Department knew that provisional returns of the November election had been posted in all provinces, that those returns showed certain colleges in which no elections had been held, others where the elections had since been declared null and void and a large number where the results had been protested by either one or both parties. From all reports no progress had been made by the courts in deciding appealed cases. So far as the United States Government was able to ascertain, there had apparently been "no indication of any desire on the part of the Cuban Government that special efforts be used to obtain a speedy settlement. ..."59

In answer to Lang's telegram to the Secretary of State, registering Menocal's aggrieved feelings, he received word to tell President Menocal that, due to the special relations existing between Cuba and the United States, it was neither necessary nor customary to obtain prior consent of the Cuban President to send a special representative. Furthermore, President Wilson confidently expected Menocal to receive Crowder at once. In addition, the message stated that the United States earnestly desired to avoid the

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<sup>58</sup>  
Ibid.

<sup>59</sup>  
Ibid., 671, (Telegram. The Minister in Cuba to the Acting Secretary of State (Davis) ) January 4, 1921.

necessity of taking any measure that could be construed as intervention or supervision. If Menocal would adopt a receptive frame of mind toward Crowder's advice such measures could be avoided.<sup>60</sup> Evidently the above message had the desired effect. On January 5 Long wired that Crowder would be received.<sup>61</sup>

In the United States Cuban Minister Cespedes was apprehensive about Crowder's mission, fearful of intervention though he was assured by Acting Secretary of State Norman H. Davis that that was the last thing we desired.<sup>62</sup>

It was believed that one of the steps suggested by Crowder would be the abolition of the moratorium on February 1. American bankers considered it inadvisable to continue it because it would not help insolvent banks and was a severe punishment to solvent ones. Too, the United States was seriously concerned over conditions in the harbor of Havana because boats there had been unable to discharge their cargoes for months. Some merchandise unloaded six months before had not yet cleared.<sup>63</sup>

Minister Cespedes patriotically hoped that Cuban citizens would solve their own problem. That, according to Ferrera, a Gomez partisan, was not possible for the Liberals never had and never would receive a square deal when Conservatives held the reins. However Ferrera was known to be violent

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<sup>60</sup> Ibid., 671-672, (Telegram. The Acting Secretary of State (Davis) to the Minister in Cuba (Long) ) January 4, 1921.

<sup>61</sup> Ibid., 673, (Telegram, The Minister in Cuba (Long) to the Acting Secretary of State) January 5, 1921.

<sup>62</sup> The New York Times, January 5, 1921; Chicago Tribune, January 5, 1921.

<sup>63</sup> Ibid.

in his partisanship and so it may be wise to discount his statements when he said

The crimes were innumerable and the outrages were terrible in all the cities and in all the electoral colleges excepting where the government could easily conquer either by having an occasional majority or because the intimidations had borne fruit. Reliable observers certainly felt that the clearing of the financial troubles would undoubtedly be less difficult if the Presidential election was decided in accordance with justice through the processes of the Crowder law, which was so framed that it could right the wrongs which were the basis of the Miguelista complaints.<sup>64</sup>

On January 6 General Crowder had an interview with the Cuban President. From all appearances it was a long and cordial visit, but Crowder declined to talk about it. It was becoming increasingly apparent that political difficulties took first place but that the financial situation was an acute complication. Six large Cuban sugar factories were totally unable to finance themselves for the removal of their crops.<sup>65</sup> By January 9 Crowder had reported that he had conferred with both Zayas and Gomez and their adherents. He felt that he clearly understood the situation and the position of the respective party leaders. He indicated that he had a tentative plan prepared for hastening Supreme Court action which he would present to President Menocal the next day.<sup>66</sup>

In Washington a new sentiment was developing. Not content with sending Crowder as special representative the Senate Committee on Cuban Relations

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<sup>64</sup>The New York Times, *supra*.

<sup>65</sup>Ibid., January 7, 1921; Chicago Tribune, January 7, 1921.

<sup>66</sup>Foreign Relations, I, 1921, 674, (Telegram. General Enoch H. Crowder to the Acting Secretary of State) January 9, 1921.

was considering the possibility of stepping into the situation in its official capacity. The committee included Hiram W. Johnson of California, chairman, Knox of Pennsylvania, McCormick of Illinois, Underwood of Alabama and Dial of South Carolina. It was suggested that a sub-committee be sent to make financial, political and economic investigations with a two-fold aim: 1. to see if the United States could do anything to clear up the situation without intervention; and 2. in case intervention had to be resorted to, to furnish the Senate with accurate data about what had taken place. According to the Senate Committee members, many complaints had found their way to them regarding Cuban conditions, the moratorium, the fraudulent election and the impending (?) revolution.<sup>67</sup>

A Cuban Liberal, in Washington at the time, indicated that the proposed committee would be very welcome. He expressed a certainty that a visit of the Senate Committee, coincident with General Crowder's stay, would undoubtedly contribute to a speedy and satisfactory solution. Meanwhile, in Cuba, the prevailing sentiment regarding the United States was one of watchful waiting, with divided opinions on the advisability of the Senate Committee.<sup>68</sup>

On January 9 President Menocal issued a statement which said substantially that the electoral period had been managed with absolute regularity, that conflicts of all kinds were less numerous than ever before in similar circumstances. The latter fact was in itself a noteworthy one because the elections

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<sup>67</sup> The New York Times, January 8, 1921; Chicago Tribune, January 8, 1921.

<sup>68</sup> The New York Times, supra.

held under a new law were made more difficult by the very technical perfection of the law which had been intended to simplify and clarify election procedure. According to the President's statement more than eighty percent of the registered voters had cast their ballots. He admitted that he had received protests and claims more or less well founded but in their solution the Government was powerless to intervene without incurring severe penalties under the Crowder law. Such complaints could only be handled by the courts.<sup>69</sup>

Regarding the critical financial situation Menocal declared that

the crisis is purely one of cash, produced by the enormous drop in sugar prices from twenty-four cents to a little over four cents a pound and the abrupt withdrawal by American banks of credits which had always been extended to Cuba at this season. To facilitate the harvest the moratorium was a necessity of the moment.<sup>70</sup>

In perfect accord with his superior officer Minister Cespedes in Washington was announcing that there was no problem in Cuba which could not be satisfactorily solved in a short time and that the patriotism of the Cuban people would be sufficient to clear up their political differences. At the same time officials in the United States were announcing that the Cuban situation was more serious than when Crowder was sent.<sup>71</sup> The Senate Committee was still debating about the formation of a sub-committee for investigation and was being urged to do so by representatives of the Liberal party and by American business men with Cuban interests.<sup>72</sup>

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<sup>69</sup> Ibid., January 10, 1921; Chicago Tribune, January 10 and 12, 1921.

<sup>70</sup> Ibid.

<sup>71</sup> The Christian Science Monitor, January 10, 1921.

<sup>72</sup> The New York Times, January 12, 1921.

General Crowder announced on January 13 that unless the elections were speedily cleared up paralysis of legislative power would be the next calamity. Because of the failure of the Electoral Boards and Courts to finish their work within the allotted time there were ad interim provisional municipal governments in operation in a majority of the municipal districts. Should the Boards and Courts continue to fail in their tasks Cuba would be forced to resort to ad interim provisional administrations for provinces and nation as well. On and after the first Monday in April the legislature would be completely stopped because on that date one half of the seats would become vacant unless the electoral crisis was remedied earlier. To be fair the Cuban courts were more to blame than the Electoral Boards for the latter had posted provisional returns but the courts had failed so far to act on contested elections.<sup>73</sup> This failure to act involved practically all of the Electoral colleges of Oriente and Matanzas, a large number of the colleges in Santa Clara including whole municipal districts and a smaller number of colleges in other provinces. Crowder was firm in his belief that the electoral law as drawn gave an ample remedy for the situation and expressed confidence that

the courts will be courageous and fair in the application of the law to the several appeals which have been taken and of course this means courage to grant an appeal and as well the courage to deny one, in other words fairness to both parties.

President Menocal in urging speed on election appeals said

Paralyzing of the legislative powers and a provisional administration would be extremely grave and if related

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<sup>73</sup> Ibid., January 14, 1921; Chicago Tribune, January 14, 1921; Fitzgibbon, 168; "Solving Cuba's Election Problem, Current History, XIII, 546 (March 1921).



to the present financial crisis would constitute a menace to our national life which demands extraordinary measures.<sup>74</sup>

The Senate Cuban Relations Committee decided to delay its decision regarding the proposed senatorial investigations. This stand was approved by Dr. Manuel R. Angulo, the Liberal leader who had strongly favored the proposed investigation just a few days earlier. He seemed willing to trust the matter entirely to General Crowder, saying

I have and always have had every confidence in the ability and high purpose of Major General Crowder. But, if as he suggested in the statement cabled from Havana last night, it should be decided to leave the presidential controversy with the Cuban courts, I earnestly hope that General Crowder will remain in the island through the period of adjudication. There is no such thing as freedom of action for the citizens in the process of government in Cuba at the present time.<sup>75</sup>

An editorial in The New York Times written under date of January 15 expressed a wonder as to whether self government in Cuba was not a temporary failure despite President Menocal's well known ability and qualifications for his executive duties. The editorial said in part that because boards and tribunals failed to announce the results of the municipal elections held November 1, 1920, administrations in many districts of necessity had to be "provisional". Just what that term meant the Cuban executive did not explain. Such a situation was incomprehensible to the American citizen. In the United States if such a condition could by any manner of means exist, there would be

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<sup>74</sup>The New York Times; Chicago Tribune, supra.

<sup>75</sup>The Christian Science Monitor, January 15, 1921.

a holdover government of the preceding administration and the American people would adjust themselves to it for the welfare of all. Clearly there was something wrong in Cuba when the President had to exhort publicly courts, boards and tribunals to perform their duties in the short space of time left for action. Either the new election law was not operative because it was not understood or else it was deliberately balked by those having the power to carry it out. True, General Crowder was on the ground to straighten out the tangle, but he had power only to recommend and urge, to point to the law but not to compel a Cuban judge to do his duty. Though Crowder persisted in taking a cheerful attitude toward the whole situation no one knew better than he, said this editorial, that Cuban politicians were laws unto themselves, and were not always willing to listen to reason. Too, Crowder was fully aware that the Liberals would much prefer intervention to a Zayas victory and the Zayas coalition in the Presidential chair and other major offices.<sup>76</sup>

In Washington the House of Representatives set about launching an investigation of its own, relative to the sending of troops to Cuba for the purpose of delving into the affairs of the Cuban republic. The resolution, introduced by Henry I. Emerson (Republican) on January 17 and referred to the Foreign Affairs Committee read as follows:

Whereas, It is reported in the press that certain officers and soldiers in the United States army are visiting the Republic of Cuba to make certain investigations upon subjects unknown to the Congress and people of the United States be it therefore

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<sup>76</sup>The New York Times, January 15, 1921. (Editorial).

Resolved, That the President of the United States be requested to furnish to the Congress of the United States (if it be not inconsistent with the public good) his reasons for sending said soldiers and officers to the Republic of Cuba and second, to state his authority for sending American soldiers and officers to investigate the affairs of the Republic of Cuba.<sup>77</sup>

The United States press was far from uniform in its attitude toward Crowder's second visit on a special mission. Said the Baltimore Sun:

Cuba has become so important that she can no longer be allowed to behave in the manner which has for long been traditional in Latin American republics. President Wilson has sent General Crowder there to tell her so. The United States not only has the right to intervene but has also assumed the obligation to do so when necessary.<sup>78</sup>

Expressing just the opposite view the New Orleans Times-Picayune said we had gone too far in sending Crowder to the island with a "snooping commission to nose into the private political affairs of our neighbor".<sup>79</sup> In Chicago, the Chicago Evening Post carried a comment that seemed to strike the halfway mark, saying

Whatever steps are taken must be clearly marked by primary consideration for the good of the Cuban people. There must be avoidance of occasion for suspicion that we are seeking to promote what might be regarded as an exploitative interest on the part of American business. This is the more important at the present moment inasmuch as we have the opportunity to set an example for the world in the discharge of our self-assumed mandate for Cuban welfare.<sup>80</sup>

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<sup>77</sup> The Christian Science Monitor, January 18, 1921.

<sup>78</sup> "Cuba Important--1921", Literary Digest, LXVIII, 14-15, January 22, 1921. (This article was based upon newspaper comments from representative papers throughout the country.)

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

Despite the fact that Crowder's stay in Cuba was being criticized in the United States and in the Island, yet the General went steadily on trying to untangle the maze. On January 25 the newspapers carried the announcement that by-elections would be held on February 15. It was also stated that the courts were hearing appeals in great numbers, were in fact working day and night to render decisions in all pending cases.<sup>81</sup> Repeating an earlier warning Crowder on January 27 sent word to Secretary of State Colby saying that unless the electoral machinery moved more smoothly and speedily, there would be grave danger of an ad interim municipal, provincial and national administration. Such a situation, said Crowder, to him spelled almost the necessity of intervention.<sup>82</sup>

On January 30 there appeared in The New York Times a letter to the editor, written by Jose Hernandez Guzman, managing editor of La Lucha and La Noche. He strongly supported the Menocal administration, and accused the Gomez faction of boastingly claiming the election until officially announced returns came from the Central Electoral Board. Immediately, said the Cuban editor, their song changed and they were just as loudly shouting fraud, military coercion, etc. This behavior had been especially discreditable in view of the fact that the whole delegation of Liberals had called upon President Menocal the day after election to congratulate him on the fairness, impartiality, splendidly conducted election, the presence of soldiers and guards at electoral colleges, etc. Wherever the Liberals carried a district, there they

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<sup>81</sup>The New York Times, January 25, 1921.

<sup>82</sup>Foreign Relations, I, 1921, 674-675. (Telegram. General E. H. Crowder to Secretary of State) January 27, 1921.

said the election was legal. Wherever they lost, in that district there was fraud and coercion.<sup>83</sup>

Frank Steinhart, former American Consul General in Havana and in 1921 head of the Havana Street Railways and director and shareholder in many industrial enterprises, was optimistic about the outcome of the Cuban situation. He felt, and so wrote, that the Island could recover from its difficulties very soon and very easily. He admitted that the affair had some serious aspects, but was confident that an early solution could be found. He remarked that while there were contradictory rumors afloat as to Crowder's intentions, the General himself had made no statement as yet.<sup>84</sup>

In the light of his years of experience in Cuba Steinhart expressed himself as hopeful that there would be no intervention at least at that point, (January 25) because of the impending change of administration in Washington the following month. He was certain that no faction in Cuba would welcome intervention, despite oft repeated requests for that very thing. The biggest danger, to Steinhart's mind, was the possibility that when the by-elections were held, even they would not be final because the party to whom the court's decision would be adverse might again appeal the case and the same procedure would have to be applied again. If April 1 should arrive before the elections were confirmed Cuba would lack a legislative body as the newly elected members should take office on that day. According to the Crowder law, the legislature was required to declare the election results. Should there be

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<sup>83</sup> The New York Times, January 30, 1921. (Letter).

<sup>84</sup> Ibid., February 2, 1921.

no legislature on May 20, the expiration date of Menocal's term, the country would find itself without a legal successor to the Presidency and would therefore lack a legally constituted government. In that extremity intervention on the part of the United States would be an absolute necessity.<sup>85</sup>

A special article written by the editor of the World Traveler for The New York Times contradicted the pessimistic tales about Cuba. This author said that there was still plenty of money in circulation in Cuba, despite the moratorium; that Cuba was financially sound, but was unable temporarily to meet certain obligations because of extraordinary causes. An interview with Colonel Charles Hernandez, Secretary of the Interior and reported by Crockett, claimed that Cuba was perfectly serene, that the Liberal party knew all along that it had been fairly defeated in the November election and was only trying to satisfy its adherents by protesting the results.<sup>86</sup>

About the middle of February the Liberals proposed a compromise that was rather startling and unusual, to say the least. The suggestion was that both Gomez and Zayas should retire voluntarily and immediately; that the electoral colleges could then meet and vote for some compromise candidate whom Menocal should designate. Not wishing to commit himself until advised by the State Department Crowder made no official statement. He expressed his personal opinion that while such a proposal was probably legal, that it certainly would be unprecedented, that it probably would be received with suspicion.

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<sup>85</sup> Ibid.; "Clearing Skies in Cuba" (unsigned), The Independent, CV, 191, (February 19, 1921).

<sup>86</sup> Ibid., February 13, 1921. (Special article by Albert S. Crockett, editor of the World Traveler).

and that the immediate advantage gained, if any, would be largely offset by distrust among Cuban voters and by the unstabilizing effect it would have on future elections.<sup>87</sup>

Menocal's reaction to this suggestion was that he did not believe Zayas would withdraw and he suspected that that was exactly what the Liberals wanted. They would then withdraw their candidate, giving as the reason the patriotic duty of saving the country from the strife and agitation of new elections. To this Crowder answered that Gomez could not use that reason because all his demands for guarantees of a fair election had been met and any serious attempt on his part to withdraw then would be strenuously resisted.<sup>88</sup>

Secretary Colby's reply to Crowder's request for instructions very clearly stated the attitude of the United States. Said Colby:

The plan reported by you....is not one in which this Government should participate or as to which it desires to express an opinion. This is not to be construed as an expression of criticism of the plan outlined provided its legality is clearly established and it represents the unforced desires of the Cuban people. The United States is only concerned that elections in Cuba shall be honestly conducted and decided in accordance with the election laws which the Cuban people have duly enacted. Thus only will the people of Cuba gain a respect for their own institutions and confidence in the processes of republican government.

The people of Cuba should not be permitted to feel that we claim any voice in their selection of a President or other public official or that this Government expects them in any way to be influenced by any preferences on our part as to candidates. We shall endeavor not even to feel a preference and scrupulously to refrain from expressing one.<sup>89</sup>

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<sup>87</sup> Foreign Relations, I, 1921, 675-676, (Telegram. General E. H. Crowder to the Secretary of State) February 16, 1921.

<sup>88</sup> Ibid.

<sup>89</sup> Ibid., 676-677, (Telegram. The Secretary of State to General E. H. Crowder) February 21, 1921.

This statement could be made public if Crowder deemed such action advisable.<sup>90</sup>

By February 26 the withdrawal idea seemed to have dwindled into nothingness. Crowder was keeping it in mind however as an emergency measure. He had been warned, he said, by some truly patriotic Liberals that if their party's cause seemed hopeless when all Supreme Court decisions had been rendered, the leaders would undoubtedly appeal the decisions, thus trying through the Supreme Court to force an American intervention. While not yet convinced that matters would reach such an impasse Crowder felt that in such an event the compromise candidate idea might be a worthwhile solution.<sup>91</sup>

The last day of February found the electoral situation much improved. Crowder reported that both Liberal and Conservative committees were working in the interests of public order and hoped that soon he could report substantial progress by the Supreme Court.<sup>92</sup>

The change of administration in Washington did not interfere with Crowder's work, for he was immediately informed that President Harding wished him to remain as his special representative until otherwise notified.<sup>93</sup>

By-elections, originally planned for March 1, were advanced to March 15. General Crowder announced that rules laid down by the Central Electoral Board

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<sup>90</sup>Ibid., 677, (Telegram. The Secretary of State to General E. H. Crowder) February 22, 1921.

<sup>91</sup>Ibid., 678-679, (Dispatch. General E. H. Crowder to the Secretary of State) February 26, 1921.

<sup>92</sup>Ibid., 680, (Telegram. General E. H. Crowder to the Secretary of State) February 28, 1921; The New York Times, March 4, 1921.

<sup>93</sup>Ibid., 680, (Telegram. Secretary of State (Hughes) to Charge d'Affaires (Cable) March 5, 1921; Fitzgibbon, 168.



under recent legislation would govern these partial elections and that they would be characterized by absolute impartiality.<sup>94</sup> On March 10 the Executive Committee of the Liberal party adopted resolutions that the Liberal party would withdraw from public affairs until normal conditions and full guarantees should be restored. Notice was given that the Liberals would not go to the polls on March 15.<sup>95</sup> On March 13 Menocal, Zayas and Gomez held a conference, during which Gomez was urged to remain in the race and was asked to join the others in issuing the following statement:

On the eve of holding the partial elections in these moments so solemn for the Republic we pledge our word of honor to cooperate by all means within our power in order that the right to vote shall be exercised with complete liberty, purity and guarantee.

Gomez refused, urging further postponement of elections until November 1, 1921. He asked that a Provisional President be chosen to succeed Menocal on May 20, such person not to be a candidate in the proposed November 1 election. This proposition Crowder fatly rejected.<sup>96</sup>

Two days before the election Crowder returned from an inspection tour of Santa Clara, Matanzas and Camaguey, the provinces where most complaints had originated in the November elections. He had found conditions generally satisfactory for the impending elections, to be held in about one-fifth of the voting districts. The army was neutral and local leaders appeared to be

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<sup>94</sup>The New York Times, February 2, 1921.

<sup>95</sup>Foreign Relations, I, 1921, 680-681, (Telegram. General E. H. Crowder to Secretary of State (Hughes) ) March 12, 1921.

<sup>96</sup>Ibid., 682, (Telegram. General E. H. Crowder to the Secretary of State) March 13, 1921.

convinced that it would be useless to repeat the practices so completely condemned by the Supreme Court's rulings. The General was satisfied that no organized intimidation or violence would occur. He was also convinced that the only thing which would satisfy the Liberal party would be exclusive United States supervision and control of both electoral machinery and armed forces. Gomez had already published a lengthy letter of grievances to the effect that he no longer could be responsible for "bloody consequences" to Liberal voters who would attempt to exercise their right of suffrage on March 15.<sup>97</sup>

The by-elections were held as scheduled on March 15. Some authorities say that Crowder had privately anticipated a Liberal victory but their withdrawal caused them to forfeit all chances of success.<sup>98</sup> On March 16 Crowder sent the following message to Secretary of State Hughes, "I am of the opinion ....that the results obtained yesterday, notwithstanding withdrawal of Liberals, may be ratified."<sup>99</sup>

Late in March Gomez went to Washington to again urge specific intervention by the United States, but an interview with Secretary Hughes on April 14 convinced him that such a hope was futile.<sup>100</sup> On April 17 Minister Long at Havana issued a statement officially recognizing Zayas as President-elect. His inauguration followed on May 20.<sup>101</sup>

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<sup>97</sup> Ibid., 680-681. (Telegram. General E. H. Crowder to Secretary of State) March 12, 1921.

<sup>98</sup> Fitzgibbon, 169.

<sup>99</sup> Foreign Relations, I, 1921, 683. (Telegram. General E. H. Crowder to Secretary of State) March 16, 1921.

<sup>100</sup> The New York Times, March 31, April 4, 15, 18, 19, 1921; The Christian Science Monitor, April 4, 1921; Chicago Tribune, April 4, 19, 1921; "Political Tension in Cuba", Current History, XIV, 339-340 (May, 1921); Fitzgibbon, 169.

<sup>101</sup> Foreign Relations, I, 1921, 688. (Telegram. The Secretary of State to the Minister in Cuba (Long) ) April 16, 1921.

Though one of the purposes of Crowder's mission was thus effected, his work was not complete. He remained in Cuba for two years as special personal representative of the President of the United States, thus inaugurating "a 'diplomatic intervention' which transcended anything yet experienced in the application of the 'preventive policy', and even then was not directed by a duly accredited diplomatic official."<sup>102</sup> Of General Crowder's work in 1921 President Monocal said

It is my duty to do plain justice to the delicacy, tact and high respect for our sovereignty and institutions of which he is continually giving proof and to the worth of his frank and circumspect collaboration in the legislative labors of which it has been considered opportune to take advantage.<sup>103</sup>

Fitzgibbon says that the Cuban reaction to Crowder through 1921 and 1922 was varied. To some Cubans his presence had been an affront, yet these same people undoubtedly realized that his presence served to moderate governmental action which in attempting to control a grave situation, might have swung to excesses of one kind or another. Seemingly the Cuban people, through the press, were grateful for Crowder's work. Seemingly, too, they saw real sincerity in the General and in his promises of future good to be accomplished by his continued sojourn in the Island. Nevertheless they censured him for his silence to the press. Never loquacious, Crowder presented a steady "poker face" attitude to all questions, neither refuting or confirming statements ascribed to him.<sup>104</sup>

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<sup>102</sup> Fitzgibbon, 108.

<sup>103</sup> The Independent, CV, 191, (February 19, 1921).

<sup>104</sup> The New York Times, August 15, 1921; Fitzgibbon, 176.

The State Department of the United States was undisturbed by these criticisms. It defended Crowder, saying he had given full and lasting proof of his friendship for the Cuban people and had always shown a scrupulous regard for their sensibilities. With regard to his systematic silence the comment was made that the State Department was the proper source of reassurance for the Cubans if they were suspicious of motives or methods. It was not the duty of the special envoy to speak of the policy of his government. That task, if necessary, should be handled by the American Minister at Havana. The State Department had no desire to recall Crowder. No one knew the Cuban situation better than he and he was undoubtedly the right man for the emergency.<sup>105</sup>

Summary of chapter

The Cuban presidential election of 1920, despite United States efforts to insure an opportunity for an honest and absolutely free choice by the Cuban electorate, ran true to form, culminating in disputed returns and charges of fraud. The Liberals, defeated in the first returns, had used every means at their command, both before and after the election, to provoke United States intervention. General E. H. Crowder, author of the revised Cuban electoral machinery was sent to Cuba to straighten out the tangle. After several months of investigation and judicious pressure brought to bear on the Cuban courts to hasten decisions in the fraud cases submitted to them, he finally succeeded in holding by-elections which confirmed the returns of the original election with the result that Alfredo Zayas, Conservative candidate, was the choice for President.

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<sup>105</sup> The New York Times, August 17, 1921.

## CHAPTER II

### The Sugar Crisis 1920-1921

During the closing months of 1919 and the opening months of 1920, apparently well informed authorities were mentally congratulating Cuba on the bright business outlook dawning for her. The World War had been a priceless boon to Cuban sugar growers. Since the economic life of the island depended to such a marked degree on sugar, prosperity in that line meant fairly general prosperity for Cuba. How this prosperity faltered, stumbled and finally crashed to earth, resulting in a terrific financial crisis in the latter part of 1920 and practically all of 1921 will be the substance of this chapter.

American investments in Cuba began before the Spanish American War, mainly for the development and modernization of the sugar industry. In the early years of the twentieth century there was a steady increase in investments. Many sugar properties were purchased by American investors during the War.<sup>1</sup>

Cuba's main activities during the World War centered around the production and marketing of the sugar crop. In the United States the Lever Act was passed by Congress to control the production and marketing of foodstuffs.

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<sup>1</sup>Dana G. Munro, The United States and the Carribean Area, World Peace Foundation Publications, Boston, 1934, 58-59; Leland H. Jenks, Our Cuban Colony, Vanguard Press, New York, 1928, 219-222.

One product certainly demanding control was sugar. To control sugar meant dealing with Cuba. For the United States to regulate only the sugar production directly under its jurisdiction would have been at best only partial control so long as Cuba had millions of tons that were equally essential. She was receiving bids for her crop from Great Britain and the Allies. After much consultation Great Britain and the United States came to an agreement and set up a scheme of price and export controls that was to be far reaching indeed. Cuban representatives were consulted and their consent was asked when the price was finally set, but Jenks is of the opinion that the bargain was certainly driven under pressure. He claims that Cuban producers did not agree to the price set as readily as was desired, but when the United States brought pressure to bear in the form of deliberate delays in shipment of food necessities to Cuba, then the appropriate decrees were issued in Havana and the producers had to accept the terms. The 1917-1918 crop was the only one which contributed to the winning of the war, but the high speed production which was begun in 1917 to increase future crops was apparent in the 1918-1919 harvest which was available for sale in the spring of 1919. There was no difficulty in the marketing of the bumper crop because the United States, through the Sugar Equalization Board, had on September 14, 1918 contracted to buy the entire Cuban crop at five and a half cents per pound.<sup>2</sup>

In the two years immediately following the armistice the speculation "fever" struck all parts of the world. Cuba was no exception. Her prize,

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<sup>2</sup> Ibid., 199-202.

developed largely through the extraordinary demands of the War, was the Cuba Cane Sugar Corporation. The profits to be made from sugar interested Cuban investors as well as American financiers. The outstanding financial leadership in the economic development of Cuba had come from the Banco Nacional de Cuba, founded at the close of the Spanish American War. Begun with the help of American capitalists it had been the first bank to make commercial banking facilities generally available in Cuba. By 1920 it had reported deposits of \$194,000,000. It was the leading Cuban bank with 121 branches scattered throughout the island.<sup>3</sup> There were several American banks in Cuba which were, strictly speaking, branches of New York and Canadian institutions. By the middle of 1919 the National City Bank of New York was operating 17 branches in Cuba with plans calling for a total of 30 branches by the end of that same year. The principal business of the bank was in sugar and tobacco with sugar predominating.<sup>4</sup>

In the final analysis it was the war control of Cuban sugar that made American bankers realize the tremendous possibilities in Cuba for the expansion of credit services. It was this realization that brought many new American banks and investors into the Cuban area. Among them were the Mercantile Bank of the Americas in close connection with the Cuba Cane Sugar Corporation; the American Foreign Banking Corporation, largely a Chase

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<sup>3</sup> Ibid., 206-212.

<sup>4</sup> Bulletin of the Pan American Union, 49, 302-311, September 1919, citing J. H. Allen "Teamwork Between America and Cuba Has Paid Well For Both", The Americas, issue of July, 1919.

National Bank subsidiary, opened in Havana, as did the Canadian Bank of Commerce. Several older banks expanded their branches rapidly. One Cuban bank having a phenomenal rise was the Banco Internacional de Cuba founded by a group of young Cuban bank clerks and possessed of 102 branches by the time of its suspension, four years later. If Jenks is to be believed the men in charge of the "mushroom" banks were, by and large, men without wide banking experience and totally unversed in the history and theory of banking. He classed them as high powered salesmen whose task it was to sell money to persons who could easily be persuaded to use it. In the late summer of 1920 statistics showed loans of at least \$80,000,000 outstanding made on sugar security, at a valuation of 15 to 20 cents a pound. There was little or no cooperation between banks as the financial crisis approached. The older banks looked down upon the new ones and they in turn mistrusted each other. Not one of the Cuban banks was able to stand alone on its own Cuban resources when the crash finally came.<sup>5</sup>

The growth in the production of cane sugar in Cuba was truly remarkable in the years from 1902 to 1919. The following figures, taken at random through that period tell their own story of increasing production:-

1902-1903	1,000,000 long tons
1913-1914	2,600,000 long tons
1915-1916	3,000,000 long tons
1917-1918	3,446,000 long tons
1918-1919	4,000,000 long tons

Actual production during the World War period increased 40%, thus increasing

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<sup>5</sup> Jenks, 212-124.



Cuba's share of world sugar production from 11% in 1913 to more than 22% in September 1919. There were approximately \$600,000,000 invested in Cuba's sugar industry. Of that amount the United States owned half. As American investments in the Island increased, Cuba was in a position to buy more supplies from the United States. Until 1919, the rich returns from sugar and tobacco made it more profitable for the producers to devote the bulk of their attention to those two crops and to buy from the United States the other articles they needed. Although there was a slowly growing tendency toward diversification of crops, there was no doubt in 1919 that the United States would be Cuba's chief source of food supplies for many years to come. In 1913 Cuban imports from the United States were one half of the Island's total import. In 1917 the figures had increased to 68%. By 1918 the total was still more impressive, reaching almost 75%. In 1913 the United States bought from Cuba goods amounting to \$131,000,000. By 1918 the amount was \$264,000,000 with the possibility that the 1919 total would be \$300,000,000. Thus the total volume of trade with Cuba for 1919 would be well over half a billion dollars.<sup>6</sup> This estimate made before the close of 1919 was confirmed by the statistics of that year compiled in the following year.<sup>7</sup>

Certainly in the period under investigation Cuba was still a one crop country. There were and are many other products which would almost certainly have become sources of great wealth to her, for

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<sup>6</sup> Bulletin of the Pan American Union, supra.

<sup>7</sup> New International Year Book, 1920.

Cuban sisal might rival that of Yucatan; Cuban cattle might compete with those of the Argentine; Cuban fruits might claim their place in the world's market alongside those of Florida and California. But the Cuban planter feels (felt) that of all men he can (could) best afford to let well enough alone and stick to his staple crops.<sup>8</sup>

It would have been no exaggeration to say that Cuba could have doubled her output of sugar within a decade and still have had room left for the utilization of her other natural resources. Sutton, celebrated agricultural engineer of New York and Peru stated that Cuba with irrigation could easily sustain a population of 50,000,000 inhabitants and feed them with home produce. Despite these possibilities, Cuba was still practically a one crop country. This very fact contributed immeasurably to the creation and continuation of the 1920-21 financial crisis.<sup>9</sup>

During the war years the profits of the sugar industry passed along to all classes of society in higher wages, higher standards of living, larger turnovers of merchandise bringing a correspondingly greater wealth to Cuba. As late as May 1920 evidences of prosperity were very apparent. Upon his return to New York from an extended business trip in Cuba a well known exporter of cotton yarns and piece goods claimed that the dry goods business was flourishing. According to him, financial conditions were very healthy. Though prices were high yet the buying went on apace and prosperity was everywhere seen in the automobile industry, construction business, real

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<sup>8</sup> National Geographic Magazine, XXXVIII, 1-33, July 1920.

<sup>9</sup> "Cuba's Industrial Awakening", Forum, LXIII, 279-289, March, 1920; Bulletin of the Pan American Union, supra.

estate and renting.<sup>10</sup> Many Cubans formerly of moderate means had been enriched over night. The tourist trade in 1919 was greater than ever before, and Cubans were themselves becoming tourists as a result of their newly achieved prosperity.<sup>11</sup> This then was Cuba on the eve of the greatest financial crisis in her history.

In an interview with President Menocal, with reference to business conditions in Cuba, L. J. DeBekker told the Cuban president that the impression existent in the United States was that Cuba had grown so wealthy that she was able then (1920) to finance her own enterprises. Menocal confirmed this view saying that the impression was entirely correct; that the volume of deposits in banks and savings institutions had increased 1000% from 1914 to 1920. He expected the foreign commerce to pass the billion dollar mark in 1920 and estimated that the balance of trade in favor of Cuba would be \$250,000,000. Land values in the cities and in the country, he said, had increased 500%.<sup>12</sup>

The Cuban sugar crop of 1918-1919 was the largest ever produced on the island according to figures released by the Acting Trade Commission at Havana. The receipts on September 1 indicated that the total for the country had reached 3,575,640 tons with a good possibility that the final figure would be 4,000,000 tons. Of the amount 2,808,315 tons had already been exported by September 1.<sup>13</sup> In November the Cuba Cane Sugar Corporation showed a

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<sup>10</sup> The New York Times, February 29, 1920; DeBekker, "Cuba and Her President", 230-231.

<sup>11</sup> The New York Times, May 9, 1920.

<sup>12</sup> DeBekker, "Cuba and Her President", 230-231.

<sup>13</sup> Literary Digest, LXIII, 42, November 15, 1919.

balance of \$4,303,188 cash on hand as against \$700,712 in 1918.<sup>14</sup> At the close of the year 1919 the Cuban American Sugar Company showed a net profit of \$7,091,296 or the equivalent of \$65.38 per share on common stock after allowing for preferred dividends. In the preceding year net profits had amounted to \$4,227,202 or the equivalent of \$36.74 per share on common stock. Total sales were \$50,767,164 an increase of about \$10,700,000 over 1918. The 1920 yield of sugar was 4,500,000 tons, equivalent to 33,230,767 bags of sugar of 325 pounds each.<sup>15</sup>

In the final analysis the sensational banking and industrial developments in Cuba in 1918-1919 were based upon the world demand for sugar, a demand which did not cease when the Armistice was signed. Because shipping was still scarce and freight rates were high, the western nations were partially shut off from the sugar supply of Java. The war had ruined sugar beet production in European countries. Instead of an output of 8,000,000 long tons in 1913-1914 the European beet fields produced 2,589,923 tons in 1919-1920.<sup>16</sup>

At any rate sugar was released from control at the end of 1919. Cuba did not ask for release for her producers had been quick to realize from their two years' experience the advantages of a stable price. They were anxious to keep a unified selling agency and particularly to retain some means of maintaining a minimum price for the crop. The entire Cuban crop for 1919-1920 could have been bought by the United States for 6½ cents per pound in

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<sup>14</sup>The New York Times, November 25, 1919.

<sup>15</sup>Ibid., December 27, 1919.

<sup>16</sup>Jenks, 214.

July 1919. Responsibility for the failure to make this purchase has been attributed to President Wilson, Herbert Hoover, Congress and the Sugar Equalization Board. The Board was a corporation set up in the United States in the summer of 1918 to arrange for handling the Cuban sugar crop. The President of the United States was the principal shareholder. The capital stock was \$5,000,000 furnished out of the President's emergency fund and he elected the directorate. The corporation entered into a contract to buy the entire Cuban output. It also purchased other sugars, reselling to refiners and other consumers upon a pro-rata basis.<sup>17</sup>

The consensus of opinion seems to be that the real blame lies ultimately with President Wilson. His critics say that he was so much absorbed in international problems that he failed to provide efficient leadership for domestic and economic questions; that his method apparently called for more or less immediate cessation of whatever the government had been doing during the war in organizing, directing or restricting business activity. Thus the adjustment of the situation was left very largely to individual enterprise and initiative.<sup>18</sup>

The 1918-1919 crop was purchased in October, 1918. In November the Armistice was signed. Restrictions upon domestic consumption were relaxed at once. Concessions were made to the Cubans. They were allowed to export small quantities directly to Spain, France, Canada and other countries to keep open marketing relations. By the summer of 1919 the Sugar Equalization

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<sup>17</sup> Ibid., 201, 215; Congressional Record, 66th Congress, 2nd session, 359.

<sup>18</sup> Jenks, 215; Congressional Record, 66th Congress, 2nd session, 359.

Board was forced to reconsider its policy. A shortage in sugar was forecast due to reduced restrictions on consumption. What was to be done about the Cuban crop for the coming year? Should it be bought through the Board as before? Hoover, chairman of the Board was in Europe. The rest of the members with one exception (Professor Tauszig) felt that control should be exercised for another year, but only on condition that the Board's powers of control over sugar would really be effective. This could not be made certain without action by Congress. Legally the Board had the power to purchase the crop but it hesitated to do so unless Congress would extend the war powers of the President and with them the possibility of price control and stabilization.<sup>19</sup>

With opinion divided among the Board members and its chairman absent, the decision was put up to President Wilson in July 1919. He had not reached a conclusion when he started on his western trip and was taken ill. On October 3 the Equalization Board, through its president, expressed to the Senate Committee its view that the Cuban crop for 1920 should and could be purchased, provided the powers of control exercised by the Board were extended in full to December 31, 1920 thus enabling the Board to see that the consumers should secure sugar at a reasonable price. At that time the Board felt that it could renew its contract with the refiners. No action was taken by Congress until December 20. Then under the McNary Act the powers of the Board were extended to June 30, 1920. However President Wilson finally de-

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<sup>19</sup>Jenks, 215-216; The New York Times, January 4, 1920.

ecided not to recommend the purchase and the Equalization Board ceased to function January 1, 1920. By the time this decision was made the situation had altered considerably. Especially had Cuban sentiment changed. The Cuban producers had learned that the Equalization Board had made a handsome profit on sugar bought from them for one price and re-sold to foreign countries at a higher figure. The profit reached \$42,000,000 so the Cubans felt that the United States as a wholesale sugar merchant had done well, for her profit was nearly 10% of the price at which Cuba sold her sugar.<sup>20</sup>

In August 1919 producers began to retaliate. They began to hold out some of their sugar failing to deliver according to contract. An association of hacendados and colonos was formed in Cuba, representing some 22 centrales besides those of the Cuba Cane and Riconda interests. The association served as a press agent for Cuban sugar interests. As the market price of sugar rose and it became evident that shipping too was decontrolled, the association compelled the withdrawal of the 6½ cent proposal in September 1919.<sup>21</sup>

When this happened the Sugar Equalization Board instructed American refiners to secure their raw sugar for 1920 at whatever price they could. In November the Louisiana sugar crop was about to come on the market and producers were anxious to get a good price without incurring the danger of jail sentences which were threatening them for profiteering. Attorney George Palmer, in the guise of enforcing the Lever Act, began to regulate prices and policies

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<sup>20</sup>Jenks, 203, 204, 217; The New York Times, January 4, 1920; Los Angeles Times, January 4, 1920; The Christian Science Monitor, January 7, 1920; T. Henry Walnut, "Sugar", Survey, XXXIV, 368-370, June 12, 1920.

<sup>21</sup>Jenks, 216-217.

On November 8, 1919 he gave the word to Louisiana sugar producers that he would not prosecute anyone for selling Louisiana sugar as high as 17 cents per pound at a time when the Cuban "high" was 10 cents per pound.<sup>22</sup> Then the holding began in earnest on the part of Cuban producers. George H. Finley, a New York sugar broker bitterly attacked the Federal Government for not accepting the Cuban offer of 6½ cent sugar--sugar that was by May, 1920 selling for from 25 to 30 cents per pound. He told of the enormous stocks of sugar being held at the ports in Cuba (650,000 tons); he said that some plantations had their whole crop in warehouses in the interior and were not reporting the amount in the statistics. Sugar was being held for a still higher market by local Cuban sugar interests and by American concerns interested in Cuban plantations. He claimed that \$250,000,000 had been loaned by American banks to concerns in Cuba for holding sugar. The Havana branch of the National City Bank was one of those lending money on held sugar and the rates on such loans by all banking concerns ranged from 8 to 15 cents a pound.<sup>23</sup>

A suggestion for the stabilization of prices made by Herbert Hoover, to the effect that the United States seek an agreement with allied nations that there be no international bidding for Cuban sugar, met with an immediate official protest from Cuban Minister Cespedes, who said that such an agreement would be detrimental to Cuba's interests. Cuba would be willing to abide by such an agreement on only one condition--that there be no competitive bidding

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<sup>22</sup> Ibid., 217-218.

<sup>23</sup> The New York Times, The Christian Science Monitor and Chicago Tribune, May 27, 1920.



on articles which Cuba had to buy. The United States should blame no one but herself for the scarcity and high prices she was bewailing, said Cespedes, for the Cuban Government and Cuban planters had twice offered to sell the entire 1920 crop at  $6\frac{1}{2}$  cents. There would be no shortage in Cuba for an official decree published in April required the holding of ample quantities of new sugar in reserve for home consumption

in order that Cubans may be protected from the effects of scarcity and advancing price of this article.

The best method of relieving the sugar shortage, said the Cuban minister, would be the encouragement of production on an increasing scale by maintaining the competitive international market which

is the principal foundation of the freedom of commerce.<sup>24</sup>

Perhaps, with the European beet sugar areas still producing far below pre-war levels, there was some justification for saying that sugar was scarce in view of the fact that restrictions on sugar consumption had been relaxed. The scarcity did not, however, warrant the unprecedented rise in sugar prices from February to May, 1920 or the equally amazing drop from May to December. Only a table of prices during the period can properly show this condition.

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<sup>24</sup> The New York Times, May 11, 1920; Chicago Tribune, April 23 and May 11, 1920; The Christian Science Monitor, April 25, 1920.

Price of Sugar, Cost and Freight, New York, 1920<sup>25</sup>

February 18, 1920	9-1/8	June 23, 1920	17-1/2
March 2	10-1/2	28	17-1/4
17	10-3/4	July 19	17
18	11	20	16-1/2
19	11-1/8	21	15-3/4
22	11-3/4	22	15-1/2
27	12	27	15-1/4
30	12-1/2	Aug. 6	15
April 1	13	9	14-1/4
3	13-3/4	12	12-1/4
5	14-1/4	19	11
8	15-1/2	Sept. 8	9-3/4
9	16-1/4	28	9
12	16-3/4	30	8
13	17-1/4	Oct. 4	7-1/2
14	17-1/2	6	7
15	18	8	6-3/4
17	18-1/2	13	7
May 12	19	30	7
14	20-1/2	Nov. 5	6-1/2
17	21-1/2	8	6-1/4
18	22	10	6
19	22-1/2	12	5-1/2
26	21	18	5-1/4
27	19-1/2	22	4-3/4
June 3	19-1/4	Dec. 7	4-1/2
4	19	9	4-3/4
16	18-1/	10	4
		13	3-3/4

In the latter part of May there was general agreement on one point--that there was no hope of cheap sugar in the United States and that the error of the Sugar Equalization Board or President Wilson or both was responsible for the condition. In Cuba there were 1-1/2 million tons of sugar, waiting for the peak of the market to be reached. Cuban planters denied that they were trying to profiteer and insisted that the law of supply and demand had made

<sup>25</sup>Jenks, 218-219.

them dictators of the market. The growers felt that they were entitled to run their business on a peace time basis and to regulate prices according to the demand for their commodity. A leading Cuban planter expressed the opinion that it would be years before the supply of sugar would equal the world demand. A lesser reason for the scarcity was the shortage in the 1920 crop in Cuba. An unusually dry season plus severe storms had cut production about 16%. There was no help in the beet sugar prospects for 1920. The total tonnage had dropped nearly 22,000 tons and the price per bag was appreciably higher. The carryover from the year before was necessary for far western distribution.<sup>26</sup> Another month passed with no change in the gravity of the situation. There was in Havana a committee of twelve who controlled 2,160,000 sacks of sugar (1,740,000 sacks existing outside of that control). These men had pledged themselves to withhold their sugar from market until they should be able to get 24 cents per pound for it. This stand was taken though they frankly admitted that prices as quoted were ample to pay for the sugar. They thought the time was ripe for demanding a higher price from those who had to have what they produced. It was suggested, of course, that one obvious remedy for the situation would be for the United States Government to use its influence with financiers to prevent the extension of credit. Holding the sugar would then be far more difficult.<sup>27</sup>

Sugar holding made more serious a situation which was already very grave, namely the congestion in the harbor of Havana. It was reported that many

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<sup>26</sup> The New York Times and Los Angeles Times, May 30, 1920.

<sup>27</sup> The Christian Science Monitor, July 6, 1920.

merchants used the docks of Havana harbor as warehouses, owing to an inability to secure sufficient space elsewhere. At any rate there was an increasingly acute situation in the harbor with great quantities of imported goods tied up in the vessels there. Some attributed the congestion in part at least to the strike of dock hands which had lasted for 100 days. At least 125 vessels were tied up there and the docks were loaded with an aggregate of merchandise which was useless to anyone. A special committee of inquiry headed by Earnest L. Bogart of the United States Department of State (Assistant Foreign Trade Adviser) left for Havana to attempt to straighten out the acute port congestion.<sup>28</sup> The joint American Cuban Commission set up as a result of the inquiry recommended several improvements; namely, construction of additional wharves, enlargement of the old ones and building of additional warehouses. The Cuban Government was also urged to issue a call to all importers, brokers and others, to remove from the piers all accumulated shipments and to provide better Customs House facilities for immediate withdrawal of goods. In addition shipments other than dry goods or other commodities requiring careful examination were to be hurried from the place of unloading and the Government was to place under customs control all wharves and warehouses utilized for unloading and storing merchandise.<sup>29</sup>

Still hoping to bolster the prices of sugar which had begun to drop May 26 and were steadily declining all through the summer, a committee was

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<sup>28</sup> The New York Times, July 8 and 17, 1920 and February 2, 1921.

<sup>29</sup> Ibid., August 16, 1920.

appointed by the Sugar Mill Owners and Cane Planters which was to have exclusive authority to sell or withhold from the market all sugar owned by those represented on the committee. On July 9 this group had refused an offer of 18-1/4 cents per pound.<sup>30</sup> A month later sugar was still being held, avowedly until prices returned to the 24 and 25 cent levels. In Cuba the sentiment in some quarters was decidedly anti-American. Certain Cubans felt and said that the extensive American interests in Cuba had manipulated the market to their own advantage and that they (the Cuban planters) had by way of retaliation organized the exclusive sales committee with power to act for them. Saying that the problem was simple requiring only an attitude of union and strength on the part of the sugar holders, they continued to keep sugar out of the market. The Cuban attitude was that sugar could be sold to markets in greater need of it than the United States which was at the moment offering 15-1/4 cents per pound. The Cuban planters pointedly stated that the American sugar trust had no altruism in its heart for the American public in its refusal to pay Cuba's price. The difference between the 15 cents offered and the 22 cents asked by Cuba, that difference which would fail to go to the Cuban sugar interests should they yield to United States demands, would be added to the gross profits of a few American refiners composing the sugar trust while the sugar itself would be sold at the high prices to the American public.<sup>31</sup> The threat of an official American commission to investigate the sugar problem did not disturb the Cubans in the least. By the end

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<sup>30</sup> Ibid., July 10, 1920.

<sup>31</sup> Ibid., August 15, 1920.

of August the Cuban holders had lowered their price to 11 cents per pound. There was a very poor demand for refined sugar and no interest in sugar in the New York market.<sup>32</sup>

Undoubtedly the sugar situation was full of danger in view of the wide speculation and the decline in price from May on through the summer. The fall in raw sugar prices between July 1 and September 15 caused an estimated loss of \$250,000,000 and the fall from September 15 on meant another \$100,000,000 loss. It was inevitable that the overspeculation and wild extension of credit would be a boomerang. The first real blow came October 8 when the Banco Internacional, having 105 branches, temporarily suspended payment giving as the cause the heavy loans on sugar made when the prices were at the high point. It was pointed out that this bank was one of the new ones in Cuba, and that older established banks would not be affected.<sup>33</sup>

An urgent telegram to Acting Secretary Norman H. Davis called the attention of the State Department to the bank's closing and to the heavy runs on the Banco Nacional and Banco Espanol. Minister Long said that President Menocal seemed disposed to give Government assistance and was reported to have said that this was an opportunity for the foreign banks to show favorable sentiment to Cuba by helping to stop the panic. Long believed that the Cuban government would recommend a 50 day moratorium.<sup>34</sup> As was expected on October 10 a proclamation was issued by Menocal decreeing a moratorium ef-

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<sup>32</sup>Ibid., August 31, 1920.

<sup>33</sup>Ibid., October 10, 1920.

<sup>34</sup>Foreign Relations, II, 1920, 44, (Telegram. The Minister in Cuba (Long) to the Secretary of State) October 10, 1920.

fective until December 1 and applicable to all banks that wished to take advantage of it.<sup>35</sup>

This announcement caused great excitement. On October 12 business was practically at a standstill in Havana. As the day wore on excitement gave way to a sober realization that the situation was indeed serious. Not all banks were taking advantage of the moratorium. Cuban officials and business men held different views as to the advisability of the move. Newspapers were either taking a matter of fact attitude or were indifferent to the matter, while business interests and small depositors were deeply concerned. Labor unions threatened a general strike if their members were not paid in full at the end of the week.

October 13 found all Havana banks enforcing the 10 percent withdrawal rule of the moratorium. In the United States J. Benitez Rodriguez, Special Commissioner of Cuba in the northern republic to study trade conditions tried to put a different face on the matter. He claimed that the situation would soon be back to normal, that the wealth of Cuba was as great and solid as ever and that the next crop of sugar when sold would give her \$896,000,000.<sup>36</sup> Fearing inability to meet payrolls many Cuban employers dismissed their workers. Only cash would be accepted in Cuba even for vital necessities and reports from the interior were as gloomy as in Havana. In the Cuban capital a committee of six was named to take up the financial problem with the chief

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<sup>35</sup>The New York Times, October 11, 1920

<sup>36</sup>The New York Times and Chicago Tribune, October 13, 1920.

object of devising some way to meet payrolls. It was feared that shipping would suffer still further damage unless cash could be found for paying the stevedores as well as for purchases of supplies. The United States was asked to help and a conference of Commerce and Treasury officials was held to see what could be done. The bankers in Cuba, at a meeting with President Menocal proposed that the banks be allowed to issue sugar certificates which would be exchangeable at the banks after the sugar had been deposited with the Government and also that the Government guarantee that approved checks would be paid by funds held in the banking houses. A meeting of sugar growers and commission men issued a statement to the press expressing confidence in President Menocal's effort to negotiate a sale of the hold over sugar and the coming crop.<sup>37</sup>

While the United States Department of State indicated that that Government would not give aid directly it called a conference of banking officials to see what could be done for Cuba so that no unfavorable reaction would be felt in the United States. The bankers agreed to buy an issue of Cuban bonds, the proceeds of which would finance the sugar crop. The amount needed was not then estimated and the terms of such a proposed agreement would be communicated to the Cuban government which could then decide upon their acceptability.<sup>38</sup> An editorial in The New York Times explained the willingness of United States bankers to aid as good business, not altruism. Moving the sugar crop at the prices current then would be liquidation, not speculation. The Cubans had no

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<sup>37</sup> The New York Times, October 14 and 15, 1920.

<sup>38</sup> Ibid., October 19, 1920.



elastic currency system and there was no cash available for hand-to-hand transactions. Thus there was little philanthropy in the bankers' offer. They were helping the United States as well as Cuba. Strictly speaking, said the editorial, the United States should have felt some obligation to help because regulation of the sugar market was undoubtedly partly responsible for Cuba's troubles.<sup>39</sup>

In any event just the announcement of a possible forthcoming loan caused sugar prices to rise one cent and some bankers hoped for an upturn sufficient to make possible liquidation without loss on the loans made when prices were high.<sup>40</sup> Ridiculously high figures were quoted in the press as amounts to the Cubans, but United States bankers were quick to settle any such rumors. There was no sentiment in favor of large loans. Upon early estimates the amount necessary appeared to be \$50,000,000, and the suggestion was made that securities for the loan be offered in the public market. Originally the plan suggested was for the Cuban Government to borrow directly on its own credit but United States bankers indicated they would prefer to lend to corporations, such loan to be guaranteed by the Government. The bankers in the United States were told that labor had modified its stand and that during the crisis sugar cane workers were accepting from \$2 to \$2-1/2 per day instead of \$7, thus enabling them to spread the available cash. (Fifty or sixty million dollars in Federal Reserve notes had been sent to Cuba by the Federal Reserve

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<sup>39</sup> Ibid., October 20, 1920. (Editorial).

<sup>40</sup> Ibid., (News item).

Bank of Atlanta to relieve the currency shortage.) Evidently willing to make every effort to cooperate, Cuban officials asked the United States Department of State to appoint a financial adviser and an expert to provide a clearing house system in Havana.<sup>41</sup>

Three days later a somewhat contradictory report appeared, to the effect that the proposed loan might be pure banking credit or might be an offer of securities to the investing public. In either case the loan would be short term notes and was to be used only to finance the sugar crop. The money was to be advanced to the Cuban Government and by it reloaned to the sugar interests. The whole matter required approval of the State Department but no official statement would be made until after the November 1 elections in Cuba.<sup>42</sup>

Day by day reports of the loan situation changed. A conference was held November 16 at the Mechanics and Metals National Bank in New York for the expressed purpose of trying to clear up the business which had accumulated since the establishment of the moratorium, on October 10. All business prior to that time had been automatically suspended but new business was not so affected. The conference aimed to devise ways and means for taking care of new business and also as far as possible for clearing business of earlier dates between the various banks represented. The decision was to suggest a thirty day or sixty day extension of the moratorium with the provision that an additional 5 to 10% of bank deposits be paid by the banks. Under the original arrangement banks

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<sup>41</sup> The New York Times, October 27, 1920; Chicago Tribune, October 27 and December 1, 1920.

<sup>42</sup> The New York Times, October 30, 1920.

operating under the moratorium had been required to pay 10% of ordinary demand deposits and 12% of savings accounts.<sup>43</sup>

With regard to the much talked-of loan to the Cuban Government there was some unavoidable delay due to the fact that the President believed he had not the power to pledge the credit of the Republic for a loan and must obtain the consent of the Cuban Congress before anything could be done. The Congress did not regularly convene until Early in December and there was the possibility that that date would have to be pushed forward, because final results of the November election had not been reported and upon them depended the formation of the Cuban Congress.<sup>44</sup>

Just when it seemed that the joint loan was about to become an actuality, events took a new turn and the report came out that the bankers then preferred to arrange the credit separately. Just why the proposal for joint action was to be abandoned, no one seemed to know. Another scheme was offered as a possible solution. It was thought that a group of American and foreign banks might take over a large block of the sugar loans made on the carryover (300,000 tons) from the year before. The proposition made was that the banks advance a certain sum to the Cuban bankers on the sugar as collateral and also make some further advances on the new crop, the total amount to be somewhere between \$40,000,000 and \$50,000,000. Whether any such amount could be raised by banks acting as individuals was a question no one was prepared to answer.<sup>45</sup> Another suggestion was that dealers in the United States might

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<sup>43</sup> Ibid., November 13 and 17, 1920.

<sup>44</sup> Ibid., November 13, 1920.

<sup>45</sup> Ibid., November 19, 1920.

arrange to divert 150,000 to 200,000 tons to European markets. An attempt to do so was under way in New York. If successful, the arrangement would aid greatly in clearing up the situation in Cuba, would eliminate a great mass of raw sugar left over from 1919-1920 and would supply the Cubans with funds to carry on in the grinding season. It was rumored that a buyer could be found in the British Royal Commission, whose purchasing agent was then in the United States. New York brokers were optimistic that a buyer could be found if the price was satisfactory. Though the Cubans refused an offer of 5 cents a pound on November 18, the immediate drop to 4-1/2 cents would probably make them more ready to deal with prospective purchasers.<sup>46</sup>

It seemed extremely likely that the Cuban brokers and planters would be favorably inclined toward a plan such as this because they needed ready cash to finance themselves for the grinding season of the new crop. It was said by competent observers that 60 to 75% of the sugar mills in the Island were dismantled for repairs and replacements, with most of the machinery they needed not available. About 700 carloads of the required machinery were between Jacksonville and Key West, Florida awaiting shipment. 400 cars of supplies were in the customs houses at Havana and additional quantities were on ships in the harbor or standing idle on the wharves. Usually the mills were grinding by December 15 but that could not be done in 1920. The usual plan followed by the buyers was to pay 30% on delivery of the machinery, 30% about January 1 and the remainder when the crop became marketable in February or

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<sup>46</sup>

Ibid., November 19, 1920.

March. This year they had no money for even the first installment or for freight charges and customs duties.<sup>47</sup>

Despite all these difficulties the local bankers said they were confident the situation would be much improved by February or March when the 1921 crop would be marketable and banking and commercial conditions would be relieved. The crop prospects, for the year indicated a final yield of 3,300,000 tons instead of 3,700,000 tons of the previous year. The bankers looked for no difficulty in disposing of the crop and felt that the relatively light crop of the current year would absorb the 300,000 ton carryover from the preceding season.<sup>48</sup> Merchant of the Banco Nacional estimated the value of the new crop as \$600,000,000 while Steinhart set a much more liberal figure, \$750,000,000.<sup>49</sup> John H. Allen, Vice-President of the National City Bank of New York said Cuba was passing through a short but thorough period of adjustment, a period which had come to her sooner than to some other countries. He stated that there was no need for the United States to buy the crop to stabilize the price, that the laws of supply and demand should govern the price and that there would be no difficulty in finding a market. Consideration of the situation from all angles, according to Allen warranted taking a hopeful view of the matter. Monahan, Vice-President of the Bank of Cuba said "Cuba has weathered cyclones, whirlwinds and revolutions. She can pull through this."<sup>50</sup>

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<sup>47</sup> Ibid., November 13, 1920.

<sup>48</sup> Ibid., November 13, 1920.

<sup>49</sup> Ibid., November 21, 1920. (Special article).

<sup>50</sup> Ibid.

On November 22 the situation another new turn. According to information from a reliable Havana source President Menocal intended to decree an embargo on exports from the holdover sugar of the 1919-1920 crop. He claimed that such a step was necessary because of demoralized conditions in the world's sugar market and because of the claim of Cuban producers that they could not continue to operate at the current low prices. The embargo would be only a temporary measure pending action by the Cuban Congress to authorize the Government to contract loans for handling the 1920-21 crop. The Government would go one step further by creating a national board to act as a medium for disposal of the crop. Many planters indicated that no sugar would be available from the new crop until January, because of late grinding.<sup>51</sup>

On the same day, November 22, the United States' Department of State expressed its attitude on the various plans so far suggested. The statement first specified that there <sup>were</sup> two things causing the confusion in Cuba; namely, the demoralization of the sugar market and the moratorium. It was considered imperative that the moratorium be speedily ended in order to avoid large losses by sound banks. The suggestion made by Cuban sugar men, that their Congress authorize the issuance of emergency currency certificates to be secured by real estate mortgages, sugar warehouse receipts and the like, was definitely frowned upon as a solution which would only make a bad situation and would actually put the Cuban Government in worse financial straits. The statement further said

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<sup>51</sup> Ibid., November 22, 1920.

Such an issue, if receivable for customs duties and government debts would at once cut off the Government's revenue and the extent to which they are paid out by the Government for wages or for amounts due by the Government would result in placing in the hands of creditors a currency which they could not in turn pass on to their creditors.

The State Department saw a danger signal in the very small demand for sugar even at constantly lowering prices and expressed the fear that if the condition continued, the new crop would be sold by needy planters for any price they could get while the stronger ones would withhold their sugar until the selling wave passed and would then put sugar once again to unreasonably high prices. With regard to the sales committee proposed by Menocal the State Department said that the existing situation was one where it had been impossible for buyers and sellers to meet on common ground; that that difficulty could not be corrected through a sales committee because such a group of men would not actually control sugar in the sense of having it in its own hands, ready to sell when a demand developed. Actually, what the State Department feared was that the suggested plans, without benefiting the market for sugar "would simply result in putting all Cuba on a paper money basis and undermining foreign confidence in Cuban business stability?" It was to be clearly understood that the United States was not attempting to maintain a price for sugar. Its interest was to see that Cuba reestablished some kind of a market for her crop and avoid any situation which would further prevent getting out the next crop of sugar.<sup>52</sup>

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<sup>52</sup> Foreign Relations, II, 1920, 47-49, (Telegram. The Acting Secretary (Davis) to the Minister in Cuba (Long) ), November 22, 1920; The New York Times, December 1, 1920.

December opened with the news that the chances for a loan seemed brighter than before, that a conference between Cuban officials and American bankers gave rise to the feeling that a definite announcement of terms and amount would soon be made. The fear that the Cuban Congress might put some obstacle in the way seemed to have been successfully allayed, though no one would admit having received definite assurances of any sort. Should one large loan be arranged it would, of course, take the place of various private loans and bank credits which had been under discussion. Private and individual negotiations would undoubtedly still go on but the general financing plan, so-called, would be included in a large loan to the Cuban Government.<sup>53</sup> However, the greater part of December sped by with the only development being the arrival in Cuba of Albert Rathbone, retained by the Cuban Government as financial adviser in connection with the loan.<sup>54</sup> The day before Rathbone left for Cuba Long sent a telegram to Davis, calling to his attention a proposal then before the Cuban Congress. The plan called for a new economic set-up, the main features being the

extension of the moratorium until the end of April, authorizing and empowering the President of Cuba to make a loan of \$100,000,000; to dispose of the sugars on hand and, through a commission, to control the sales of the future crop, accepting bonds of foreign powers in payment.<sup>55</sup>

Long was immediately authorized to notify Rathbone and inform President Menocal if that seemed necessary that the provisions of the Dolz Bill, referred

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<sup>53</sup>The New York Times and Chicago Tribune, December 1, 1920.

<sup>54</sup>Foreign Relations, II, 1920, 49, (Dispatch. The Acting Secretary (Davis) to the Minister in Cuba (Long) ) December 10, 1920.

<sup>55</sup>Ibid., 49, (Telegram. The Minister in Cuba (Long) to the Acting Secretary (Davis) ) December 10, 1920.



to in the telegram of December 10, were highly objectionable and unsound. Should the bill pass the Cuban Congress, it would prevent the floating of the loan desired by Cuba in the United States.<sup>56</sup>

Though ostensibly Rathbone and Menocal were on amicable terms the suggestions made by the financial adviser never seemed to be striking a responsive note with either the President or the Congress. Shortly after Rathbone's arrival, Long reported to Acting Secretary Davis that in an interview with several men of wide experience in Cuban affairs, he (Long) had received the impression that the good offices of Rathbone would come to nothing and that the Cuban President and Congress would legislate as they saw fit, despite his recommendations. In an early interview with Rathbone which Long also attended Menocal said that the Dolz law of December 10 was based upon the Majority Plan recommended by the Cuban bankers. Rathbone was quick to call to his attention the fact that the bankers had told him that the Majority Plan had been hastily formulated and that with the passing of time and with more careful reflection their views had been considerably altered. Menocal countered by saying that the modifications could not have been very serious or he would surely have been notified. The two then discussed the advisability of disposing of the sugar on hand and the difficulties to be encountered should the Government attempt to control its sale. Menocal requested that Rathbone put in writing his suggestions for further action. Both Porfirio Franca, General Manager of the National City Bank and Senator Cease de la

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<sup>56</sup> Ibid., 50, (Telegram. The Acting Secretary (Davis to the Minister in Cuba (Long) ) December 14, 1920.

Torriente, formerly a Conservative but then an Independent, and chairman of the Senate Foreign Relations Committee, were out of sympathy with the Dolz proposals.<sup>57</sup>

By December 21 Rathbone had a report ready for President Menocal and presented it at his third and last interview with the Cuban President. He was told that he would be advised at a later date if there was further need for his services. Menocal did not make the report public but sent a copy to the United States Government. Long privately recommended to Acting Secretary Davis that the financial adviser's connection with Cuba be continued until the loan still pending in New York should be completed.<sup>58</sup>

Rathbone's report to Menocal contained nothing startling and nothing new. He repeated what many others had said, that Cuba was fundamentally sound and that inflation of prices and credits was a world wide condition. Admitting that deflation was necessarily unpleasant, Rathbone stated that artificial interference with the operation of the natural laws would only aggravate and prolong the trouble. The moratorium had served its purpose in enabling merchants and banks to meet demands upon them but had also had the unfavorable result of impairing confidence in the banks. Government aid could, he felt, be wisely given to help restore that confidence. He strongly advised against the use of any emergency circulating medium, stating that any such medium would "inevitably and immediately go to a discount as compared with the United

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<sup>57</sup> Ibid., 50-51, (Dispatch. Number 631. The Minister in Cuba (Long) to the Acting Secretary (Davis) ) December 17, 1920.

<sup>58</sup> Ibid., 52, (Dispatch. Number 645. The Minister in Cuba (Long) to the Acting Secretary (Davis) ) December 21, 1920.

States dollar" and as a result commodity prices would increase. Rathbone said that an immediate declaration by the Cuban Government that it would not permit any emergency currency measures would do much to relieve fear and restore confidence. Rathbone did suggest, however, that the Cuban President be authorized by proper legislative action to contract a loan or loans not to exceed \$100,000,000 and for it to issue bonds free from all Cuban taxes in one or more series. Not less than \$50,000,000 of such bonds should be sold in the United States. Any part of the bond issue not sold should remain available for future use if necessary. Other suggestions were: to set a date for the lifting of the moratorium, but not until the proceeds of the suggested loan should be available; to give Menocal time to complete the loan arrangements, an extension of the moratorium for thirty days with authority to terminate it at any time on ten days notice; to immediately lift the embargo on the export of American currency from Cuba, since flotation of a loan in the United States would otherwise be impossible. Control by the Cuban Government of the coming sugar crop would be a step backward and would be regarded by the world at large as an attempt to artificially fix the price of sugar. Adequate banking and currency facilities should be planned to meet the rapid advances in industry and business then in Cuba and the increase in the volume of trade and business which she could expect in the future.<sup>59</sup>

On December 25 the word was given out that another new scheme was in

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<sup>59</sup>Ibid., 52-57, (Number 645. Enclosure in dispatch from the Minister in Cuba (Long) to the Acting Secretary (Davis) ) December 21, 1920.

the air and was very shortly to be introduced into the Cuban Congress. The proposal came from Colonel Jose Tarafa, foremost adviser of President Menocal and prominent Cuban financier. His proposal was to the effect that Cuba adopt as much of the United States Federal Reserve System as was legally possible. Should there be obstacles to Cuba's incorporation into the system Tarafa suggested that the United States should help Cuba to establish a bank of emission in Havana. Another plan provided for the extension of invitations to American banks, in the confidence of the Federal Reserve Board, to establish branches in Havana in agreement with the Cuban Government and under regulations that governed the United States Federal Reserve Banks. The United States was to be asked to set up a branch in Havana to take up dirty and un-sanitary American bills and replace them with new ones. Other recommendations in the Tarafa proposal were: issuing of two series of bonds to secure bank loans; governmental guarantee of the savings deposits of workers; inspection of banking institutions by a proposed National Treasury Commission which would have the power to suspend Government loans to banks found guilty of violating regulations.<sup>60</sup>

Unofficial information from Cuba said that a quorum at the special session of Congress called to consider the financial emergency bills would probably not be available, since the group so consistently opposing financial reform was certain to continue the tactics which had been successful to that point. Thus the year 1920 closed with the loan situation still full of conjecture.<sup>61</sup>

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<sup>60</sup> The New York Times, December 25, 1920.

<sup>61</sup> Ibid.

American bankers had been saying repeatedly that abolition of the moratorium was the first step toward recovery, calling the moratorium inadvisable because it could not help insolvent banks and was a severe punishment to solvent ones.<sup>62</sup> On January 10, however, the emergency regulation was still in effect and Menocal was quoted as saying that the crisis was produced by

the abrupt withdrawal by American banks of credits which had always been extended to Cuba.....To facilitate the harvest the moratorium was a necessity of the moment.<sup>63</sup>

On January 14 the Cuban Senate passed a bill known as the Torriente bill authorizing continuation of the moratorium on a modified basis for four months. The measure had the approval of General Crowder and the sanction of President Menocal, so its fate then depended upon the House of Representatives.<sup>64</sup> The underlying intention of the Torriente bill was to enable both banks and merchants to demonstrate their solvency and to resume business without the aid of a foreign loan, by granting to them a limited period to make partial payments and to defer for the same limited time the right of creditors to take any legal action against them.<sup>65</sup> The plan as outlined stipulated that merchants were to meet their bills in a series of installments, culminating in June. Banks were given a longer time, but had to pay 10% to depositors and other creditors upon February 10; 15% by March 10; 20% upon April 10; 25% may 10; and the balance June 10. Jenks characterized this bill as emergency bank legislation which removed the moratorium upon bank deposits and mercantile indebtedness without helping credit or improving the economic

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<sup>62</sup> The New York Times, The Christian Science Monitor and Chicago Tribune, January 5, 1921.

<sup>63</sup> The New York Times and Chicago Tribune, January 10, 1921.

<sup>64</sup> Ibid., January 14 and January 22, 1921.

situation. He claimed that the law cast an "aura of optimism upon the financial situation while the political crisis came to final adjustment". The respite provided merely helped to make the impending disaster inevitable and Cuba would have been better off to face the worst at the outset.<sup>66</sup>

It seemed that the Torriente bill was very favorably received by the House. Reports were circulating that it would soon pass with some amendments acceptable to both bankers and officials. Under its provisions a commission of three was to be appointed by Menocal to help straighten out the banking crisis. Any banks desiring to take advantage of the law would do so by placing themselves under the supervision of the proposed commission and receive a period of five days after the law became operative in which to liquidate their deposits. The same privilege would be extended to merchants many of whom made loans a part of their regular business. Banks which did not need to take advantage of the new law would no longer be under the moratorium as it would be lifted by the operating of the new law. Foreign banks would not be affected in any way.<sup>67</sup>

Any bank which applied to come in under the Liquidation Law (Torriente bill) bound itself to liquidate by percentages upon the specified dates. Failure to meet any one of the payments on specified date would automatically mean suspension of the institution. However, any group of stockholders, creditors or officers who desired were permitted to submit to the liquidating

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<sup>66</sup> Jenks, 241-242; Current History, XIII, March, 1921; Independent, CV, February 19, 1921.

<sup>67</sup> The New York Times, January 25, 1921; The Christian Science Monitor, February 2, 1921.

commission a plan for reorganization. Should the plan be approved the institution would then be permitted to reorganize, subject to the committee's supervision. The members of the liquidating commission were Miguel Iribarren, Secretary of the Treasury, Oscar Wells, President of the First National Bank of Alabama (named on the recommendation of the United States Federal Reserve Board) and Porfirio Franca, of the Havana Branch of the National City Bank of New York.<sup>68</sup>

The changes made in the Torriente bill as requested by the House of Representatives required several days, so it did not come up for a final vote until January 28. In the interim the New York press carried some encouraging news in the shape of an optimistic prophesy made by James H. Edward, representative of the Irving National Bank in Cuba. He claimed that conditions were much better, that partial resumption of sales from the United States could be expected soon and that the percentage of actual loss to exporters in the United States and elsewhere would be smaller than had been expected. He laid much of the blame for the crisis on the shoulders of foreign exporters, including Americans, who in order to take advantage of rising prices in their own countries delayed deliveries of goods ordered by Cubans. When the order did not come on time, often the Cuban merchant placed a duplicate order with another firm. If this too was delayed, he tried another. Eventually the market broke, long delayed shipments arrived, often all at once, with Havana harbor and warehouses loaded. As a result some Cuban merchants re-

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<sup>68</sup>The New York Times, February 18 and 19, 1921.

ceived at top prices three or four times more merchandise than they normally would put in stock. Be it said, to the credit of the Cubans, that they did not except in rare cases cancel the orders, but were sporting enough to abide by their bargain.<sup>69</sup>

January 29 brought news of a step forward at last. The Torriente law passed and was signed by Menocal on January 28. More favorable conditions were reported in Havana harbor. Only 70 American vessels were there as compared with 78 the previous week. 47 American vessels and 10 foreign boats cleared from the port in one week. A special supervisor was in charge. 30 private warehouses had been bonded to handle surplus merchandise and more were available if needed. Because of complete clearance of the Government wharf merchandise long held on lighters in the harbor was received at the wharf. If merchandise was not removed within a certain time limit it was carried from the port to the Government storage house, held for 10 days and then auctioned.<sup>70</sup>

February 1 saw the end of the strict moratorium and the beginning of the sliding scale of payments. President Menocal announced that the law would cover inspection of private banking institutions and would insure to the depositors and creditors of liquidated and reorganized institutions the utmost possible benefit. At the same time an unofficial announcement was made that the Cuban Government was trying to arrange a satisfactory minimum price for the coming sugar crop and the balance of the 1920 output. Optimists were

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<sup>69</sup>The New York Times, January 27, 1921; "Cuba's Commercial Ordeal", Pan-American Magazine, XXXII, March 1921, 213-215.

<sup>70</sup>The New York Times, January 29 and February 2, 1921; Chicago Tribune, February 2, 1921.



looking for a six cent minimum and were expecting that regulation, if there was to be any, would prohibit exportation below a specified price.<sup>71</sup>

The Torriente law met with disapproval from Frank Steinhart who claimed that abrupt lifting of the moratorium would throw into bankruptcy or cripple a number of important Cuban banks. Coming events were to verify his judgment. He had advocated extension of the moratorium in modified form providing for monthly payments until the total indebtedness had been paid. He felt, too, that Crowder from his vast experience and his willingness to consult the Cuban viewpoint would handle such a situation judicially and could at the same time consider the wishes of the Cuban business men. He spoke against removing the restriction on exports of Cuban sugar to Europe giving as his reason the idea that a sugar shortage in the United States would result. Porto Rican planters were claiming their cost per pound to be 6 cents. Considering the increase in labor costs in Cuba and the price of sugar at 4 cents per pound, he insisted that Cuban planters could not afford to grow sugar.<sup>72</sup>

On February 8 the Cuban papers announced the appointment of a Sugar Finance Commission. It was to have seven members, four Cubans and three Americans, and was to formulate rules and regulations governing the whole problem of marketing the sugar crop. The members of the committee were to receive no compensation. Infraction of the rules laid down by the commission would mean that the offender would be refused further permits. This was considered to be a worthwhile plan by R. B. Hawley, president of the Cuban

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<sup>71</sup>The New York Times, February 1 and 3, 1921.

<sup>72</sup>Ibid., February 2, 1921.

American Sugar Company who said that the Cuban government was thus indicating its intention not only to defend its own industry but also to protect the American consumer against abnormal conditions. He said it was not the purpose of the commission to hold or hoard sugar but at all times to offer it freely wherever it was needed at the prevailing market price. Monahan, Vice-President of the Bank of Cuba, also praised the idea saying that President Menocal had appointed a commission of such high standing and knowledge of the sugar business that that alone should inspire confidence. Members of the commission were:<sup>73</sup>

Manuel Ronda, Chairman of the Board of Directors  
of the Cuba Cane Sugar Corporation

R. B. Hawley, President of the Cuban American  
Sugar Company

J. M. Tarafa } representing so-called independent  
Manuel Aspuru } companies or smaller producers

Porfirio Franca, National City Bank

Frank J. Beatty, Royal Bank of Canada

General Eugenio Agramonte, Secretary of Agriculture,  
Commerce and Labor as representative of the Cuban  
government

The Bank of Cuba was the first to take advantage of the Torriente law for liquidation. Since it was a depository for Government funds the question was immediately raised as to whether the Government had a right under its contract with the Bank of Cuba to insist upon payment in full of approximately \$22,000,000 as a preferred creditor. Another situation arose which was a

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<sup>73</sup> The New York Times, February 9, 13, and 20, 1921; Chicago Tribune, February 21, 1921.

bit disconcerting, to say the least. Banker's lawyers advised them that the first payment need be only 5% instead of 15% as previously accepted in the Torriente interpretation.<sup>74</sup>

Early in February word reached the United States Department of State that the proposed Cuban budget for 1921-1922 was \$70,000,000 over that of 1918-1919. Minister Long was immediately notified to tell President Menocal that the United States considered such a great increase in expenditures at such a precarious time as very dangerous. It was very pointedly suggested that President Menocal arrange to have Cuba operate again on the 1918-1919 budget. Menocal readily indicated his willingness to cooperate.<sup>75</sup>

On April 9 the day before the third payment under the Torriente law fell due, the Banco Nacional closed its doors, with liabilities amounting to \$67,660,126.92, about \$1,500,000 cash on hand and \$81,660,126.92 total resources, of which more than \$20,000,000 were immediately pronounced worthless. At once the institution applied for reorganization. Mendoza, vice-president of the bank, declared that it could meet all claims in a reasonable time, saying that deficiency of currency had been its only trouble and that it was otherwise in a strong position.<sup>76</sup>

In the light of the failure of an institution as prominent as the Banco Nacional it is difficult to reconcile a statement made May 8, scarcely one month later, by C. E. Bacon, Assistant Manager of the New York Clearing House.

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<sup>74</sup> The New York Times, February 12, 1921.

<sup>75</sup> Foreign Relations, I, 1921, 675, (Telegram. The Secretary of State to the Minister in Cuba (Long) ) February 11, 1921; ibid., 676, (Dispatch. Number 753. The Minister in Cuba (Long) to the Secretary of State) February 18, 1921.

<sup>76</sup> The New York Times and Chicago Tribune, April 11, 1921.

He had been in Cuba helping to organize the Cuban Clearing House which began operations April 25. Bacon said conditions were improving because of a general restoration of confidence in the Island. The Cuban Clearing House was working smoothly under the management of W. H. Morales formerly of the National Bank of Cuba. All solvent native banks as well as several foreign branches joined the Clearing House.<sup>77</sup>

The optimistic statement of Bacon is especially questionable in the light of the uneasiness felt by all, even by Crowder, in the middle of May when the moratorium was finally and officially drawing to a close. It was hoped that announcement of a loan made in the United States could be given out and that that would restore business morale.<sup>78</sup>

Eight banks having a total of 123 branches, headed by the Banco Internacional failed during May. Three more followed suit in June, the last to admit defeat being the Banco Espanol which applied for liquidation June 6, just before the final 25% of deposits became payable. The total indebtedness represented by the 18 banks amounted to \$130,000,000 and the bulk of this was in deposits. Only four small banks could meet the conditions imposed for re-organization by the Torriente law. Thus Cuba was deprived of credit facilities except those provided by American banks which had stayed to the finish. The National City Bank of New York and the Royal Bank of Canada replaced the Banco Nacional and Banco Espanol as the leading banks of Cuba.<sup>79</sup>

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<sup>77</sup> The New York Times, May 8, 1921.

<sup>78</sup> Ibid., May 12, 1921.

<sup>79</sup> Jenks, 244-245; The New York Times, May 12, 1921.

President Zayas took office May 20 and immediately announced as one of his first plans a move to initiate modifications of the commercial treaty between Cuba and the United States.<sup>80</sup>

Faced with the ultimate crumbling of hopes based on the Torriente law, the Zayas administration at once began to consider the advisability of a completely reorganized banking system, which would closely follow the Federal Reserve System of the United States. American bankers suggested as a first step the establishment of a central bank to issue notes and act as fiscal agent for the government but which would not take part in individual negotiations. Smaller banks could come under the protection of the central bank by joining the System and taking advantage of its resources. The Clearing House, operating since April 25, was regarded as the first move in the reorganization.<sup>81</sup>

Depositors were upset once again at the end of May by newspaper attacks upon foreign banking institutions. To allay fears of insolvency many of them kept up to 75% of their deposits on hand for possible runs, thus withdrawing money from circulation and thus curtailing business development still further. The banks involved announced that they had no intention of withdrawing from business and abandoning the field to gratify their attackers. Instead, they demanded and received from Zayas a statement that they would be protected from further annoyance. Offenders would be liable to prosecution under the criminal laws.<sup>82</sup>

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<sup>80</sup> The New York Times, May 21, 1921.

<sup>81</sup> Ibid., May 24, 1921

<sup>82</sup> Ibid., May 29, 30, 31 and June 2, 1921.

To further illustrate the disturbed tenor of the Cuban populace and especially the Cuban legislators it is wise to point out the introduction of a resolution in the Lower House of Congress asking the Chief Executive to furnish the Congress with information on the mission of General Crowder in Cuba and the powers which he possessed. The deputy who introduced the resolution, which was adopted, declared that the United States in aiding Cuba to obtain independence had acted simply for the selfish purpose of increasing her world power. Though the charges were denounced by other deputies of both Liberal and Conservative factions, yet the occurrence left a resultant bitterness of feeling.<sup>83</sup>

Up to this point there was very little information to be gleaned from Foreign Relations about the loan situation, but from June 1 on the State Department seemed to take a more active interest in the affair. Perhaps, as Jenks suggested, the official statements would be too incriminating and were, therefore, never released. Perhaps the situation actually did not warrant the steady attention of the State Department. At any rate, it was not until June that the records showed a fairly continuous exchange of correspondence between Crowder and the Department of State.<sup>84</sup>

On June 1 Secretary of State Hughes notified Minister Long that New York banking interests were willing to make the Cuban Government a loan up to \$50,000,000 if Cuba so desired.<sup>85</sup> Crowder's immediate response was that Zayas

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<sup>83</sup> Ibid., June 3, 1921; Los Angeles Times, June 3, 1921.

<sup>84</sup> Jenks, 237.

<sup>85</sup> Foreign Relations, I, <sup>1921</sup>7698, (Telegram. The Secretary of State to the Minister in Cuba (Long) ) June 1, 1921.

was making serious and apparently sincere efforts to economize sufficiently so that a loan could be avoided. He voiced the thought that the Cuban President might and probably would, relax in this effort if he thought the loan was easily available. With this in mind Crowder advised that the Cuban Government should not be approached until a dependable statement of national finances should be submitted and should demonstrate the necessity for a loan.<sup>86</sup>

It was not expected that the final expiration of the moratorium would affect the financial and economic situation to any appreciable degree, since apparently all the weak banks had been weeded out under the Torriente liquidation clause. The Government was still debating about its legislative program with reference to the central bank idea, and other means suggested to restore public confidence. All seemed to be realizing at last that there was no immediate or magic "cure-all" for Cuba's woes--that all she could do was pocket the loss and restore conditions to normal gradually through efficient and economical management both by Government and financial enterprise. Neither loan nor legislation could accomplish the result unaided. Legislative measures necessary to bring about the proposed administrative reforms would be many, large in scope and would require careful study.<sup>87</sup>

On June 17 one more bank, the Banco de Proprietarios, Industriales y Airen, was forced to suspend payments. Reorganization of three others, the Banco Nacional, Banco Internacional and Banco Espanol was proceeding as speedily as possible.<sup>88</sup>

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<sup>86</sup> Ibid., 698, (Telegram. The Special Representative in Cuba to the Secretary of State) June 4, 1921.

<sup>87</sup> The New York Times, June 7, 1921; The Christian Science Monitor, June 8, 1921.

<sup>88</sup> The New York Times, June 17, 1921.

The report on finances which Crowder had expected from Zayas on June 10 was not received on time but when it did reach Crowder he wired Hughes that it was incomplete and unsatisfactory, that he had accumulated data himself from other sources and had engaged the services of an expert American accountant to analyze and complete the statement. Up to that date, Zayas was still of the opinion that the situation did not demonstrate the necessity for a loan.<sup>89</sup>

By June 23 Zayas had some plans ready for submission to Congress though not all details were settled. His ideas called for a combination of Cuban and American banks subject to governmental intervention and control. Still debating the necessity of a loan, Zayas said the amount, if finally needed, would be in the neighborhood of \$40,000,000.<sup>90</sup>

Two days later Zayas had either just reached a conclusion or else had decided to stop hedging, for when confronted with Crowder's version of his (Zayas) report on financial conditions with corrections and modifications made by the American accountant, he admitted the correctness of the report and the real gravity of the situation. He tentatively suggested a loan of \$70,000,000 though four days earlier he had said \$40,000,000 would be ample. He hoped that the loan could be so arranged with interest rates and time adjusted to Cuban requirements, that a sum of \$65,000,000 would be made available for use to be paid in quarterly installments. \$35,000,000 would be

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<sup>89</sup> Foreign Relations, I, 1921, 699, (Telegram. The Special Representative to the Secretary of State) June 20, 1921.

<sup>90</sup> The New York Times, June 23, 1921.



needed at once and the remainder in three equal tri-monthly installments of \$10,000,000. Crowder told Hughes that the situation was very serious and that he would advise the Department on the suggested \$70,000,000 as soon as he had given it further study. He was not a little dubious about the suggestion, saying

As at present advised I seriously doubt the ability of any Cuban administration to establish with requisite good feeling the necessary drastic economies and to enact the necessary revision upwards of Cuban tax laws both of which are indispensable measures to the raising of the additional revenues for adequately securing the proposed new loan.<sup>91</sup>

A few days later Hughes sent word that the New York bankers had advised the State Department that the maximum loan which could be floated in the United States was \$50,000,000 and that they would not be willing to advance that amount

unless provision is made for the appointment of a commission satisfactory to the United States Government and to American bankers empowered to administer the proceeds of said loan and to control that portion of the revenues necessary to meet the service of that obligation. In the opinion of the bankers, approximately one half or a larger portion of the loan should be advanced to the Cuban Government for the purpose of meeting current obligations and extinguishing the deficit the remainder to be utilized to pay up the capital of a Cuban Finance Corporation modeled upon the War Finance Corporation of the United States, this corporation to have power to extend credits to purchasers of Cuban sugar, to make advances on sugars in warehouses and to purchase sugars in an amount not exceeding the estimated surplus of the present sugar crop at the lowest practicable price.

In addition the message said that a delegation, as proposed by the Cuban

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<sup>91</sup>Foreign Relations, I, 1921, 699-700, (Telegram. The Special Representative to the Secretary of State) June 25, 1921.

Government, to confer with the United States Department of State regarding the loan, would undoubtedly expedite matters greatly if full power could be given to the delegation to negotiate the loan.<sup>92</sup>

Saying that a \$50,000,000 loan would be only a little more than necessary to wipe out the national deficit, Zayas suggested a substitute plan for two loans, an interior and an exterior one. The interior loan would be under terms and conditions similar to the interior bond issue of 1917 and would be used exclusively for wiping out the national debt. Zayas was of the belief that such bonds would be acceptable to holders of current obligations at par value and would thus effect a great saving. The exterior loan would be exclusively available for extension of credit to purchasers of Cuban sugar and for making advances on sugar in the warehouses.<sup>93</sup>

Just about this time Zayas issued statements about a series of reforms in government which he proposed to put into effect. Among them were:

1. Rigid economy by reducing the budget of the Government expenses for the year beginning July 1 from \$136,000,000 to \$80,000,000.
2. Cuts in every Government department except education.
3. A revised commercial reciprocity treaty with the United States especially regarding sugar and tobacco.
4. Establishment of a national bank which could issue notes and act as fiscal agent of the Government.<sup>94</sup>

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<sup>92</sup> Ibid., 701-702, (Telegram. The Secretary of State to the Charge d'Affaires in Cuba (Cable) ) June 29, 1921.

<sup>93</sup> Ibid., 702, (Telegram. The Special Representative to the Secretary of State) June 30, 1921.

<sup>94</sup> "Reforms under Cuba's New President", Current History, XIV, July 21, 1921, 715-716.

The ever present bugbear, rumors of United States intervention, caused the State Department to issue a denial of any intention of financial intervention. Though admittedly serious, the Department said the situation did not require drastic action.<sup>95</sup> The day after this Crowder sent word to Hughes that he had been invited by President Zayas to act in an advisory capacity to the committee handling the loan negotiations.<sup>96</sup>

To the J. P. Morgan Company, prime mover in the loan negotiations, the Secretary of State sent word that the Department was not prepared to make any definite statement about the loan. Because of the provisions of the Platt Amendment, he said the Department felt

itself obliged, before authorizing any increase in the public debt of Cuba to assure itself that the ordinary revenues of the Republic are sufficient to meet the service of such a debt.<sup>97</sup>

In answer the Morgan Company said that they had no intention of pressing the Department for an early answer but wished the Department to know that they were endeavoring to keep in touch with the Secretary so they could be of service when needed in a matter which to them appeared to be very serious. The letter stated

In view of the relation which we have borne to the proposal for a Cuban Government loan we have been anxious that we should not appear by any act or omission of ours to delay the solution of the problem.<sup>98</sup>

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<sup>95</sup>The New York Times, July 7, 1921.

<sup>96</sup>Foreign Relations, I, 1921, 704. (Telegram. The Special Representative to the Secretary of State) July 8, 1921.

<sup>97</sup>Ibid., 705. (Dispatch. The Secretary of State to the J. P. Morgan Company) July 9, 1921.

<sup>98</sup>Ibid. (Dispatch. The J.P. Morgan Company to the Secretary of State) July 13, 1921.

In a statement made before Zayas and a mixed Parliamentary Commission, Crowder said that he knew the United States was disposed to efficiently aid in the solution of present difficulties. He also offered suggestions for revision of the reciprocity treaty between the two countries. The Parliamentary Commission urged Zayas to ask Congress for approval of a budget which could be met from the Government's income, and also to request authority for the President to reduce tariff duties 30% on articles of prime necessity and increase by 30% duties on imports from countries discriminating against Cuban products. The suggestion was also made that Zayas propose an agricultural credits law authorizing banks to lend money on crops.<sup>99</sup>

A special session of the Cuban Congress, called for July 18 was to spend the bulk of its time on measures for the rehabilitation of the National Treasury of Cuba.<sup>100</sup> In Zayas' message to the Congress he apparently seemed to be contemplating only an interior loan. Asked by Crowder if such was the case, Zayas answered that he himself realized the necessity for a foreign or exterior loan, too, but, being aware of the hostility many felt toward a foreign loan he had considered it advisable to speak only about the interior one. When he felt that he had won over the majority of both Houses to his plan, then he intended to broach the other idea. Crowder inquired if many members, as reported, favored the interior loan because they believed that it did not come under the Platt Amendment and therefore did not need the sanction of the United States Government. The answer was that many so expressed them-

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<sup>99</sup>The New York Times, July 15, 1921.

<sup>100</sup>Ibid., July 13, 1921.

selves but that he fully recognized that interior loans were public debts and as such came under the regulations laid down by the Platt Amendment. He advised Crowder not to take such expressions seriously as they were emanating only from those impatient with the restrictions of the Amendment.<sup>101</sup>

On August 1 Crowder received a communication from Sumner Welles, Acting Chief of the Division of Latin American affairs, containing three definite recommendations, as follows:

1. That it is the definite feeling here that an interior loan for the reasons set forth in the attached memorandum should not be permitted.
2. That the flotation of an external loan is essential to enable the Cuban Government to extinguish the existing deficit and to give relief to the sugar producers.
3. That a Cuban loan can not be floated in this country unless the American public can be assured that certain definite guarantees have been given to insure the collection of a sufficient portion of the ordinary revenues of the Republic to meet the service of such a sum.

Welles suggested that Zayas be urged to send a delegation to Washington immediately to discuss the loan basis. W. E. Pulliam, tariff expert, was being sent to Cuba as Crowder had requested assistance of an expert to help arrange changes in the commercial treaty then in force.<sup>102</sup>

The attached memorandum referred to by Welles was a lengthy statement containing opinions of various Cubans well versed in the situation, as gleaned by Welles in several conversations with them. One of the Cubans, Colonel

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<sup>101</sup> Foreign Relations, I, 1921, 707, (Telegram. The Special Representative to the Secretary of State) July 21, 1921.

<sup>102</sup> Ibid., 709, (Dispatch. The Acting Chief of the Division of Latin American Affairs, Department of State (Welles) to the Special Representative in Cuba) August 1, 1921.

Jose Tarafa, was of the definite opinion that a loan either external or internal should be floated when the revenues warranted it to be used solely for extinguishing the national debt and that no action should be taken to extend credits to the sugar industry, but that matters there be allowed to take their own course. Tarafa's private opinion was that 40% of the producers, especially on the western half of the Island, would fail anyway, no matter what aid or how much was given to them. He believed it wiser to let the crash come then and start afresh, rather than postpone it, for postponement was all it would be.

Norman H. Davis had a different slant on the matter. He recommended four things:-

1. An exterior loan of \$30,000,000 to tide the Government over its present difficulties and to clear up the major portion of the \$46,000,000 deficit;
2. An additional exterior loan of \$20,000,000 preferably in short term notes to help relieve the sugar situation and liquidate frozen credits;
3. The creation of a Cuban Finance Commission to have 5 members, two to be appointed by Zayas outright, two to be nominated by bankers floating the loan but appointed by Zayas and one, nominated by the United States Federal Reserve Board but appointed by Zayas;
4. Dropping the idea of an internal loan as an impracticable situation.

The third suggestion Welles received came from the banking group which held that the only practical way to be sure of a successful flotation would be the establishment of a receivership general of Cuban customs similar to the one then functioning in Santo Domingo or Nicaragua. Welles reaction to

the last suggestion had been that should such measures be put into effect the Cuban Government would resign and intervention by the United States would then become necessary, a contingency which the President of the United States wished, at almost any cost, to avoid.<sup>103</sup>

From this point, negotiations seemed to be progressing smoothly, but certainly not speedily. The program of urgency legislation presented by Zayas contained thirteen points of which five had direct bearing on the loan situation. They were: a crop lien law; budget adjustment downward; reduction of sugar production; issuance of an interior loan to meet the Government deficit and an exterior loan of \$50,000,000 to save sugar and other industries; revision of the Torriente Law of January 31, 1921 creating the Federal Bank Liquidation Commission.<sup>104</sup>

A loan commission was suggested to dispose of the loan with sugar and other products as security while the Government through special taxation would arrange for its amortization and the payment of interest.<sup>105</sup> Both of the Zayas loan suggestions were approved by the Cuban Congress. It was decided to sell the securities taken by the Government during the liquidation of the National Bank in order to realize in part at least on the bank's guarantees for nearly \$28,000,000 in Government deposits. The value of the securities to be sold was problematical. A new tax bill had been passed by the Congress and was waiting for Zayas' signature. This was designed to make it possible for negotiation of a \$50,000,000 foreign loan and a

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<sup>103</sup> Ibid., 711-713, (Dispatch. The Acting Chief of the Department of Latin American Affairs to the Secretary of State) July 26, 1921. (Enclosure in August 1 dispatch to Crowder.)

<sup>104</sup> "Cuba's Tribute to a Former President", Current History, XIV, August 1921, 901-902.

\$45,000,000 interior loan without running counter to the Platt Amendment. Official advice from Havana indicated that Cuba's revenue would be \$72,000,000 as against budget charges of \$64,000,000 leaving a margin of \$8,000,000. The new tax bill provided for increases in the existing taxes as well as new taxes. Zayas indicated that he would not sign the tax law until he learned the attitude of the United States toward the \$50,000,000 loan to be floated there.<sup>106</sup>

September passed and still the loan was not an actuality. By this time Cuba was willing, nay anxious, to negotiate for a \$5,000,000 loan for immediate needs, since the other transaction was so slowly to reach a conclusion.<sup>107</sup> Dwight W. Morrow of J. P. Morgan Company and Norman H. Davis were sent to confer with Crowder and make a survey of the situation, in answer to his urgent request for such assistance.<sup>108</sup> Day by day the outlook changed from a favorable view to an unfavorable one, and then back again. Crowder, on October 10 warned Zayas that the reorganization of banks then going on was made more difficult by the existing instability in Cuba and the absence of sane banking laws. The General said Cuba was doing something dangerous and to his knowledge unprecedented when it attempted tax revisions without having the benefit of the most expert assistance available. The United States, said the General, wished President Zayas to definitely commit himself to a statement that he would keep the year's budget under \$50,000,000 or else that he

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<sup>106</sup> Ibid., August 13, 15, 21, 22, 1921.

<sup>107</sup> Foreign Relations, I, 1921, 733-734, (Telegram. The Secretary of State to the Charge d'Affaires in Cuba (Cable) ) September 24, 1921.

<sup>108</sup> Ibid., 734-735, (Telegram. The Special Representative to the Secretary of State) September 25, 1921.



would show, to the satisfaction of the Department of State, that Cuba could not be efficiently operated on less than \$65,000,000 which was set as the maximum amount.<sup>109</sup>

Zayas and the Morgan bankers seemed to be making progress temporarily but then came to an impasse when Zayas still failed to definitely commit himself to a constructive financial program. Crowder hoped to arrange for a \$5,000,000 loan for emergency use. Then more time and more thoroughness could be used in arranging the general loan. Crowder said he didn't see how Zayas could delay much longer without causing his administration to default on both current obligations and service on their exterior debt.<sup>110</sup>

The Morgan Company representatives returned to the United States having arranged an agreement with Zayas whereby negotiations for the \$5,000,000 loan might be put under way. The agreement did not bind Cuba to borrow the larger amount from the same company. Crowder expected that he would soon receive from Zayas all the guarantees he had requested. Upon those would depend the contract for the small loan and the program for a permanent loan.<sup>111</sup> The promises Crowder expected were received on October 16.<sup>112</sup>

Representatives of six banking houses were in Cuba looking over the situation. The corporations represented were J. P. Morgan and Company, City Company, Dillon Read and Company, Guaranty Company, Blair and Company and

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<sup>109</sup> Ibid., 739, (Letter. The Special Representative in Cuba to President Zayas) October 10, 1921. (Enclosure in October 11 dispatch to Secretary of State.)

<sup>110</sup> Ibid., 739, (Dispatch. The Special Representative to the Secretary of State) October 11, 1921.

<sup>111</sup> Ibid., 748-749 (Telegram. The Special Representative to the Secretary of State) October 13, 1921.

<sup>112</sup> Ibid., 750, (Letter. President Zayas to the Special Representative) October 16, 1921.

Speyer and Company. It was thought that there would not be six direct offers but combinations would be made and thus Cuba might have two or three bids from which to choose.<sup>113</sup> On October 18 the Cubans rejoiced in the rumor that the group headed by Morgan and Company would advance between \$50,000,000 and \$60,000,000, to run from 30 to 40 years at 7%. Formal announcement, so the reports said, would be made within two weeks. The next day carried a contradictory report that the State Department had not given approval of the loan.<sup>114</sup>

On November 16 Crowder notified Hughes that in spite of all promises the Cuban budget exceeded the amount specified, and requested that the State Department withhold its sanction for the advance loan.<sup>115</sup> Three days later Hughes instructed Cable that the desired sanction had to be refused because Cuban revenues for the year would not be sufficient to warrant it. Hughes felt that failure to get the advance loan would seriously impair Cuban credit and jeopardize the chances for the large loan as well. He indicated that he was/willing to officially refuse the sanction until he was thoroughly convinced that every effort had been made to induce Zayas to meet the requirements of the United States Government.<sup>116</sup> Only a few days later Crowder reported to Hughes that he still could not recommend sanction of either loan. He said he had reached that conclusion reluctantly because he so much desired to aid Cuba in the crisis she was passing through. But, said the

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<sup>113</sup> The New York Times, October 4, 14, 15, 1921.

<sup>114</sup> Ibid., October 18, 1921; Chicago Tribune, October 18, 1921.

<sup>115</sup> Foreign Relations, I, 1921, 757-759, (Telegram. The Special Representative to the Secretary of State) November 16, 1921.

<sup>116</sup> Ibid., 759-761, (Telegram. The Secretary of State to the Charge d'Affaires) November 19, 1921.

General,

I am convinced that Zayas fails even yet to appreciate the gravity of the situation and that the appreciation by Congress is much less than his own.<sup>117</sup>

In answer Hughes sent word that the State Department approved of Crowder's attitude and agreed with him that President Zayas' attempts at meeting conditions had so far been entirely inadequate. Nevertheless the State Department was still perfectly willing to continue negotiations.<sup>118</sup> As if to confirm Crowder's opinion, Zayas at a conference on December 10 expressed the opinion that Cuba's credit was not seriously impaired and that he could easily obtain the needed financial assistance if he were free to apply for a loan in the open markets of the world.<sup>119</sup>

The last few days of the year brought conflicting reports. The first said that Cuba had decided upon a budget reduction to a point where it would be unnecessary to continue negotiations for a loan; that the budget would be reduced to a figure that would result in a surplus during the remaining six months of the year. Cuba would then use its own resources to normalize conditions. The other report said that Crowder was going to bring a report on the financial condition of Cuba to Washington; that on his report and recommendations would rest the decision of the State Department. The bankers anticipated a favorable report and expected that the Cuban loan would be the biggest piece of business of the New Year.<sup>120</sup>

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<sup>117</sup> Ibid., 765-767, (Telegram. The Special Representative to the Secretary of State) November 27, 1921.

<sup>118</sup> Ibid., 768, (Telegram. The Secretary of State to the Charge d'Affaires) November 30, 1921.

<sup>119</sup> Ibid., 769, (Telegram. The Special Representative to the Secretary of State) December 10, 1921.

<sup>120</sup> Ibid., 772-773 (Letter. The Secretary of State to President Harding) December 28, 1921; The New York Times, December 28, 1921.

Summary of Chapter

The banking and industrial developments in Cuba immediately prior to and during 1918-1919 were based upon the world demand for sugar. This demand did not cease with the signing of the Armistice but the United States control of Cuban sugar through the Sugar Equalization Board was removed at the end of 1919. Adjustment of the situation was left to private enterprise and initiative. Cuban producers anxious to prolong the high profits and take advantage of the fact that they held the whip hand because other sugar producing countries were still far below pre-war levels, failed to make the necessary adjustment. Accordingly, due to a variety of circumstances, the sugar market became utterly demoralized with the result that prices sky-rocketed from six and one-half to twenty-two and one-half cents per pound and back again to three and three-fourths cents all in the space of a year. Credit, both governmental and commercial, was frozen. Loans from American bankers were sought in fruitless attempts to stabilize the market. Neither legislation nor loans could accomplish the desired result unaided. Efficient and economical management both by government and financial enterprise was essential. Unwillingness or inability to arrange a constructive financial program helped to delay necessary loans and further prolong the critical situation, so that the year 1921 closed with Cuba still in desperate financial straits.

## CHAPTER III

### Cuban Governmental Problems 1933-1934

The Machado administration took office May 20, 1925 at the close of the term served by Alfredo Zayas. In the early years of his administration President Gerardo Machado was praised on all sides for his business-like efficient methods. It was the fairly general opinion that there was less corruption in Cuban politics than at any time since the administration of Estrada Palma. Machado was given credit for many improvements, namely: ridding the country of bandit groups that had infested the rural districts; stopping much of the petty graft that had been preying on Cuban business for many years back; reduction of the national debt. He had preserved the national credit by paying all the heavy interest and amortization charges on the public debt, despite the fact that the national income and revenues had declined steadily during the depression years. With full appreciation of the fact that the economic problems of Cuba were based upon the collapse of the sugar industry Machado began a far reaching program of agricultural and industrial diversification. He made a sincere effort to stabilize the sugar industry through crop and export limitation. At all times he was careful to protect the lives and property of foreigners. Thus his first administration was entirely praiseworthy.<sup>1</sup>

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<sup>1</sup>Jenks, 277-278; The New York Times, March 22, 1933; Russell Porter "Cuba Under President Machado" Current History, XXXVIII, 29-34 (April 1933).

Unfortunately, the same tribute cannot be paid to his second term which began May 20, 1929. In 1923 the United States Government had returned to the original strict interpretation of the Platt Amendment, that held by Senator Root who claimed that intervention under the Platt Amendment would be warranted only in case the independence of the Island was threatened by a foreign power or if a condition of anarchy developed that would make drastic action unavoidable. Accordingly, Machado felt that he had free rein and such was certainly the case. Among his less praiseworthy accomplishments must be included the weakening of the Crowder electoral code and changes in the laws governing political parties so that the heads of the parties at that/<sup>time</sup>would be perpetuated in control. By judicious "political" management of certain offices in the national government, especially the collectorships on the national lottery, Machado, a Liberal, managed to get control of the Liberal, Conservative and Popular parties into his own hands. He was accordingly nominated for re-election by all three parties, this time for a six year term which he had arranged at a constitutional convention preceding the election.<sup>2</sup> The convention, under Machado's direction, adopted amendments providing for a single term of six years on the understanding that this stipulation would only apply to Machado's second term. Cuban opposition to this high-handed procedure took the form of complaints from leading jurists that the 1928 amendments were illegal. Article 115 of the Constitution of 1901 provided that a constitutional convention could merely approve or reject amendments proposed by Congress.

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<sup>2</sup>  
Jenks, 278.

The 1928 convention however adopted entirely new proposals thus arrogating to itself powers that its critics said were illegal. This view was supported by several decisions of the Cuban courts.<sup>3</sup>

The Prorogue Law, as the new presidential law was termed, brought forth the first really serious opposition Machado encountered and he dealt with it promptly and drastically, despite the fact that his loudest critics were men of importance including Mendieta, Varona, Dolz and Menocal. His opponents seemed to realize at once that the virtual dictatorship which the Prorogue Law created would become an actuality all too soon.<sup>4</sup>

As soon as opposition loomed Machado became dictatorial and his second administration provoked warranted criticism, revolt and threats of another revolt before it came to an end. Ambassador Harry F. Guggenheim, appointed in 1929, found great difficulty in adhering to the Root Interpretation. A government which had been highly commended by Cubans and Americans in Cuba rapidly lost favor with both when President Machado sanctioned the use of terrorist methods to put down criticism and rebellion.<sup>5</sup> To Machado's credit be it said that he did accept many suggestions from Ambassador Guggenheim for the liberalization of his government during 1929 and 1930. However the points most criticized by opposing forces were the ones most neglected by the President. The Oppositionists continued their attacks, presenting a four point program:

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<sup>3</sup> Raymond Leslie Buell, "The Caribbean Situation--Cuba and Haiti", Number 8, Foreign Policy Reports, IX, 60-86 (June 21, 1933).

<sup>4</sup>Jenks, 278.

<sup>5</sup>The New York Times, March 22, 1933; Porter, Current History, XXXVIII (April, 1933).

1. Restoration of the Crowder electoral code.
2. A new census as the basis for a new presidential election.
3. Reorganization of political parties.
4. The resignation of President Machado on the grounds that he had been elected illegally in 1928.

Early in 1931 Machado agreed to all but the last point. Guggenheim, still continuing his friendly personal overtures, tried to persuade Government and Oppositionists to accept a compromise plan, which called for a presidential election in 1931 with all necessary guarantees of fairness, without government intimidation or fraud. The plan also called for various changes in the Cuban constitution particularly for a modified parliamentary system similar to the French, for overthrow of government and a new set-up without revolution. The powers of the Supreme Court were to be strengthened as a check upon dictatorial tendencies. In addition the plan called for shortening the terms of President, Senators and Representatives, this last provision to be retroactive so as to include the Machado members of Congress elected in the fall of 1930. If this compromise plan proved to be acceptable a constitutional convention was to have been called to act upon it within six months. In the interim the President was to appoint a coalition cabinet in which the Oppositionists were to be represented.<sup>6</sup>

Machado accepted the plan as outlined. Menocal, spokesman for the Opposition, accepted at first but later rejected the whole idea giving as his reason,

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<sup>6</sup>The New York Times, February 7 and 20, 1933.



some time later, that he had found reason to believe that the whole scheme was being misused by Machado and that through delays and parliamentary scheming all the good hoped for was being rapidly undone.<sup>7</sup>

With this turn of events it was generally conceded that revolution was inevitable. Early in 1931 Machado resumed all repressive measures which had been temporarily suspended. An emergency tax bill was passed which taxed both Cuban and American business to the limit to pay for the support of the army. Temporarily the Government abandoned all attempts to balance the budget by governmental economies lest this should antagonize officeholders. When the revolution came in August 1931 under the leadership of former President Menocal, the Machado army was ready for it. Opposition leaders were imprisoned, driven out of the country or to foreign embassies for asylum. Throughout the whole period the United States Embassy maintained strict neutrality.<sup>8</sup> One cause for misunderstanding between the United States and the Cuban Oppositionists was the refusal of the American Government to grant asylum to Cuban political offenders at the American Embassy.<sup>9</sup>

Failure of the 1931 revolution changed the situation between the United States and the Cuban Government. Previously the problem had been one of dealing with an Opposition that was utterly irreconcilable and that was unwilling to accept reforms agreed to by the Government and of attempting to bring the two sides together by negotiations. After August 1931 the situation changed

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<sup>7</sup> Ibid.

<sup>8</sup> The New York Times, February 7, 1933.

<sup>9</sup> Buell, Foreign Policy Reports, IX, Number 8 (June 1933).

to one of dealing with a President who had become, in the opinion of competent American observers, determined to perpetuate himself in his dictatorship or to dictate the selection of his successor.<sup>10</sup>

Apparently feeling that a revolution of the ordinary kind was inadequate so long as the Cuban army remained loyal to Machado, the Opposition stated a new plan of campaign which took on rather alarming proportions in the spring of 1932. Secret revolutionary organizations attempted to combat the Administration's use of terrorism by a terrorism of their own. Public officials were murdered, sabotage and minor disorders were rampant throughout the country. As was to be expected the Administration retaliated by taking great numbers of political prisoners. A real reign of terror followed.<sup>11</sup>

The coming of the New Year did not bring improved political conditions to Cuba. Censorship of the press, inaugurated three years earlier under the Department of the Interior was lifted January 3 only to be replaced at once by military censorship. Constitutional guarantees were still suspended in Havana. Though ostensibly restored to five of the six provinces yet it was noticeable that many of the large cities in the provinces were under military supervisors.<sup>12</sup> For the first time in the history of Cuba, American newspapers, the Havana American News, the Havana Post and the Evening Telegram were ordered to present printer's proofs before publication. The reason for this was not given but all were of the opinion that articles about the assassination of Havana students

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<sup>10</sup> The New York Times, March 22, 1933.

<sup>11</sup> Munro, 53.

<sup>12</sup> The New York Times, January 4 and February 7, 1933.

were the cause.<sup>13</sup> This move on the part of Machado was aimed of course to cut off all local news. The Cubans had been getting from American papers information barred from publication in the Cuban press. All offensive periodicals were to be confiscated. Military censorship was in effect in the interior, too, though military control was not officially in effect there. Censorship reached the point where it was virtually impossible to print any local news. Mention of police activities, assassinations, political prisoners, arrests, movements of armed forces, were all forbidden under severe penalties.<sup>14</sup>

The loan extended to United States newspapers as well, for their distributors were compelled to present a copy of each issue for censorship at military headquarters. Any items carrying any allusion to the Cuban situation were eliminated from the papers.<sup>15</sup> The editor and publisher of the Havana American News, John T. Wilford, appealed to the United States against this military censorship, claiming it was unconstitutional. He asked United States action to prevent the Cuban general staff from enforcing it. It was reported that the post office had been ordered to hold up subscribers' copies of Time, the American weekly because it contained a criticism of the Machado Government. Such an action, if enforced, would have been clearly a violation of the international postal agreement.<sup>16</sup> Though the United States lodged no formal protest yet the publicity given by Wilford must have been sufficient to cause

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<sup>13</sup> Ibid., January 9, 1933; Charles W. Hockett "Unrest and Disorder in Cuba", Current History, XXXVIII, 594-595 (March 1933).

<sup>14</sup> The New York Times, January 12, 1933.

<sup>15</sup> Ibid., January 13, 1933.

<sup>16</sup> Ibid., January 13 and 14, 1933; Chicago Tribune, January 13, 1933.

rescinding of the order. Secretary of State Orestes Ferrara explained that the order had never been intended to apply to United States newspapers and periodicals, yet in the same breath wasn't sure whether it was removed from English language papers published in Cuba.<sup>17</sup>

All copies of the January 25 issue of the New Republic, weekly review, were confiscated because of an editorial criticizing Machado. Agents had been warned that the sale of such magazines would be at their own risk. Accordingly they submitted a copy for censorship first. The entire shipment of Time was again confiscated on January 29.<sup>18</sup> It was evident that the rescinding of the order meant absolutely nothing. Wilford was advised by Ambassador Cuggenheim that the United States Government was unable to give any attention to his complaint until he had exhausted all legal recourse in the Island. The publisher's answer was that he had no legal recourse--that under martial law the army was not subject to the jurisdiction of the civil courts.<sup>19</sup> Despite contradictions of the Opposition groups, Machado insisted that press censorship existed at the request of the four principal newspapers of Cuba.<sup>20</sup>

In December 1932 Machado had released from prison a number of political foes. After several unsuccessful attempts to get permission to leave Cuba, they finally sought and received asylum at the Mexican and Uruguayan Legations under the asylum doctrine adopted at the Seventh Pan American Conference

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<sup>17</sup> The New York Times, January 14 and 15, 1933; Hackett, Current History, March 1933.

<sup>18</sup> The New York Times, January 23 and 29, 1933; Chicago Tribune, January 29, 1933.

<sup>19</sup> The New York Times, January 27, 1933.

<sup>20</sup> Ibid., January 31, 1933.

at Havana (1928). Though the National Police Chief insisted that only terrorists or those giving aid or protection to them would be arrested, yet it was noticeable that he made no mention of any guarantees after arrest. The group seeking refuge at various legations included University of Havana professors, Carlos Mendieta, Roberto Penate and Aurelio Hevia, all leaders in the 1931 revolution. Still others of the Opposition groups went into hiding in Cuba or left secretly in small boats for unrevealed destinations in the United States. There was a goodly sized colony of political refugees in Miami under the leadership of ex-President Menocal.<sup>21</sup>

In the United States opinion was beginning to make itself heard, either for or against the neutral attitude which the United States was maintaining at all costs. In Congress Representative Hamilton Fish of New York introduced a resolution proposing that the President of the United States use his influence in the situation which had arisen in Cuba.<sup>22</sup> The resolution read in part

That it is the sense of Congress that the President of the United States exert his influence and extend to the Government and the people of the Republic of Cuba the good offices of this government and its aid in bringing about a mutual understanding and amity among the various political factions based on the restoration of the civil rights of the Cuban people and the establishment of a government in Cuba adequate for the protection of the lives, property and individual liberty as guaranteed by the Platt Amendment.<sup>23</sup>

Fish wanted it clearly understood that he was not advocating intervention

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<sup>21</sup>Ibid., January 7 and 8, February 1, 1933.

<sup>22</sup>Congressional Record, 72nd Congress, 2nd session, 1712.

<sup>23</sup>Ibid., 5626.

unless the situation became much worse. He was confident that the matter could be handled by pressure in other directions than intervention.<sup>24</sup>

When it became apparent that Fish, high ranking member of the House Foreign Affairs Committee, intended to push the suggestion for action, Secretary of State Stimson explained the position taken by the United States. He said the stand was based upon the well know telegram of Secretary of War Root to Leonard Wood, on April 4, 1901. The telegram read as follows:

You are authorized to state officially that in the view of the President any intervention described in the third clause of the Platt Amendment is not synonymous with intermeddling or interference with the affairs of the Cuban Government but the formal action of the Government of the United States based upon just and substantial grounds for the preservation of Cuban independence and maintenance of a government adequate for the protection of life, property and individual liberty and adequate for discharging obligations with respect to Cuba imposed by the Treaty of Paris on the United States.<sup>25</sup>

A contrary view point found expression in The New York Times from one of its readers. This expression of opinion was typical of the feelings of many Cubans and many Americans in Cuba. The writer said the United States was disgraced by the despicable foreign policy it was carrying out in Cuba, for

Our obligation to Cuba is clear. Under the Platt Amendment we are to insure the establishment of constitutional government in Cuba. Under our very noses the principles which we are pledged to maintain are being violated, and a peaceful and high-minded people have been brought to the brink of desperation.<sup>26</sup>

Significant developments of the month of January in Cuba were a purported

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<sup>24</sup> The New York Times, January 13, 1933.

<sup>25</sup> Ibid., January 27, 1933.

<sup>26</sup> Ibid., February 6, 1933.

attempt by the Senate to find grounds on which to conciliate the Opposition, an attempt which the Oppositionists claimed was an empty gesture.<sup>27</sup> The "ley de fuga" was being used in the case of political prisoners to such an alarming proportion that it seemed to be a routine procedure employed by the Government in the enforcement of order.<sup>28</sup> One very surprising move on the part of Machado was the organization of a militia unit of 100 men to assist the police of Havana. In view of the large deficit already apparent in the 1932-33 budget and the heavy loans Cuba had been forced to make to pay on her foreign obligations, this move was startling to say the least. Oppositionists were convinced that the conciliation proposal of a day or so before had been pure bluff.<sup>29</sup> Heavily armed patrols circulated through Havana to break up any riots.<sup>30</sup> Organized Labor attempted to form a Socialist Labor Party in an effort to regain some semblance of its former influence. Machado had suppressed Labor, prohibiting meetings under martial law on the pretext that he was combatting Communism.<sup>31</sup>

Despite all this Machado insisted that his foes were entirely responsible for stirring Cuban unrest, denied that he was a dictator and declared that the

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<sup>27</sup> Ibid., January 9, 1933.

<sup>28</sup> Ibid., January 7, 1933.

<sup>29</sup> Hackett, Current History, March 1933.

<sup>30</sup> The New York Times, January 11, 1933.

<sup>31</sup> Ibid., January 22, 1933.

majority of the Cuban people was supporting him. He promised to hold an honest presidential election the next year (1934) and specified that he would not be a candidate. He was unalterably opposed to intervention by the United States. His government, he said, had nothing to conceal and he would welcome the efforts of foreign correspondents to learn the truth underlying the situation. Every decision of the Supreme Court had been respected and obeyed, said Machado, a statement that was at once contradicted by Menocal. He quoted the Supreme Court President who had resigned on March 8, 1932 because it was impossible for him to administer justice on the Island.<sup>32</sup> The favorite means of incarceration safe from judicial action was to place prisoners "at the disposal of the President" and they remained that way indefinitely. Habeas corpus proceedings could not be used.<sup>33</sup>

The situation remained practically unaltered throughout February. The former mayor of Havana, Dr. Miguel M. Gomez charged that Cuba was a republic in name only, that the rule was that of the firing squad and torture chamber and that all political parties including Machado's own, the Liberals, were united on one sentiment--opposition to Machado's rule. Right of assembly, suppressed since November 1927, was still denied and bit by bit all of Cuba was being brought back under military rule by the appointment of military supervisors in all large cities and in all outlying sections as well. Spasmodic fighting was going on between Government troops and rebels. Dissatisfied sugar cane workers burned cane fields and disorders were reported as steadily

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<sup>32</sup> Ibid., January 31, 1933.

<sup>33</sup> Ibid., February 7, 1933.



on the increase. Though censorship was still very tight news of bombings and dynamiting of trains leaked out, all of which the Government if it admitted the occurrences at all, was quick to blame on the Communists. To cap the whole disorganized affair, municipal and provincial officials did not take office on specified dates because the many charges of fraud in the last elections were still pending in the Supreme Court. This made it possible for Machado to appoint temporary governors for four provinces and provisional mayors for forty cities.<sup>34</sup>

Meanwhile rumors of revolt by the Oppositionists gained strength. It was reported that a coup d'etat was planned, from Mexico or Honduras as the starting point. Menocal, in Miami, said the time was ripe for revolution but the leaders were not inclined to force the issue, preferring to let events take their own course. When revolution did come, it would be decisive. Large financial interests of New York were assured by the revolutionary leaders that the overthrow of the Machado administration would not endanger American investments in Cuba and all obligations would be respected. Some observers felt that the Oppositionists were marking time, waiting for the change of administration in the United States. Others claimed that supplies of money and ammunition were wholly inadequate. All admitted that so far it had been impossible to weld all groups into one united front. One thing all observers did admit-- there were undercurrents everywhere and the Island was fairly seething with

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<sup>34</sup> Ibid., February 3, 14, 22, 23, 25, 26, 27, 28, 1933; Chicago Tribune, February 13 and 19, 1933.

diseontent, with Government officials announcing that they were prepared to put down any revolt in twenty-four hours time.<sup>35</sup>

One reliable correspondent, Russell Porter of The New York Times, stated his opinion that the Machado foes were united and that many Cubans wanted United States intervention. He suggested several possible courses for the United States to follow, namely:<sup>36</sup>

1. Continuance of adherence to the Root interpretation of the Platt Amendment.
2. Abandonment of Cuba to "stew in her own juice".
3. Close supervision and regulation of Cuban economic, political, and social affairs under the Platt Amendment but without any threat of intervention to back it up.
4. Repetition of so-called peaceful intervention (the Crowder mission of 1921).
5. Armed intervention as in 1906.
6. Diplomatic efforts to bring about an agreement between Machado and the Oppositionists.
7. Negotiation of a new reciprocity treaty so that the sugar tariff would be reduced from two cents per pound.

Should the United States be finally compelled to intervene, conservative Americans in Havana hoped that such intervention, of whatever kind it might be, would not only guarantee the honesty of the next elections but would provide against a repetition of the conditions that Cuba was then enduring. There

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<sup>35</sup> The New York Times, February 10, 11, 13, 15, 1933; Chicago Tribune February 22, 24, 25, 26, 27, 28, 1933.

<sup>36</sup> The New York Times, February 9, 1933.

were differing attitudes as to what the United States should do after intervention. Should its supervision cease after guaranteeing the new elections so Machado could not succeed himself or dictate his successor? Or, should the United States follow up intervention with more strict supervision of political affairs than in the past?<sup>37</sup>

Taken all in all the political situation was very ugly. The Opposition started a passive resistance program having two aims, to stop enlistments in the newly organized militia and to resist collection of revenue of all kinds without which Machado would be unable to keep his army paid. Some Americans in Cuba were ready to close down their businesses at the first sign of revolt, for they believed the situation would undoubtedly end in some overt act on the part of the Oppositionists against foreign life or property to deliberately provoke intervention by the United States. Though Machado still claimed the support of the majority of Cubans it was well known that the only ones loyal to him were the army, navy, national police and political officeholders, with many of the last group beginning to waver because they alone, of the four groups, were suffering payless paydays.

Sentiment toward the United States was mixed. Before the August revolution Machado's opponents charged that the United States was preventing a revolution by the implied threat of intervention to keep the existing government in power. After the revolution they charged that the United States by adhering so strictly to the Root interpretation kept the government in power

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<sup>37</sup>

Ibid.

by failing to intervene. This murmuring against the United States was not a new development. It had begun in 1930, was directed at government and ambassadors, and had even included some violence, threats and destruction of property.<sup>38</sup>

Bombings, rigid press censorship, use of ley de fuga continued throughout March.<sup>39</sup> Cuban exiles in Florida said the promised revolt had already begun and that the scattered disorders were intended to weaken the federal army by dispersal of forces. When they should be well spread out then the decisive blow would be struck. This report seemed to gain credence from the fact that the directors of rebel activities were finally showing a united front; a new rebel Junta was formed, including the political and non-political groups.<sup>40</sup>

As is so frequently the case responsibility for the United States attitude was laid at the door of the person least responsible for it, the American Ambassador, Harry F. Guggenheim. Fitzgibbon says he was probably the most criticized diplomatic representative the United States has ever had, largely because it was his misfortune to serve during a time of tension and accurately to represent a policy of his government which was highly unpopular with many people in Cuba. The delicate position in which Guggenheim found himself led to an unusually careful observation of his every act and word and even of his most casual social relations at Havana.

To all appearances Guggenheim worked sincerely for the relief of the political tension in Cuba and for necessary reforms in government. His chief difficulty

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<sup>38</sup> Ibid., February 4, 8, 18, 19, 1933.

<sup>39</sup> Ibid., March 12, 18, 29, 31, 1933.

<sup>40</sup> Ibid., March 2 and 7, 23, 1933.

was that he lacked the support from Washington which others in his position had enjoyed. If the attitude of the United States deserves criticism, that censure should be directed against the policy of the government, not against the agent of that policy.<sup>41</sup>

Of his work in Cuba Guggenheim himself said

....I have come to the conclusion that the Cuban Government responds to friendly suggestions not backed by direct official pressure only when one of the following conditions is present:

1. When it fears that failure to respond will result in intervention by the United States under Article III of the Permanent Treaty.
2. When it is seeking a foreign loan for which it must secure the approval or acquiescence of the Government of the United States.
3. When it fears that the Cuban opposition party is strong enough to oust it from power but hopes that the adoption of reforms may placate the opposition or enlist the support of the Government of the United States.

Guggenheim personally criticized the existing policy of the United States because it did not remedy conditions and because the Cubans, misinterpreting the policy, did not feel wholly free to demonstrate their own capacity to do so. He gave as his conviction the belief that we should voluntarily offer to negotiate a new political treaty as well as a new commercial arrangement, recommending that conclusion of two such treaties "should be made contingent upon certain constitutional reforms and the re-establishment of truly representative government in Cuba".<sup>42</sup>

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<sup>41</sup> Fitzgibbon, 195.

<sup>42</sup> Harry F. Guggenheim "Amending the Platt Amendment", Foreign Affairs, XII, 448-457 (April, 1934).

With the passing of the Hoover administration came the resignation of Guggenheim. The Roosevelt administration did not make an immediate appointment but its ultimate choice, April 24, 1933 was Sumner Welles, then an Assistant Secretary of State in charge of the division of Latin American Affairs. His appointment created considerable newspaper and magazine comment. He had had previous diplomatic service from 1915 to 1922. Practically unknown in national life at his appointment it was very soon evident that he was to assume a position of influential leadership. It was agreed that Welles was qualified for the task. Though strongly criticized earlier in his career for imperialistic tendencies it was to be hoped and believed that observation of the consequences of some earlier mistakes in dealing with Latin American countries had brought him to a more mature and sane judgment.<sup>43</sup>

This then was the situation which confronted the Roosevelt administration-- the difficult and delicate task of restoring civil liberty and economic stability in Cuba without specific intervention.

To fully appreciate the tangled web that faced Ambassador Welles in his attempts at mediation, it is necessary to understand the many different elements of which Cuban political life just then was made. Most writers spoke of those opposed to Machado as the Oppositionists and divided them into political and non-political groups. In the Political group were listed the Conservatives, the Union Nacionalistas and the Miguelistas or Marianistas. In the non-political group were included the Directorio Estudiantil, the ABC, the Professors, the OCCR and the Communists.

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<sup>43</sup>The Nation, Volume 136 (May 3, 1933).

The leader of the Conservative group was former President Mario G. Menocal. He was classed as a traditional Cuban politician who commanded a large personal following. By the Cuban really interested in Cuba and her welfare Menocal was considered shrewd, ambitious, not so bad as Machado, not so cruel, but certainly corrupt and wasteful of public funds.

The Union Nacionalistas were headed by Colonel Carlos Mendieta, considered the least objectionable of the "old guard" in Cuban political life. He was more sincere than Menocal and seemed to command considerable respect from his following.

The Miguelistas were followers of Miguel Mariano Gomez, former mayor of Havana and undeniably a gifted leader and good speaker. One writer compared him to an American "Rotarian".<sup>44</sup>

The Directorio Estudiantil was the name given to the student group, boys and girls ranging in age from 16 to 30. They had been students in the University of Havana when it was closed by executive decree in 1930. They carried the doctrine of revolt to all parts of the country by means of a newspaper which despite police persecution and bloody reprisals was regularly distributed and eagerly read. The students were not of one social class and many of their leaders were members of wealthy Havana families. Their faith in Cuba and her future was almost fanatical. Nothing mattered save that Cuba be freed from outside interference to develop her own institutions in her own way. They believed that the older generation of Cuba had failed and eagerly awaited

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<sup>44</sup> Hubert Herring, "Machado Must Go", The Nation, Volume 136, 500-502 (May 3, 1933); Hubert Herring, "Can Cuba Save Herself", Current History, Volume 139, 151-158 (November, 1933).

their chance to try their hand at remedying the errors so far made. The best impartial and American evaluation of the student movement was that it was partly pure idealism and partly extreme radicalism. It began with an aim to purify Cuban national life in a youthful and idealistic spirit of reform. As the months went by its members divided into a right wing which adhered to the original patriotic purpose and a left wing which seemed to be tending to some degree toward radicalism. In the left wing were found professional men, labor leaders, Communists, and a few other extreme Radicals.<sup>45</sup>

The ABC was the most powerful and numerous of the societies. It was a secret organization numbering between 7000 and 10,000 members. It was organized in cells of ten members each. No member was to know any others except those in his own cell. The ABC was not originally planned as an instrument of reprisal and did not itself make use of violence until all efforts for a peaceful solution had failed. It was not organized until the fall of 1931 after the failure of the August revolution. The first reprisal engineered by the ABC took place on July 9, 1932 more than seven years after Machado began his policy of terrorism. But the ABC was far more than a society of terrorists. Fundamentally the idea of the ABC movement was to give new life to Cuban politics and institutions. It was a youth movement but its membership was not limited to the young in years. Older people were admitted if they had no connections with past political life. Its membership included intellectuals and professionals (lawyers, educators, engineers, physicians, editors, writers),

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<sup>45</sup> The New York Times, February 4, 1933; Haring, The Nation, Volume 136, May 3, 1933.



workmen, farmers, farm laborers, business men, etc. They stood for thorough renovation and purification of Cuban national life, politically, economically and socially. The ABC stood firmly against intervention. It asked for true self-determination for Cuba, which meant of course the end of the Platt Amendment and the end of all dictation from the United States.<sup>46</sup>

The Professors were faculty members of the University of Havana who had been ousted by Machado's decree closing the University. They had refused to follow orders when he dictated that the college should be re-opened under a new set-up. They were believers in the doctrines of the Directorio Estudiantil, but maturity had made them a bit more mellow and sane in their judgment.

The OCRR was a revolutionary group of limited membership and apparently not much influence.

The Communists were not great in numbers but in the circumstances one counted for eight or ten. Few of them were true Communists in the Marxian sense of the word. But the time was ripe for them and they rapidly gained adherents among the negroes because of a feeling they had themselves created--namely, race prejudice.<sup>47</sup>

Spring passed and summer began with nothing really new developing in a political way on Machado's side at least. Bombings, imprisonment of political prisoners, use of the ley de fuga, press censorship, suppression of sporadic fighting in the provinces by government troops, all told their story of continued and increasing disorder. With Machado steadfastly declaring that he had

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<sup>46</sup>The New York Times, February 4, 1933 and July 23, 1933; Herring, The Nation, Volume 136 (May 3, 1933); Herring, Current History, Volume 139 (November 1933).

<sup>47</sup>Herring, The Nation, Volume 136 (May 3, 1933); Herring, Current History, Volume 139 (November 1933).

no intention of resigning, with army censorship restored and military control of Havana extended for another year little faith was felt in Machado's proposals for reform of the constitution when he did make them.<sup>48</sup>

During the same period the Oppositionists seemed to be gaining in strength and to be a little more unified, at least on the surface. The New York Junta gave as its aim the removal of Machado and the appointment of a provisional President until the 1934 elections. A new political party was planned to unite all factions of the Opposition. The aims of the party were to be re-establishment of the Constitution of 1901, the restoration of constitutional guarantees, abolition of the 1928 constitutional amendments, freedom of press and judiciary and the right of labor to organize.<sup>49</sup> The ABC, hitherto very obstinate about joining the Junta, at this time announced its cordial feelings toward the union and its intention to cooperate. At the same time it sounded a warning that the organization would support no candidate for the position of Provisional President who could not satisfactorily prove that he would not be another Machado.<sup>50</sup>

On the part of the United States there was really very little activity. Though shocked by all the shootings, there was no talk of intervention and Secretary of State Hull was very loath to discuss matters, merely stating that Cuba was being treated the same as any other country and that the United States intended to adhere to the Root interpretation. In Congress Representative Fish

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<sup>48</sup> The New York Times, April 1-15, 28, May 1, and 3, 4, 5, 6, 9, 19, 20, 21, 23, June 2 and 8, 1933; Chicago Tribune, April 8, 14, 15, 21, 27, 29, May 1, and 2, 4, 5, 9, 19, 20, 21, 23, 25, June 8, 1933.

<sup>49</sup> The New York Times, April 24, 1933.

<sup>50</sup> The New York Times, April 13, 18, 24, May 20, 25, 28, June 4, 1933; Chicago Tribune, April 8, June 21, 22, 23, 1933.

again urged intervention of some sort, saying

What a travesty on our war to free Cuba! Is it not time for the United States to offer to mediate and to insist on a restoration of civil rights and liberties for the Cuban people? Anything less in view of the tragic circumstances would not be keeping faith with our moral and treaty obligations under the Platt Amendment.<sup>51</sup>

Toward the end of April Welles was appointed new Cuban Ambassador with his principal aim announced as solution of economic problems and arrangement of reciprocal trade agreements. Until June 16 Welles seemed to be accomplishing very little but evidently he had made haste slowly for by that time he had persuaded both sides of the controversy to accept his offer of mediation.<sup>52</sup>

The New York Junta delayed its decision for a day or so. Bit by bit the various groups within the Junta accepted the offer until all but the Manocal followers and the students had consented. Since the latter two represented comparatively a small percentage of the Opposition it was decided to proceed without them. The New York Junta then dissolved completely so as not to interfere in any way with the success of the mediation attempt. The United States Department of State was careful to say that Welles was acting in a personal capacity only, not as an official United States mediator. The last of the month Professor Howard Lee McBain of the United States was commissioned by Machado to revise the electoral law of Cuba before the new elections.<sup>53</sup>

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<sup>51</sup>Congressional Record, 73rd Congress, 1st session, 501.

<sup>52</sup>The New York Times, April 16, 17, 22, 27, May 8, June 8, 10, 16, 17, 23, 25, 28, 29, 1933; Chicago Tribune, April 16, 17, 19, 25, June 16, 1933.

<sup>53</sup>The New York Times, June 29, 1933.

The month of July seemed to hold promise of some really worthwhile development. All political prisoners were freed, full guarantees of protection were made to all Oppositionists who had accepted mediation, the Amnesty Bill was passed by both Houses and signed by Machado, censorship of the press was removed. As a result the faith of the people in the mediation conference was immeasurably strengthened.<sup>54</sup>

The "lame ducks" of the Opposition group still refused to join the conference and criticized what was being attempted. Menocal assailed the whole idea as a wrong policy on the part of the United States. Since there had been no intervention in 1930 and there still seemed no prospect of it, he maintained that the Platt Amendment should be withdrawn.<sup>55</sup> The student group scorned mediation as a hasty solution which "in the end will blight the program we adopted and dim the ideals which now and always we desire to hold uppermost".<sup>56</sup>

Toward the close of the month the Oppositionists became impatient with the mediation program. Their impatience however was not criticism of Welles, for they still claimed implicit faith in his sincerity and ability. They were decidedly puzzled by repeated statements of Machado that he would remain in office until 1935 for one of their basic points in the negotiations had been his resignation.<sup>57</sup>

The peace talks sponsored by Welles had begun July 1 with each side meeting the Ambassador separately. All through the month though progress was un-

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<sup>54</sup> Ibid., July 7, 8, 26, 27, 1933; Chicago Tribune, July 1, 2, and 16, 1933.

<sup>55</sup> The New York Times, July 6, 1933.

<sup>56</sup> Ibid., July 16, 1933

<sup>57</sup> Ibid., July 25, 27, 1933.

deniably slow, Welles maintained that it was satisfactory. President Machado announced that he had consented to the mediation plan because Welles was acting as an individual not as a government representative. At all costs, said Machado, Cuba had to be kept free and unhampered by the Platt Amendment. Not until July 28 was Welles able to bring the opponents to agree to a round table conference. At this point the Ambassador paved the way for the State Department to break down the fiction of his "unofficial" mediation by saying that while he acted as an individual, nevertheless he represented President Roosevelt who as chief executive of the United States was deeply interested in Cuban welfare. The next day Washington admitting that Welles had been backed by the State Department said his "good offices" could not have been made without authorization of the Government. He had, however, not been instructed on specific moves but had been given a free hand to exercise his own judgment. The United States Government was well pleased with his work.<sup>58</sup>

As the first week of August sped by with no results apparent, unrest and disorder began anew. On August 4 a general strike began in Havana and rapidly spread to all parts of the Island. The railroad systems were crippled and Machado threatened military rule again, a threat which at that stage meant anarchy and certain death to many Oppositionists who had come out in the open since the restoration of guarantees. On August 8 Congress again suspended constitutional guarantees and troops were called out in Havana. A false rumor that Machado had resigned brought the wildest sort of disorder and rioting. The strike gained in intensity, reprisals and punishment for those who so

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<sup>58</sup> Ibid., July 1, 2, 6, 27, 28, 29, 1933; Chicago Tribune, July 1, 2, 27, 28, 1933.

garded the Cuban situation as extremely delicate. All developments were kept in strictest confidence by a small group including President Roosevelt, Welles, Phillips and Jefferson Caffery, who had taken Welles' post in the State Department. Evidently, too, the Department had given Welles an unusual degree of latitude. Obviously the position of the United States was that it cared not whether Machado remained or resigned, so long as the warring factions acted together and the resultant plan suited them all.<sup>61</sup>

On August 7 Welles admitted that the negotiations had struck a snag due to the refusal of Liberal delegates to shorten Machado's term of office, though a few days later they too were demanding his resignation. The general strike was regarded by Welles as a spontaneous expression of popular discontent not fomented by any special group. Trade negotiations were definitely at a standstill. At a secret session of the Cuban House it was decided to place a protest before the United States Congress against intermeddling of Welles in Cuban affairs. Thus the efforts of Welles were halted before his proposals could be given a fair chance. It was understood that those proposals were:

1. To have President Machado ask Congress for a leave of absence.
2. To have President Machado appoint Dr. Carlos Manuel de Cespedes as Secretary of State to replace Dr. Orestes Ferrara who would be disqualified from acting as Provisional President because he was not Cuban born. Then Cespedes was to become President pro tem, appoint a coalition cabinet and mediation negotiations could go forward.
3. Election of an entirely new Senate in 1934 together with half the members of the House, the other half to be elected in 1936.<sup>62</sup>

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<sup>61</sup> Ibid., August 1, 3, 4, 1933; ibid., August 1,2,3,7, 1933.

<sup>62</sup> Ibid., August 9, 1933; ibid., August 9, 1933; The United States in World Affairs (edited by Walter Lipman with assistance of research staff of Council on Foreign Relations) Harper and Brothers, New York, 1934, 177.

On August 9 a radio broadcast emanating from an unknown source but undoubtedly of government origin called Welles a dictator, not a mediator, saying he had deliberately delayed negotiations in his effort to favor the Oppositionists.<sup>63</sup> The United States still maintained its waiting attitude with President Roosevelt definitely hoping for peaceful settlement, regardless of which group achieved the result. Representative Fish was again urging that the United States had to act, that compromise time was over. But President Roosevelt stood firm against intervention. Just the mere rumor of that possibility had given Machado an opening to appeal to all Cubans to rally in defense of their independence. Perhaps his blustering was only political subterfuge, but President Roosevelt was unwilling to give him a chance to use it.<sup>64</sup>

On August 10 Machado notified Welles that he would handle no more negotiations, that all state matters were to be arranged through Ferrara. The same day President Roosevelt sent a plea to the Cuban people to submerge political differences in the interest of solving problems of starvation and depression. The American President was determined that the United States would not be put in the position of telling Machado to resign as that would be interference with Cuba's freedom of action. Latin American diplomats in Washington were pleased President Roosevelt's stand and told him they were sure intervention by the United States would certainly produce a bad effect upon their respective countries.

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<sup>63</sup> The New York Times, August 9, 1933.

<sup>64</sup> Ibid., editorial.

Opinion in the United States was not solidly behind the President as was indicated by a speech of Senator Pittman, chairman of the Senate Foreign Relations Committee, who said we should either take prompt action in Cuba or renounce the Platt Amendment completely.<sup>65</sup>

Matters reached a crisis on August 11. On that day the Cuban army rose against Machado and his hitherto loyal supporters, informed him that he must resign by noon of August 12. The army officers had felt for some time, they said, that Machado though protesting a hatred for the very idea of intervention, was actually trying to force just that very thing. This the army was determined to prevent. They did not intend, said the officers, to dictate the choice of Provisional President but did specify that he was not to be an army man. Faced with this ultimatum there was nothing left for Machado to do. On August 12 he fled by plane to an unnamed destination suspected to be the Bahamas, Secretary of State Ferrara escaped to Miami. Cubans were overjoyed at the action of the army, at the bloodless coup d'etat, and their satisfaction was the more complete because the solution had finally come from the Cubans.<sup>66</sup>

Before his departure Machado had appointed DeCespedes Minister of Foreign Affairs. Thus, with the departure of Machado and the resignation of Ferrara the way was clear for Cespedes to become Provisional President. Wild disorder was rampant. All branches of the Opposition were satisfied except Manocal.

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<sup>65</sup> Ibid., August 7, 8, 9, 10, 11, 12, 1933; Chicago Tribune, August 9, 1933.

<sup>66</sup> Ibid., August 12, 1933; Lippman, 178.



There was no intention of making Cespedes the permanent executive. He was merely to bridge the gap until the November 1934 elections could be held.<sup>67</sup>

The Acting President was sworn in on August 13. The uproarious rioting and jubilation had subsided somewhat but the spirit of revenge was very pronounced. The Ferristas (Machado's secret police) were killed by the dozens. All the pent-up fury of the mobs was concentrated on the Machadistas. Through it all the rights of Americans were respected. President Roosevelt however authorized the sending of warships to Cuban waters to guard Americans, he said, not to intervene.<sup>68</sup> By August 16 the Department of State was satisfied that conditions were quieting appreciably. The new Cuban President asked that the United States lend economic aid by opening her sugar market to Cuba on fairer terms than then existed.<sup>69</sup> On August 18 an announcement that Sumner Welles was to return to his post in the State Department as soon as order was established in Cuba concluded with the statement that Welles was to try to arrange some kind of economic program with Cespedes. The United States was willing to help Cuba but would not press such aid upon her.<sup>70</sup> Though the tension had eased somewhat, shipping was still tied up due to the continuing strike of stevedores and dock workers. By August 21 it was estimated that the Cuban Government had lost \$2,000,000 in revenue during the tieup of the shipping. It was hinted that drastic action might be taken to check the strikers.<sup>71</sup>

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<sup>67</sup> The New York Times and Chicago Tribune, August 13 and 21, 1933.

<sup>68</sup> Ibid., August 14, 1933.

<sup>69</sup> The New York Times, August 17, 1933; Chicago Tribune, August 16, 1933.

<sup>70</sup> Ibid., August 19 and 21, 1933.

<sup>71</sup> The New York Times, August 21, 1933; Lippman, 178-180.

In an effort to re-establish constitutional government Cespedes announced on August 24 that there would be a return to the Constitution of 1901, thus nullifying the 1928 reforms. Congress, which could not muster up a working quorum, was dissolved and elections were announced for February 24, 1934. <sup>72</sup>

By August 25 Menocal was supported in his opposition to the Cespedes Government by the Directorio Estudiantil, which criticized the provisional government as weak and demanded proof that it intended real reform. This, to the students, meant an entire revolutionary group of five members to assume the legislative and executive powers. Their plan also included immediate dissolution of the Supreme Court and prosecution of every official in the Machado government, including Machado and his cabinet. The ABC and Mendieta factions were still backing Cespedes, though Mendieta was thought to have leanings toward the revolutionary government idea. Essentially however the real power lay with the army officers. They had arranged the coup and were able to depose the government as easily as they had the other. Some of the more radical Oppositionists even demanded that the entire Machado Government be called illegal and de facto. This would endanger American investments estimated at \$150,000,000 made during the Machado regime. <sup>73</sup>

On August 29 the Supreme Court resigned in a body leaving only one newly appointed member of the original seventeen. It was announced that martial law would be lifted September 8, the end of the thirty day period for which it had been decreed. The next day Cespedes announced that he was willing to call a

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<sup>72</sup> Ibid., August 25, 1933; Chicago Tribune, August 26, 1933.

<sup>73</sup> Ibid., August 26, 27 and 30, 1933.

constitutional assembly before the elections if the people so wished. This was in answer to the wide protests made against the renewal of the 1901 constitution which had been called by the ABC and student directorate antiquated and not in accord with 1933 principles and ideals.<sup>74</sup>

The Cespedes Government was rapidly working toward its close. To take the place of the legislative machinery the President announced the formation of a consultative commission which would propose emergency legislation to the chief executive until elections once more provided a Congress.<sup>75</sup> But even this step was not enough to suit the critics of the regime.

On September 5 came the end of the Cespedes Provisional Government. Requested to leave by the army, not the officers this time but the sergeants and the privates, Cespedes turned the reins of authority over to a radical Junta which announced as its program that it intended

to take, in short, all measures even though not set forth in this document, to bring about the creation of a new Cuba, built on the unshakeable foundation of right and the most modern conception of democracy. We consider the present government does not meet the urgent demands of a triumphant revolution notwithstanding the good faith and and patriotism of its members.

Again,

This government shall issue decrees and rulings which shall have the force of law.<sup>76</sup>

Spokesmen for the new Junta firmly maintained that the movement was not Communistic, and was directed against the remnants of the Machado government not yet weeded out.

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<sup>74</sup> Ibid., August 30 and 31, 1933.

<sup>75</sup> Ibid., September 1, 1933.

<sup>76</sup> Ibid., September 6, 1933.

Since it had not been intended that the Cespedes Government should last no one was surprised that it fell as soon as it did. The only hope of its sponsors had been that it would somehow afford a breathing space during which things could be done in a legal fashion and the people given a chance to re-shape their political and social institutions in a spirit of peace and justice. Cespedes had, in the ancient wheeze, tried to please all and had succeeded, in pleasing none. While a large portion of the general public had believed in him, yet his administration was unsatisfactory to the more radical revolutionary leaders, who said he was too slow in producing reforms. The overthrow of Cespedes was accomplished by the revolt of enlisted men, led by Sergeant Fulencio Batista, sergeant from the ranks. The enlisted men of army and navy worked in conjunction with the Directorio. Once again the axiom that the army has the last word in Latin American politics had been proven. Machado had been turned out by the officers on August 12 and Cespedes and those same officers were turned out by the sergeants and privates.

There were several reasons why the Cespedes Government was bound to have an untimely end. First, it suffered from American approval. Cespedes would have fared better if Sumner Welles had not praised him so highly. Secondly, the pace of the Cespedes regime was too slow for the revolutionary leaders. They were impatient of the American Ambassador's insistence upon orderly and constitutional methods. The revolutionists said in effect "There is no time to untangle, there is time only to cut the knots". Thirdly, the cry for revenge had to be satisfied. Greatly influenced by Welles, the Cespedes Government stood for orderly judicial processes and against gunfire punishment. Fourthly, Cespedes was weak. He had been selected because he was a neutral.

He was dismissed because his neutrality was evidently weakness as well.<sup>77</sup>

In a certain sense the downfall of Cespedes was embarrassing for the United States since that government had openly sponsored the regime! Some Cubans in the United States said then that intervention of some sort was inevitable since this downfall showed plainly that the anti-Machado factions simply could not agree. Opinion in the United States generally seemed to be that if the newest revolutionaries were able to establish a responsible government under the Cuban Constitution the United States would grant de facto recognition and thereby avoid the necessity of intervention. Russell Porter, reliable New York Times correspondent called the revolution the Cuban "New Deal" saying that it was no more radical than the American "New Deal" in its aspirations, being for an identical purpose, a better distribution of wealth. While in the United States such a redistribution was purely an internal problem, in Cuba it was an issue of national sovereignty versus dependency upon foreign financial or commercial regulation.<sup>78</sup>

The new Junta now undertook to run the government. The five members were Dr. Ramon Grau San Martin and Dr. Guillermo Portela, both professors at the University of Havana; Profirio Franca, economist; Sergio Carbo, radical journalist and publisher; Jose M. Irizarri, lawyer. Sergeant Batista was given charge of all military forces. From the start it was apparent that the Junta did not have popular approval. The ABC Right wain were definitely not for it, though some few cells of the Left wing had split and joined the Directorio.

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<sup>77</sup> Munro, 54; Herring, Current History, Volume 39 (November 1933).

<sup>78</sup> The New York Times and Chicago Tribune, September 6, 1933.

Even in the latter group many of the students were displeased by the show of force. No formal request for recognition was entered by the Junta. Business men in Havana were definitely uneasy, claiming that anti-American sentiment and "Yankee imperialism" talk was growing.<sup>79</sup>

The new government hastened to announce through its leader Grau San Martin that the new group had no anti-American tendencies, was strongly organized and hoped to receive from the United States the same friendly treatment which all other Cuban governments had received. As the army crisis continued, the new group disclosed a plan for collaboration of all factions. They intended to replace the Junta by a President and Cabinet, the latter to be a group representative of all revolutionary factions willing to cooperate and the former to be someone acceptable to all Cubans. On September 9 the Junta yielded to popular demand for a President and planned to hold elections. Very evidently the change was to be a matter of form, to please public opinion and indirectly to make a bid for United States recognition.<sup>80</sup>

The United States continued to maintain its attitude of strict neutrality. Some thought intervention was imminent when Secretary of the Navy Claude A. Swanson sailed for Cuba on September 6, though he stoutly denied any such motive for his visit, insisting that visit it was. The Foreign Policy Association immediately entered a protest against Swanson's visit and against the sending of war ships to Cuban waters. The claim made by the Association was that both lines of action would weaken the prestige of the new government and

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<sup>79</sup> The New York Times, September 16, 1933.

<sup>80</sup> Ibid., September 7, 9, 10, 1933.

strengthen opposition, thus increasing instability. President Roosevelt instructed Secretary Swanson not to go on shore lest his visit be misinterpreted and the statement was made once again that there would be no intervention unless life and property were endangered. To representatives of Latin American countries in Washington President Roosevelt issued the statement that he was eager to avoid intervention and that it was his intention to keep Latin American countries fully informed of developments in Cuba in so far as they related to the United States and her policy. He expressed a strong hope that Cuba would speedily obtain a firm government of her own choosing and found the South American countries very sympathetic toward the United States problem.<sup>81</sup>

On September 8 Mexico recognized the Grau Government. She and her sister countries, the ABC powers, were using every influence to bring about a settlement of the Cuban situation. Secretary of State Cordell Hull was very cordial in his approval of their good offices. It was clear that intervention by the United States, no matter how late it came or how reluctantly it was decided upon would be unwelcome to South America. It was also clear that revolution and use of the army was not nearly so repugnant to South American thinking as it was to the North American mind.<sup>82</sup>

On September 10 Grau San Martin was sworn in as Cuban President. The army officers, entrenched in the National Hotel and heavily armed, refused to

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<sup>81</sup> Ibid., September 7 and 8, 1933; Chicago Tribune, September 7 and 8, 1933; Munro, 57.

<sup>82</sup> Ibid., September 11, 1933 (editorial); Ibid., September 10 and 11, 1933; ibid.

go back to their posts and take orders from their former subordinates. Bloodshed seemed imminent, for they were ready to fight off their own men if the latter attempted to dislodge them by force. Grau chose his cabinet members from non-political fields and observers believed that most of his policies would be dictated by the student group. United States recognition was not immediately forthcoming but there was no insurmountable obstacle blocking it. If and when the new set-up proved it was able to command the support of the Cuban people and maintain order then it would be duly recognized. That it did not command popular support was still very obvious.<sup>83</sup>

In an attempt to bring speedy order out of revolutionary chaos the new Cabinet initiated reforms at once and Washington was relieved by the lull that settled over Cuba as all spectators silently awaited developments. Despite the best intentions, little gain was made. The most noticeable symptom of trouble was the fiscal crisis which was momentarily expected. The banks refused to give up the \$3,500,000 on deposit saying that the Grau Government was illegally set up. No additional revenue was coming in on customs duties because of the increasing business paralysis. All concerned realized day by day how necessary United States recognition was to them. The Directorio insisted that recognition should be granted, since there was better order in Cuba then than there had been under the Machado government for several years. The State Department ordered Welles to remain in Havana until stability was certain.<sup>84</sup>

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<sup>83</sup> Ibid., September 11 and 12, 1933; ibid., 55, 56.

<sup>84</sup> Ibid., September 13, 14, 16, 1933.



The Right wing of the Directorio was definitely guiding the destinies of Cuba under the Grau Government. A directorate of thirty members ranging in age from sixteen to thirty met daily and planned the steps to be taken. By observers they were said to be patriotic indeed, but idealistic and impractical. One distinguished non-political Cuban, friendly to the students, said nevertheless

If they continue in their refusal to listen to advice they may sacrifice the very fruits of the revolution which they want to preserve and plunge the whole country into chaos and anarchy. It is absolutely impractical to try to build a new Cuba on the unsound foundation of a mutinous army.<sup>85</sup>

On September 16 Ambassador Welles assured the Student Directorate that the United States was still willing to accord recognition when the Grau Government gave proof of its ability to maintain order, meet obligations and keep public support. Business leaders continued to be alarmed. There was much dissatisfaction among the people over the division of authority between soldiers and students. Since the Grau Government would not permit force to be used against Labor and Labor was responsible for much of the unrest in Cuba, the chaos was increasing instead of diminishing.<sup>86</sup>

Finally the opposition began to crystallize. Three big sections were well formed. They were the Student Directorate, the army and the combined forces of the ABC, Menocal, Mendieta and Gomez. The third group wanted Grau to resign, which he steadfastly refused to consider. Warning was sounded by the opposing faction that they intended to present some form of ultimatum compromise very soon.

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<sup>85</sup> Ibid., September 15, 1933.

<sup>86</sup> Ibid., September 16, 17, 18, 1933.

Conditions in the interior grew steadily worse. Strikes grew in number and in intensity. Americans were warned to seek safety on warships in the harbors and were asked to evacuate before trouble would start as the United States did not want to land any troops.<sup>87</sup> From September 24 on the disorder grew rapidly. The Grau Government feared an army uprising. The Student Directorate proposed rules by a Cuban Soviet similar to the Russian plan and indicated that they did not fear the groups opposing them because they were not united. Even Batista appeared uneasy about the lack of progress. He urged a coalition and this was at once taken as a lack of confidence in the regime and as proof that the army recognized the fact that the existing situation could not continue. The rebellious officers of the Cuban army, still barricaded in the National Hotel, were ordered to leave there and return to their posts or face dismissal. Taken all in all the Grau Government was frankly a dictatorship, supported by a minority and unable to collect any taxes to carry on. So far as had been observed the new dictatorship had not abused its power to any extent, was not Communistic and claimed it had no intention of becoming so.<sup>88</sup>

The United States still maintained its policy of no intervention and no recognition.<sup>89</sup>

All through October, November, and December the story was virtually the same. A gradually widening rift between the army and the Student Directorate,

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<sup>87</sup> The New York Times, September 19 and 21, 1933; Munro, 56.

<sup>88</sup> The New York Times, September 22, 23, 24, 25, 27, 28, 29, 1933.

<sup>89</sup> Ibid., September 29, 1933; Chicago Tribune, September 29, 1933.

at first staunch co-workers, gave evidence that the Grau Government was doomed as had been its predecessors. After heavy fighting, involving much bloodshed and considerable loss of life, the army officers, entrenched at the National Hotel, finally surrendered. The Student Directorate definitely feared that that army led by Batista might overthrow them, and fearing the activities of the ABC as well, they began to use the Machado system of crushing all opposition by arresting all opponents. Mediators continued to seek for the solution which would mean peace, with Mendieta frequently mentioned as the next President. Finally, on October 13 the Grau Government won its first recognition-- from Spain. The ABC countries stood as they had from the start--hand in hand with the United States. Mexico and Panama recognized the Grau regime under the Estrada Doctrine. Uruguay gave recognition, too, though critics said that was done purely because her consul in Cuba was a personal friend of Grau. Despite all these obstacles President Grau San Martin declared his intention of remaining in office until May 20, 1934 when he intended to turn the power over to a constitutional convention which would rule until November 1, 1934, the date for general elections.<sup>90</sup>

Disorders continued throughout November. The dissatisfaction of the army with Grau was reported to be on the increase. The ABC was credited with fomenting and furthering a new revolt. President Grau proclaimed a state of war (November 8) but was unable to put down the revolt. There was much criticism that he was using Machado tactics. The opposing forces insisted that the

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<sup>90</sup> Ibid., October 3, 5, 7, 12, 13, 15, 20, 21, 29, 1933; ibid., October 1, 3, 4, 6, 7, 9, 10, 12, 16, 21, 22, 23, 27, 28, 29, 30, 31, 1933.

fight would go on though they saw little chance of success. Batista announced that his army was ready for any real revolt that might come.<sup>91</sup>

Labor troubles increased during December. Grau had issued a decree ordering that 50% of all employees in all lines of work must be native Cubans. This did not satisfy the Cuban labor leaders who wanted the quota raised to 80%. A strike of the Electric Company threatened with the workers demanding control of the plant though it was American owned. Observers feared that the next step would be an army dictatorship again to combat the spread of labor trouble which began to show Communistic tendencies. Conciliation plans were suggested again and failed. Some said that Cuba was more completely under military rule than it had been in the days of Machado and all fully appreciated the fact that Batista could easily crush any administration he opposed. On December 12 Grau stated that he had no intention of resigning, that conciliation moves working on that premise might definitely be abandoned.<sup>92</sup>

So far as the United States was concerned the story of the three months did not change in any marked degree. Welles was still Ambassador, no intervention was desired and lest some impulsive officer might act rashly the order was issued that no troops were to be landed except upon direct orders from Washington. Welles claimed to be receiving more numerous appeals from Cubans for United States intervention, with some of the pleas founded on the idea that Cuba was an American colony, not a sovereign state. He found it difficult

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<sup>91</sup>Ibid., November 4, 8, 9, 10, 11, 16, 18, 19, 1933; ibid., November 2, 4, 8, 9, 10, 11, 12, 16, 18, 19, 21, 23, 24, 25, 1933.

<sup>92</sup>The New York Times, December 5, 6, 11, 12, 1933.

to satisfactorily explain to them that the United States considered the existing affair purely a domestic revolutionary struggle. Commendation of the United States stand came from the Right Reverend Hiram R. Hulse, Bishop of Cuba, who said that the American Government should climax the good work we had done for Cuba by letting her people settle their own differences in their own way. The one serious wrong we had done to Cuba had been done, he said, by Congress in the shape of a selfish and short-sighted tariff policy. Thus on the one hand the United States was commended, on the other criticized. Certainly the Pan American countries professed to feel more kindly toward the United States than they had done for years. They believed that the non-intervention in Cuba was clear proof of President Roosevelt's sincerity. On the other hand President Grau said the United States had intervened--that our refusal to grant recognition had been intervention "by inertia" and that it showed partiality to the two other governments preceding his.<sup>93</sup>

Toward the middle of November rumors began to float abroad that President Grau had asked the United States to recall Ambassador Welles because he had proof that Welles was partial and had cooperated with the Opposition to oust Grau. It was well known that Welles wanted to give up the post but even had the President desired to remove him it would have been practically impossible to do so. Removal of an Ambassador under fire meant that the United States would have to show a definite change in policy and this it did not intend to do. Feeling in Cuba ran high against Welles but he was ordered to remain indefinitely. Yet on November 24, executing a complete "about face" President

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<sup>93</sup> Ibid., October 3, 4, 9, 10, 15, 16, 29, 1933.

Roosevelt recalled Welles and sent Jefferson Caffery as his Special Representative to act only in a personal capacity. Recognition was still to be withheld, so any hopes the Grau Government had entertained of a change in policy were dashed. The press in the United States defended Welles, saying that his removal was not to be interpreted as a reflection upon his work. It was simply the sensible thing to be done when urgent business had to be handled and the negotiators were not on amicable terms.<sup>94</sup>

Sumner Welles left Cuba on December 13, the same day that it was reported that President Roosevelt was willing to abrogate the Platt Amendment, in order to unite the warring factions. London termed this action on the part of the United States a trade move--intended to win sympathy from South America and thus facilitate trade increased.<sup>95</sup>

Events moved along rapidly during January. Batista kept the army keyed to fever pitch, urging support and defense of the country from the peril of dangerous national and foreign interests. President Grau set April 23 as the date for the constitutional assembly to which he would turn over his power. The assembly would then establish a provisional government to act until general elections could be held. The tension in Cuba continued--troops were concentrated where danger of revolt seemed imminent, political arrests increased, martial law was still in effect and Cubans throughout the Island seemed to feel that revolt against Grau was only a matter of time. On January 6 there was a public demonstration against him. On the same day the students met to

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<sup>94</sup> Ibid., November 12, 18, 20, 21, 23, 25, 1933; Chicago Tribune, November 25, 1933 (editorial); Literary Digest December 2, 1933.

<sup>95</sup> The New York Times and Chicago Tribune, December 13, 14, 15, 1933.

elect a New Directorate to take the place of the one which had been functioning and which had been dissolved because of inability to obtain the full support of the entire student body. However, on January 7 the students as a group withdrew their support from Grau and demanded his immediate resignation.<sup>96</sup>

By January 15 the story was ended. At the demand of the Rebel Junta which had seated him Grau San Martin gave up his post. With several names mentioned as his successor, Mendieta seemed to be first choice. Yet by some unexpected manipulation the appointment went instead to Carlos Hevia. He was elected by the Revolutionary Junta without the approval of Batista. From the start it was apparent that Hevia had even less backing than Grau had enjoyed. The Nacionalistas, Students, ABC's and OCFR's still refused to back the government because the change in the president had not altered the general scheme. Two members of Grau's Cabinet went so far as to issue statements declaring that they had not concurred in the decision favoring Hevia and disclaiming all responsibility for his selection.<sup>97</sup>

Unrest in Havana increased. A general strike was called as a manifestation of Labor's dissatisfaction with the new President. No one seemed sure where the army stood. Some felt its support lay with Hevia and that any force against him would be met by force. Others claimed that Batista was disgruntled, to put it mildly, because he had not been consulted and was therefore maintaining an aloof attitude. But whatever Hevia's ability might

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<sup>96</sup> Ibid., January 1, 3, 4, 5, 6, 7, 1934; ibid., January 1 and 3, 5, 1934.

<sup>97</sup> Ibid., January 16, 1934; ibid., January 15, 1934.

have been, the quick reaction of the public against him gave him no chance to show what he could do. On January 18, three days after accepting the post, he resigned in favor of Colonel Carlos Mendieta.<sup>98</sup>

Now at last the tide seemed to have turned. Cuban Oppositionists all indicated that support would be forthcoming for Mendieta. According to most accounts he enjoyed an unblemished personal and political reputation and was widely popular. He had steadily refused to consider the post of Provisional President. Rather, he had expressed a desire to wait until the forthcoming constitutional assembly would be held and he might be formally elected by popular vote. Only when he was convinced that all groups felt he was the man needed did he finally consent. He faced a task and responsibility of grave proportions. Chronic disorder and financial bankruptcy had been causing a lingering death for Cuban welfare. Untold energy and authority would be necessary to rescue her at that late date.<sup>99</sup>

Certainly the United States was friendly to Mendieta's Government from the start, for he filled one point held vital by the State Department--he had popular support. Observers were inclined to believe that the United States would grant recognition but would wait at least ten days before so doing. Some felt that should the United States, as had been hinted, give up the Platt Amendment there might be some angles which would have to be settled with Spain due to the obligations imposed by the Treaty of Paris.<sup>100</sup>

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<sup>98</sup>The New York Times, January 16, 17 & 18, 1934.

<sup>99</sup>Ibid., January 18, 19, 1934.

<sup>100</sup>Ibid., January 18, 1934.



As the days wore on the satisfaction of the people with President Men-  
dieta continued. Labor difficulties were quietly and competently handled and  
strikes were called off. All were eager to have formal recognition by the  
United States and hoped that with it would come steps toward a more favorable  
commercial treaty between Cuban and the United States.<sup>101</sup>

On January 22 President Roosevelt decided that recognition was to be  
granted and Secretary of State Hull notified Latin American countries to that  
effect. Columbia and Mexico had already granted recognition and the balance  
of the Latin American countries had indicated that they would do likewise when  
the United States announced its decision.<sup>102</sup>

At this point it seems wise to attempt some kind of a summary of the steps  
and procedures by which the United States indicated its attitude and policy  
toward Cuba during the Roosevelt administration. Certainly the Cuban problem  
was a delicate one. First the United States had to meet the demands of other  
nations notably Great Britain and Spain that their nationals in Cuba be pro-  
tected. On the other hand the Administration felt that intervention would be  
disastrous for two reasons: first, it would not bring any real peace since  
it would antagonize large number of Cubans; second, it would be a severe blow  
to the plan of President Roosevelt for developing better relations with other  
Latin American countries.<sup>103</sup>

At the outset President Roosevelt said he did not believe in intervention  
in the territory of a foreign republic even when that right was granted by a

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<sup>101</sup> Ibid., January 18, 19, 1934.

<sup>102</sup> Ibid., January 19, 20, 23, 1934.

<sup>103</sup> "Our Job in Cuba" (editorial paragraph) The Nation, Volume 137, 312-313  
(September 20, 1933); Literary Digest, August 19, 1933.

treaty. He declared "The definite policy of the United States from now on is one opposed to armed intervention."<sup>104</sup> In the phrase "against armed intervention" lay the crux of the whole matter as seen through the eyes of the people not in diplomatic service. Welles was careful for many weeks to maintain an attitude of "unofficial" mediation, a type of mediation which critics said could not exist. Either he did or did not represent the United States Government. If he did, then the United States was intervening in a measure; if he did not, then he personally was interfering in something which his authority did not warrant. Dr. E. H. Gruening and Representative Hamilton Fish, Jr. discussing the matter in an open meeting of the Foreign Policy Association were in absolute agreement on the idea that the United States should not bring armed intervention but should bring diplomatic pressure to bear upon Machado. This very evidently was what Welles did, yet attempted to call it "unofficial".<sup>105</sup>

The main criticism leveled at the United States while Machado was in power was that non-intervention kept him in power, which was definitely contradictory of the "self-government" which the United States claimed that Cuba enjoyed, for it was certainly obvious that he was President of Cuba against the will of the majority. Heavily loaded with debts Cuba was unable to default because Machado insisted, as primary purpose, that the interest and amortization payments be kept up to date even though he had to "borrow from Peter to pay Paul".<sup>106</sup> The United States was severely criticized for helping to

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<sup>104</sup> Sumner Welles, Relations Between the United States and Cuba, Department of State, Latin American Series, Number 7, Government Printing Office, Washington, D. C. 1934.

<sup>105</sup> The New York Times, March 31, 1933.

<sup>106</sup> "Wanted: A New Deal for Cuba", The Nation, Volume 136, 433-434 (April 19, 1933).

maintain in power a government that completely suppressed civil liberties with the murder of those who protested. When Welles was sent to Cuba it was hoped that he would adopt a more forceful attitude than had been exhibited for the eight years prior to his appointment. He was credited with having the opportunity to demonstrate a thoroughly unselfish attitude on the part of the United States, which would of course mean economic as well as political self-determination. The conflict which Welles attempted to settle had two sides. One was the conflict between the Cuban people and Machado. The other was the conflict between the Cuban people and the interests of the banks and financial houses in the United States. The truth of the matter was that Machado kept his army paid by the loans which banking interests in the United States, particularly the Chase National of New York, made to him. The army kept Machado in power long after the popular will would have ousted him. Thus, though the United States did not intervene as a government, it made it possible for certain banks to intervene in the sense of maintaining in office a discredited President. Thus Machado and banking interests with a complacent State Department between them maintained a government "adequate for the destruction of life, property and individual liberty" to paraphrase the Platt Amendment.<sup>107</sup>

Article II of the Platt Amendment restrained the Cuban Government from contracting debts beyond its ordinary revenues and by implication fixed on the United States Government responsibility for execution of those provisions. They were flagrantly violated by Machado. But what was more important, they were violated with the knowledge of responsible officials in the State Depart-

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The Nation, Volume 136 (May 3, 1933); "Cuba and the Future", The Nation, Volume 137, 199 (August 23, 1933).

ment, a point of information which came to light in the investigation of 1933 with reference to the Chase National Bank and its Cuban transactions.<sup>108</sup>

It may be argued that most of the loans were made before President Roosevelt came to office. That is true. But the main criticism of the Administration seems to center on the fact that Machado was permitted to remain in office four and one half months, while Welles, according to some writers, marked time, "fiddling while Rome burned". If the Administration is not to be criticized than its appointee must bear the brunt of the censure, for having failed to realize the full time task he had in Cuba. Critics of Welles say that he erred greatly in his assumption that by disposing of Machado he could settle all the trouble; that he was very shortsighted and displayed a lack of appreciation of the complexity and importance of the Cuban problem.<sup>109</sup>

With regard to the final downfall of Machado Herring said

No marines walked the streets of Havana, but they would have done so had Machado resisted. Machado knew it; the army knew it; the last small newsboy in the street knew it. The Cubans forced Machado out but Ambassador Welles arranged the stage so it could be done.

Again,

In helping Cuba to banish him, we were but confessing our share in the responsibility (for keeping him in power).<sup>110</sup>

A prominent Cuban writer stated

The United States was compelled to resort to this diplomatic move (tender of good offices) in order to

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<sup>108</sup> The Nation (editorial paragraph--no title), Volume 137, 525 (November 8, 1933).

<sup>109</sup> Hubert Herring "The Downfall of Machado", Current History, Volume XXXIX, 14-24, (October, 1933).

<sup>110</sup> Ibid.

reconcile its present policy of the good neighbor with the necessity inescapable from its point of view of ending the serious state of affairs existing in Cuba.

Again,

Such a state of affairs represented a chronic threat to foreign interests established in Cuba and the responsibilities contracted by virtue of the Platt Amendment implicitly obliged the United States to end it.<sup>111</sup>

During the short period that the Cespedes Government functioned, the United States made it plain that the existing provisional government had full recognition of the United States. Said President Roosevelt

The change of government now taking place in Cuba is in entire accord with the recognized Constitution and laws of that country and no possible question of intervention or of the slightest interference with the internal affairs of Cuba has arisen or is intended by this precautionary step (sending warships) to protect if necessary the lives of American citizens pending the restoration of normal conditions of law and order by the Cuban authorities.<sup>112</sup>

After the overthrow of Cespedes many observers expected the United States to resent the deliberate flouting of its wishes. But the United States evidently determined upon avoiding intervention at any cost contented itself with not recognizing "the least representative government ever inflicted upon a Spanish speaking country....That was the one time in the history of Cuba when the United States was not only justified in intervening but was morally bound to restore order."<sup>113</sup>

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<sup>111</sup> Jorge Manach, "Revolution in Cuba", Foreign Affairs, XII, 46-56 (October 1933)

<sup>112</sup> Munro, 54.

<sup>113</sup> Edwin Lefevre, "Cuba's Grievances", Saturday Evening Post, Volume 206, 8-9, January 27, 1934.

President Grau San Martin served from September 5 to January 18. During that entire time the United States steadily and consistently refused to grant recognition to his government. Order was not maintained, lawlessness swept the island. This was one of the reasons why recognition was denied. Yet it must be admitted that non-recognition of the United States incited some groups in Cuba to revolt. Too, the threat of intervention ever present in the form of warships, prevented any hope of solidarity or stability.<sup>114</sup> Withholding recognition to test the strength of the Grau regime was called a "paradox not unlike permission to swim without going near the water". Recognition would have automatically promoted stability.<sup>115</sup>

A writer in The Nation criticized the United States for its non-recognition policy. He said that Grau and his associates very obviously represented a higher degree of political integrity and patriotism than the slow moving Cespedes coalition, yet that regime had been recognized. Even temporary delay in recognition was a blunder on the part of the United States for if there was antagonism in Cuba that was to be expected, but the neutrality of the United States should have been absolute. By withholding recognition he maintained that the United States could control every administration and force the Cubans "to draw the cards we desire from the pack".<sup>116</sup>

That the Grau administration lasted four and one half months without recognition furnished

conclusive evidence of the fatuousness of the Administration's Cuban policy. It revealed how gravely the

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<sup>114</sup>Herring, Current History, XXXIX (November 1933).

<sup>115</sup>"Shall Our Sugar Refiners Ruin Cuba?" The Nation, Volume 137, 395, (October 11, 1933).

<sup>116</sup>The Nation, Volume 137 (September 20, 1933).

the wide, larger, Latin American policy conceived by President Roosevelt and Secretary Hull and efficiently materialized by the latter at Montevideo was impaired by a single truculent subordinate.

Welles was credited with having intensified the feeling, already great, that the United States policy continued to be what it always had been--meddling in order to establish the particular type of government which the State Department desired.<sup>117</sup>

It was undoubtedly a tremendous task to convince the Cubans that recognition was denied to Grau simply and solely because that government was controlled by inexperienced students, illiterate soldiers and a president who was to all intents and purposes a figurehead. It was certainly asking a great deal of the Cubans to believe that we insisted upon law and order, legally obtained and justly maintained, when we had not withdrawn recognition from Machado. But United States policy by 1933 had apparently reached the point where that government felt that it had not the moral right to recognize a government which unquestionably met with the whole hearted opposition of all elements and which was only able to maintain itself in power through force.<sup>118</sup>

That the policy of the United States was understood and commended by the other republics of the Western Hemisphere made it no easier for the Cubans to accept. Yet such was the case. Only four American republics recognized the Grau San Martin Government as the legitimate government of Cuba. Three of the four did so because they had previously agreed to the Estrada Doctrine of

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<sup>117</sup> "Cuba and New Deal", The Nation, Volume 138, 116-117 (January 31, 1934).

<sup>118</sup> Edwin Lefevze, "Soldier and Student Control in Cuba", Saturday Evening Post, Volume 206, 5-7 (January 6, 1934); Welles, Department of State, Latin American Series, Number 7.

Recognition which provided for the automatic recognition of any government in an American republic as soon as it took office.<sup>119</sup>

The Mendieta Government unquestionably had several points in its favor. Colonel Mendieta was experienced, was personally popular and was not a dictator backed by an army. He had the support of practically all Oppositionists as proven by the fact that he had refused to accept office from Batista alone and would not take it until it came from the whole anti-Machado group. Whether it was the peace of contentment or the peace of exhaustion that followed his selection is a debatable question. True it is that unrest and disorder were rife in Cuba once more, several months later, but at the outset his administration seemed to promise what the United States demanded as the price of recognition. Some writers were very ready to criticize the Mendieta regime, too, as essentially the same kind that Cespedes had set up. Others heartily criticized the United States for appointing Jefferson Caffery as Ambassador when it was well known that he had been implicated in an official way in the Barco-Mellon Concession which was later target for investigation by a Senatorial committee.<sup>120</sup>

To summarize the whole story the Roosevelt administration evidently did its utmost to carry out the new policy which it had announced at the outset of the term--the good neighbor idea. One writer called the 1933 attitude toward Cuba a renewal of the Jefferson policy which had been that popular support was to be the only basis for recognition.<sup>121</sup>

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<sup>119</sup> Welles, Department of State, Latin American Series, Number 7.

<sup>120</sup> The New York Times, January 7, 23, 28, 1934; "A Bad Appointment", The Nation, Volume 137 (August 30, 1933).

<sup>121</sup> Welles, Department of State, Latin American Series, Number 7; The New York Times, October 1, 1933.



Summary of chapter

By 1930 Cuba, worried by the low price of sugar along with the world wide depression, began to experience serious political disorders. President Machado failed to effect certain desired and oft promised reforms. Revolts were put down in 1930 and 1931. Constitutional guarantees were suspended during most of his second term. Opposition to him became stronger and stronger. In 1933 the Machado regime collapsed, guerilla warfare raged and the army was unable to restore order. In a few months' time Cuba experienced a Provisional Government, a Revolutionary Junta, a three day Presidency and finally a more permanent government under Mendieta. This last provisional government was recognized as Cuba's official government. Regardless of continued disorder in Cuba and despite intervention clause in the Platt Amendment, the United States Government persisted in its decision not to intervene even though besieged by pressure from both United States and Cuban interests to do so. The United States seemed determined to adhere to the "good neighbor" policy--to aid wherever possible but scrupulously to refrain from interfering in Cuban governmental affairs.

## CHAPTER IV

### The Economic Situation, 1933-1934

When 1933 opened the economic outlook for Cuba was very dark. Back salaries of public employees, in arrears from three to eight months, were to be paid in scrip, the total indebtedness for salaries being \$14,000,000. The country faced a huge deficit in the 1932-1933 budget in addition to a \$10,000,000 shortage in the 1931-1932 budget.<sup>1</sup> Cuba was being squeezed between the low price of sugar and the high cost of her foreign debt. Decreasing governmental revenues, an unbalanced budget, a fast growing floating debt, unpaid claims for salaries and supplies and new short term bank credits continually needed for paying on old debts presented a very discouraging picture. True, in comparison with her great natural wealth, Cuba's total debt was not regarded as too large for her to carry. Compared with some other countries her status financially might even have been called good. She had not defaulted on any obligations to that date and had maintained her credit. Practically all of the \$15,000,000 due by June 30 was due to American banks and bondholders. This amount, President Machado assured the holders, would be paid. How it would be done was the question in the mind of the average Cuban who saw in the payment continued sacrifice and hardship for him and his

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<sup>1</sup>The New York Times, January 13, 1933.

compatriots who were already at the brink of despair. All knew perfectly well that Machado would keep the army paid at all costs.<sup>2</sup>

There was probably only one point on which all Opposition factions agreed and that was a hope for a speedy upturn in sugar prices. The main cause of Cuba's 1933 financial difficulties was the desperate plight of her sugar industry. With a United States tariff of two cents per pound Cuban raw sugar had to sell in New York at less than seven-tenths of a cent a pound to compete with domestic and insular sugar. Of that amount the colono or small sugar planter received about three-tenths of a cent per pound, less than the cost of production, according to Havana sugar experts. Either an upturn in sugar prices or a reduction in the tariff, even one-half cent a pound would help a great deal.<sup>3</sup>

The decline of sugar prices caused a corresponding decline in money circulation. American and foreign bankers transferred a large part of their currency to home banks. In 1927 the amount of money in circulation was \$80.52 per capita. In 1932 it was \$18.73 per capita. In February 1933 the amount had dropped to \$10.66. The Cuban Treasury had been practically empty for two years because all tax and customs receipts were paid out as fast as they were received. Exports of sugar declined from 4,687,644 tons in 1929 to 2,486,719 tons in 1932 and exports to the United States declined from 3,620,637 tons in 1929 to 1,612,122 tons in 1932.<sup>4</sup>

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<sup>2</sup> Ibid., February 5, 1933.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

As costs of production increased wages fell. From three dollars per day the average wage dropped to fifty cents per day thus causing widespread misery. Two-thirds of the population depended upon sugar for a livelihood and the common people were living in abject poverty. If Machado could possibly have succeeded in holding the country together until the sugar industry would again reach a paying basis, he would have been acclaimed as a great Cuban President who maintained the national credit and restored prosperity through supreme national sacrifices.<sup>5</sup>

On January 24 Machado signed a decree authorizing the production of 2,000,000 tons of sugar for the ensuing year. Of this quota 1,115,000 tons were to be shipped to the United States; 735,000 tons were for other countries and 150,000 tons were for Cuban consumption. A carryover of 1,626,000 tons from the year before was divided in three ways. 790,000 tons were to be held by the National Export Corporation under provisions of the International Sugar Agreement. 52,000 tons made up the unshipped balance allowed Cuba from Germany's 1932 export quota. The remainder was free stock.<sup>6</sup>

Machado submitted his 1933-1934 budget to the Cuban Congress on January 27. The plan called for expenditures of \$51,389,777 from an expected revenue of \$52,699,997. He expected that the Congress would pare this estimate to a considerable degree.<sup>7</sup>

Despite all gloomy predictions by others, Machado maintained a hopeful attitude, at least for publication. He promised repeatedly that debts would

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<sup>5</sup> Ibid., February 6, 1933.

<sup>6</sup> Ibid., January 24, 1933.

<sup>7</sup> Ibid., January 28, 1933.

be paid and was sure that general recovery was on the way. He denied that Cuba was on the verge of a financial and economic collapse and expressed rather hurt surprise that Cuba's greatest creditor, the United States, had not seen fit to applaud Cuba for her religious payment of obligations. He declared that this feat was the more remarkable because Cuba was the only country that had seen the value of its production go down more than eighty percent.<sup>8</sup>

As if in direct contradiction of Machado's bold front it was necessary for the Government to seek a sixty day extension on all payments due during the two years to follow.<sup>9</sup> By March 22 reports were circulating that Machado had agreed to a debt holiday of two years and was ready to ask Congress to authorize it. This was surprising, indeed, since he had insisted all along that he would not tolerate a moratorium. If permitted by Congress the moratorium would affect mortgages (on sugar mills) and rent (on ground where cane was unground due to curtailment of the crop). The financial situation was rapidly becoming acute and it seemed that Machado would soon have to yield to popular demand for a moratorium especially to ease the situation for property holders.<sup>10</sup>

On March 23 came the proposal to extend to January 1934 the sugar pool of 700,000 tons which had been intended to terminate by July 1. The pool was formed July 2, 1932 and included sugar of the 1931 and 1932 crops destined for exportation to the United States. The full amount was not sold either year,

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<sup>8</sup> Ibid., February 12, 1933.

<sup>9</sup> Ibid., March 3, 1933.

<sup>10</sup> Ibid., March 23, 1933.

hence the pool. The plan was to segregate the sugar for six months but the time was extended another half year. The decree originally authorizing the pool had made contributions obligatory but many producers had failed to give their share. The small producers preferred to sell their sugar at current market prices rather than wait for higher prices through segregation.<sup>11</sup>

All through the troubled months of 1933 the United States had been maintaining that no help could be given to Cuba's economic troubles until her political affairs were straightened out, but in April President Roosevelt began work on a plan to aid Cuban sugar, seeking to raise the price. Several plans were under consideration but the one most likely to be adopted was a quota system for sugar consumed in the United States with a quota of 2,000,000 tons being set.<sup>12</sup> The quota idea won the support of William L. Davidson, former business manager of the Havana Post, provided that Cuba reduce reciprocally the tariff on American merchandise.<sup>13</sup>

Lowering of reciprocal tariffs by Cuba was considered necessary because by gradual increases in her tariff every year from 1920 on, Cuba had practically nullified the benefits granted by the reciprocal arrangement of 1902. Cuba was clamoring for a reduction in the two cent tariff on her sugar, blissfully or deliberately unmindful that she had apparently tried to strangle American trade by raising duties to the prohibitive point. The Cuban tariff was said by United States critics to be entirely too flexible. Upon recommendation of the Tariff Commission the President might issue decrees amending

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<sup>11</sup> Ibid., March 24, 1933.

<sup>12</sup> Ibid., April 19, 1933.

<sup>13</sup> Ibid., May 4, 1933.

the schedule or reclassifying any item. This easy modification was a source of constant worry to importers. In addition, there was lack of uniformity in applying the tariff schedules not only by customs inspectors at different ports but by inspectors at the same port.<sup>14</sup>

Hence when the United States began to mention modification of the old reciprocity treaty it was suggested that such modifications should impose some limitation on the power of the President to reclassify American products so promiscuously.<sup>15</sup> In defense of the Cubans he it said that they did not raise their tariff to the prohibitive point until the United States had reached a climax of raises by the Hawley Smoot Bill of June 17, 1930. Some observers felt, and with reason, that Cuba's diversification of crops and raised tariffs were merely common sense moves after she saw the results of the 1921-1922 sugar crisis.<sup>16</sup>

That the Cuban Government was badly pressed for money was evident by June 13 when it sought and received loans from two oil companies, the Standard Oil of New Jersey and the Consolidated Oil Company. The procedure was for the company to advance to the Cuban Government a certain amount of money which they would normally pay in the form of duties and taxes on products imported into the country. The advances so made were to be used to aid in meeting the principal and interest payments on several series of external loans due on June 30 and July 1. This scheme had been used before in emergencies.<sup>17</sup>

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<sup>14</sup> Ibid., June 4, 1933.

<sup>15</sup> Ibid., June 4, 1933.

<sup>16</sup> Ibid., June 11, 1933

<sup>17</sup> Ibid., June 13, 1933.

Still another loan was arranged by the Chase National Bank syndicate, this time an advance of \$1,250,000 to enable the government to take up the public works serials certificates which would mature on June 30. This amount was to be repaid within ninety days by special public works revenues.<sup>18</sup> When this loan was effected, the Secretary of the Treasury announced that he would at once undertake negotiations to secure \$45,000,000 from two or more New York banks. If successful the money would be used to liquidate internal indebtedness and unemployment.<sup>19</sup>

In an attempt to stabilize the price of sugar Machado attempted something closely akin to the method the United States used under the federal farm board. A bond issue of \$42,000,000 was released and the Government sought to boost sugar prices by segregating 1,700,000 tons of raw sugar. This step was advised by financial advisers from the United States, but it failed utterly as prices went down instead of up.<sup>20</sup>

Through the summer of 1933 very little appeared in the press about economic conditions save repeated assurances that political improvement would bring in its wake economic betterment as well. With a slight improvement in the tense situation immediately after Machado's departure there was a little improvement in a financial way but it was slight and fleeting.<sup>21</sup> The new Cuban treasurer again suggested a moratorium, this time on unpaid taxes and also a reduction in special taxes. He claimed that relief should first be given to

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<sup>18</sup> Ibid., June 13, 1933.

<sup>19</sup> Chicago Tribune, August 3, 1933.

<sup>20</sup> Ibid., August 11, 1933.

<sup>21</sup> The New York Times, August 16, 1933.



industry and commerce which had been unable to meet taxes. Since seventy-five percent of both urban and rural land holders were in default on their taxes, he urged that they be given more time to pay back debts and that current taxes be accepted in installments.<sup>22</sup> Secretary of the Treasury, Saenz, was of the opinion that an increase of one or one and a half cents per pound on sugar prices would insure a return of prosperity. Increase of the sugar allotment without reduction of tariff on Cuban sugar in the United States would do very little to hasten recovery.<sup>23</sup>

It was announced on August 23 that nineteen percent of Cuban revenues for the year would have to be spent for debt service on foreign obligations. The prospective new United States Ambassador, Jefferson Caffery, was reported to be preparing detailed information, through which, since most of the indebtedness was to the United States, he hoped to be of assistance.<sup>24</sup>

As the next step toward Cuban recovery Saenz asked President Cespedes to decree an indefinite moratorium for debts contracted during the Machado regime. This he said would relieve Cuba of the strain of paying close to a million and a half dollars for debt service. Such a moratorium would not affect the 1902 loan and the 1921 loan contracted upon the recommendation of Crowder. A moratorium embodying these suggestions was announced by Cespedes on August 25.<sup>25</sup>

Just about this time Adolf A. Berle was decided upon as financial adviser from the United States. He had been legal adviser to the Farm Adjustment Ad-

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<sup>22</sup> Chicago Tribune, August 10, 1933.

<sup>23</sup> Ibid., August 22, 1933.

<sup>24</sup> The New York Times, August 23, 1933.

<sup>25</sup> Chicago Tribune, August 24 and 25, 1933.

ministration in the United States but the domestic cane sugar refiners asked for his removal on the ground that he was prejudiced in favor of Cuban refining interests.<sup>26</sup>

Hardly had the Cespedes Government decreed a moratorium on August 25 than it was overthrown by the Oppositionists and the Grau San Martin group took charge. The new governing body immediately announced that they recognized all of Cuba's foreign debts in principle even those dubious transactions under the Machado regime. It was indicated however that it undoubtedly would be necessary to decree a moratorium for two years and also to arrange for a revision of the terms of the loan.<sup>27</sup> Credit was difficult to obtain in Cuba, from either native or foreign business men. They all declined to grant credit, not knowing whether the bills would ever be paid because the next government might declare the existing one illegal. The only government employees sure of receiving pay were the army employees. The Treasury was estimated to have had about \$1,250,000 on deposit when the Junta overthrew Cespedes, in addition to one month's pay for the army and navy. Since the government could not exist without the army, the demands for salary payment were promptly met.<sup>28</sup>

As the month drew to a close government credit was still "frozen", banks refused to cash government checks, business in Havana was at a stand still. Some necessary public health services were shut off for lack of funds. Business houses complained of the increasing depression, saying they had been able to do no business since the ousting of Cespedes. Though paid on September 23,

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<sup>26</sup> The New York Times, August 31, September 1, 1933.

<sup>27</sup> Chicago Tribune, September 6, 1933.

<sup>28</sup> Ibid., September 13, 1933.

the army men still had, at the very least, three months salary due to them, while other employees were from six to nine months in arrears. Banking credit was really the crux of the situation. American recognition became increasingly important. A new measure, intended for refinancing the debt was announced and was to be accomplished through an interior bond issue bearing five per cent interest. The bonds so issued were to be used to pay creditors, but according to economists under existing conditions such bonds would only be equivalent to I O U certificates.<sup>29</sup>

As the year wore on the financial outlook seemed more and more forbidding. Colonel Manuel Despaigne, Secretary of the Treasury under Grau, issued a warning that a moratorium seemed inevitable and announced that if the existing conditions continued the decision would have to be made by December. Collection of local taxes was a big problem. Even those who had the means withheld payment because they were uncertain how long the Grau regime would endure and whether or not tax receipts issued by the existing government would be valid.<sup>30</sup> The moratorium, if decided upon, would cover the foreign debt most of which was owed to the United States. It was believed by outsiders that the delay in deciding was caused by a desire to avoid anything that might prevent recognition of the Grau Government by the United States. Should the moratorium finally be declared it would delay but not forestall for very long the inevitable financial crisis. Only a settlement of some kind between opposing factions with a restoration of confidence to both Cuban and American communities,

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<sup>29</sup> Ibid., September 14, 24, 25, 28, 29, 1933.

<sup>30</sup> Ibid., October 6, 1933.

could offset that danger. Despaigne declared that business was suffering from creeping paralysis for credit was being cut off on all sides. Importers were required to pay cash down on merchandise and merchants were ordering only minimum amounts. Added to this was the corresponding decline in customs duties. Internal tax collections were practically stopped in the interior and were daily growing smaller in Havana. The sugar mills always needed financial assistance during the grinding season, this year more than ever before with no possibility of getting it.<sup>31</sup>

Three alternative plans were proposed by Secretary Despaigne. The first was to stop both interest and amortization payments on the entire foreign debt. The second was to stop payments on the public works debt only. The third was to stop only amortization payments on the foreign debt. As estimated for June 30, 1932 the total foreign debt was \$135,000,000 exclusive of the Chadbourne Plan Sugar Bonds, by 1933 amounting to about \$22,000,000. They were paid out of the sale of the sugar and were not chargeable against government budget revenues. Of the total foreign debt \$55,000,000 represented the remains of the long standing Speyer and Morgan loans. \$80,000,000 was the remainder of the Machado public works program, totalling at the time \$100,000,000.<sup>32</sup>

To date all foreign debts had been paid without default but this had been accomplished only by getting repeated extensions of a \$20,000,000 short term credit from the Chase National Bank and of \$20,000,000 works certificates

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<sup>31</sup> Ibid., October 22, 1933; The New York Times, October 22, 1933.

<sup>32</sup> The New York Times, October 22, 1933.

given to contractors during the public works program. One major handicap for the 1933 payments was that Machado had anticipated the 1933 gasoline taxes, most important factor in Cuban revenues, to pay the 1932 public bonds payments. The gasoline companies had advanced \$720,000 in 1932 and were deducting that amount from their 1933 payments.<sup>33</sup> As a final warning the Secretary of the Treasury said that a failure to produce a sugar crop during the ensuing winter would utterly ruin Cuba and her governmental finances because of its effect upon her national income.<sup>34</sup>

As though to calm the fears aroused by the Treasury head's speech, on October 28 a statement was issued to the effect that public officials were being paid regularly for the first time in a long time and that debt obligations would be religiously met as long as their payment did not interfere with the subsistence of public institutions. Rather a dubious guarantee!<sup>35</sup> Just a few days later a moratorium was declared on both interest and principal payments on foreign loans, affecting approximately \$150,000,000 in American loans. The last payments had been made June 30 and July 8, amounting to \$8,000,000. The next payment would be due on December 30. Secretary Despaigne insisted, however, that it was unjust to pay out such large sums of money when the common people of Cuba were hungry and in misery. It was his opinion that the money should be used to relieve unemployment distress at home.<sup>36</sup>

Less than a month later it became known that, contrary to the usual custom, no deposits had been made in the Chase National Bank Branch in Havana to

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<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid., October 29, 1933.

<sup>36</sup> Chicago Tribune, November 2, 1933.

apply on loans from that institution. About the same time it was announced that the United States was fully agreeable to lending economic aid if and when political conditions would be fully stabilized. It was even suggested that there might be a Reconstruction Finance Corporation to put sugar back into the swing of business activity.<sup>37</sup>

On December 28 came the announcement that the Cuban Government would default on \$4,718,000 in bonds. The Grau Government maintained that loans made to the Machado Government had been illegal and therefore nothing at all was to be paid on them. Regular payments on other loans could not be made without suspending legitimate payments on governmental services in Cuba. At the same time it was emphasized that suspension did not mean repudiation.<sup>38</sup>

The New Year brought no noticeable change. Observers claimed that anarchy would be the next step if the funds usually forthcoming from the sugar industry failed to materialize. Only a few mills were grinding by January 16. Private capital to finance the crop could not be obtained and the Grau Government could not find funds. Once again the statement was made that recognition of Grau by the United States would mean a certain amount of economic aid from the United States and would also supply the necessary confidence required for a resumption of business activity.<sup>39</sup>

Even after the Mendieta Government had been installed conditions remained acute. Only eight mills were grinding and those were Cuban-owned. American mills were hesitant to start grinding as they were awaiting action by the new

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<sup>37</sup> The New York Times, November 17 and 19, 1933.

<sup>38</sup> Ibid., December 28, 1933.

<sup>39</sup> Ibid., January 17, 1934.

governing group, proving that sufficient protection would be given from damage or sabotage by disgruntled workers.<sup>40</sup> To facilitate business recovery Mendieta asked for an immediate loan from the United States Government to put some ready money into circulation. An agreement was also sought on a moratorium arrangement on bonds sold to the American banks by Machado. The efforts of Machado to keep up the interest and amortization payments on the public debt were blamed by many Cubans for having drained the country of cash. Money in circulation declined from \$280,000,000 to \$30,000,000 in the period from 1928-1933.<sup>41</sup>

By February 9 with an improvement in the labor situation there was some increase in grinding. Twenty-nine mills were in operation by that date. Two weeks later it was announced that the United States was forming a Sugar Export Bank to lay plans to promote general trade with the Island. The plan under consideration was similar to the one used for promoting trade with the Soviet Union. No direct loans were under consideration. Instead the United States Government intended to advance money to American silver producers so that they in turn would be able to extend credit to the Cuban Government for the purchase of a large amount of silver. This amount, whatever it should be, put into circulation in Cuba would do much to ease the money tension and to help the Mendieta Government to pay salaries and other current obligations. Though the State Department had not completed plans it was expected that a definite pronouncement could be made by March 6. At the same time it was said that negotiations for a new commercial treaty were progressing rapidly.<sup>42</sup>

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<sup>40</sup> Ibid., January 23, 1934.

<sup>41</sup> Ibid., January 28, 1934.

<sup>42</sup> Ibid., February 26, 1934.

On April 30 the Second Export Import Bank announced a loan of \$4,000,000 most of which was used in purchasing silver bullion. After this, however, the Bank was not very active because conditions for its successful operation were not so favorable as had been expected.<sup>43</sup>

After months of delay the long awaited commercial treaty was signed on August 24, 1934 with a slow but definite improvement in trade and finance noticeable soon after.<sup>44</sup>

The reason given for the Cuban depression of 1933-1934 almost invariably hinged upon the word sugar. It can not be denied that sugar played a major part in the situation but other factors entered in as well. One point of discussion seems to be, not whether or not sugar could bear the brunt of the whole sad story but whether or not Cuba had made any effort to alter her situation so that a repetition of 1921 sugar crisis need not bother her.

William L. Schurz, former American commercial attache at Buenos Aires, writing in 1932 spoke of Cuba's economic isolation as her own problem, to which she alone could find the answer and for which she should expect no help from the United States or any other quarter. He did not mince words when he said that even though under existing conditions the cards appeared to be stacked against Cuba (the Platt Amendment) yet the task of rebuilding was still a Cuban task requiring that they face uncomfortable facts and show more steadfastness of purpose and better leadership than were usually in evidence.<sup>45</sup>

Schurz advised the Cubans to face the fact that the United States of 1932

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<sup>43</sup>The United States in World Affairs, prepared by W. O. Scroggs, edited by Whitney E. Shepardson, Harper and Brothers, New York, 1935, 105.

<sup>44</sup>The New York Times and Chicago Tribune, August 24, 1934.

<sup>45</sup>William L. Schurz, "Cuba's Economic Isolation", Current History, XXVI, 545-549, (August 1932).



looked upon Cuba with different eyes than did the United States of 1898. An objective attitude had replaced the "big brother" sentiment and American policy in 1932 was realistic. Actually, said Schurz, the United States had no more good will for Cuba than for Lithuania or Liberia. The United States was Cuba's friend, said this outspoken critic, only so long as Cuba contributed to the aims of American national policy and did not compete with American business. He admitted that there were great possibilities in the relationship between the two countries and that the relationship might have been mutually advantageous had it not been for the self interest that dictates the policies of nations. The logical arrangement between the United States and Cuba was in operation at the beginning--that Cuban sugar and other products were to be exchanged for American manufactured goods. Such an arrangement in 1902 promised reasonable prosperity for the new republic. Later, as American policies changed, the situation assumed a different aspect.<sup>46</sup>

Schurz seemed to feel that there was nothing unnatural about the United States' domination of Cuban economic life. He said it was just in the order of things that such should be the case. The only way in which Cuba could have avoided this domination was through an acceptance of the agricultural economy of colonial days with the simple style of life which that economy implied. If the Cubans wished their standard of living to be raised to a level above that of the colonial system, they had to pay the price. An economic tieup with the United States would necessarily mean that she had to subject her ideas and policies to the moneyed member of the firm. Cuba could supply to the

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<sup>46</sup> Ibid.

United States the sugar she needed; in return America could sell to Cuba the manufactured goods she needed to raise her standard of living. Thus the deficiencies of one could be supplied by the other.<sup>47</sup>

As the passing years showed an increase of profits in the growing of sugar more and more American capital was invested in the industry until Americans controlled about two-thirds of the island's production. Cuban production rose to 4,000,000 tons and after the World War, even higher as has been described in Chapter III. As long as the price of raw sugar was maintained at a normal "high" things went along well enough. Unfortunately, but inevitably, that condition could not always exist. Eventually only the old Cuban mills with their lower operating costs could show a profit if hard times should strike the sugar industry. This fact was amply demonstrated in 1921-1922.<sup>48</sup>

By 1932 most of the great sugar companies were in the hands of receivers and were being reorganized to meet new conditions. World overproduction had finally overwhelmed sugar, just as it had practically every staple of commerce.<sup>49</sup> A steadily declining foreign market made action imperative. In a desperate effort to stem the tide the distracted Cuban Government tried various plans, including restriction of production, establishment of an official selling agency and an international agreement to curtail output.<sup>50</sup>

In other exports the market outlook was equally bad. It was highly improbable that there could be any considerable expansion of the tobacco

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<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.; Literary Digest, August 26, 1933.

<sup>50</sup> Schurz, supra.

business, the second ranking export, because of hostile tariffs competition of other tobaccos for the high class filler trade and the trend to cigarettes.<sup>51</sup>

As part of a program of diversification it had been hoped that the United States would offer a profitable market for Cuban fruits and early vegetables. This plan did not materialize. Florida and Texas would not relish the development of so dangerous a rival for their business. The only concessions made were during the short period of the winter before early domestic vegetables were ready for the United States market, and those were too small to enter into the reckoning.<sup>52</sup>

Because the preferential tariff arrangement with the United States embodied in the Platt Amendment did not permit Cuba to negotiate commercial treaties, she was unable to seek other markets that might have helped to offset her dwindling United States market. True, some progress had been made in diversification of agriculture. An exportable surplus of coffee was expected to materialize. Expansion of the local dairy industry had greatly reduced importation of canned milk. Cheese was manufactured in larger quantities. Beginnings had been made in rice cultivation and the canning industry. Cattle and hog raising had been increased, and in fact enough had been done to show that except for imports of flour, Cuba could practically feed herself.<sup>53</sup>

A study of Cuba's economic possibilities during Machado's term of office listed almost two hundred agricultural, forest and industrial products produced locally in commercial quantities. Fitzgibbon, who cited this study, was

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<sup>51</sup> Ibid.; Fitzgibbon, 203.

<sup>52</sup> Ibid.

<sup>53</sup> Schurz, supra.

careful to point out that it would be a great mistake to conclude from this that the basis of Cuba's economic life was broad or that its commercial relations with the United States were stable. He said there was no justification for assuming that the import or export trade would in the near future be modified by the development of new Cuban products. He called Cuba "one of the world's outstanding examples of what is called a monoculture country."<sup>54</sup>

There were clearly marked limits to the possibilities of manufacturing according to Schurz but the results of some enterprises undertaken by 1932 showed that Cuba was capable of producing soap, furniture, shoes, cordage, cement, paint, paper, shirts and collars, toothpaste, proprietary medicines, rum and beer. Thus, despite some progress toward diversification, observers were of the opinion that Cuba still had for her major crop, the sugar cane, and that it would not be doing Cuba an injustice to consider that crop alone when attempting to understand her financial and economic situation in 1933-1934.<sup>55</sup>

A survey of the banking structure of Cuba during Machado's administration disclosed that there were only six important commercial banks operating of which three were Canadian and three were American, all branches of large institutions in their respective countries. In addition there was one Cuban bank of Spanish origin. Only one of the banks, an American institution, had directly floated loans for the government. This situation was in marked contrast to the days of 1920 when countless banks flourished and several were

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<sup>54</sup> Fitzgibbon, 203.

<sup>55</sup> Ibid.; Schurz, supra.

forced to close their doors at the beginning of Cuba's long depression.<sup>56</sup>

The total amount of American money invested in Cuba as given by different authors varies greatly according to the way they classified the investments, but most of the estimates range from \$1,500,000,000 to \$1,750,000,000. Dr. Max Winkler, in his Investments of United States Capital in Latin America (World Peace Foundation, Boston, 1928) estimated the total in Cuba at \$1,505-000,000 divided as follows:<sup>57</sup>

Sugar industry	\$800,000,000
Real estate	150,000,000
Railroads	120,000,000
Government bonds	110,000,000
Public utilities	110,000,000
Industrials	50,000,000
Tobacco	50,000,000
Commercial	40,000,000
Mines	35,000,000
Banks	25,000,000
Miscellaneous	15,000,000

Munro, who cited this table, said that the figures for 1933 were probably much lower.<sup>58</sup> Yet, on the other hand the figures, cited in The New York Times and based on Moody's Manual, set the total at \$1,750,000,000 of which \$545,000,000 was in the sugar industry. Later the same year The New York Times and the Literary Digest offered identical figures which totalled much less than the foregoing estimate, as indicated below:<sup>60</sup>

\$370,000,000	in sugar
200,000,000	in Government bonds
125,000,000	in utilities
15,000,000	in Radio Corporation of America
116,000,000	in railroads
100,000,000	in banking
9,000,000	in oil
100,000,000	in all other investments

<sup>56</sup> Harry F. Guggenheim, The United States and Cuba, Macmillan Co., New York, 1934, 121.

<sup>57</sup> Ibid. <sup>58</sup> Munro, 58. <sup>59</sup> The New York Times, February 5, 1933.

<sup>60</sup> Ibid., August 13, 1933; Literary Digest, August 26, 1933.

All authorities agreed on one thing--that the financial interest of the United States in Cuba was much greater than the average American realized. Under normal conditions, the capital invested (estimated at \$1,500,000,000) should return in dividends about \$90,000,000 a year.

No country on earth

said one writer

can view without concern the loss of an income of \$90,000,000 or more a year by its citizens...it certainly is not good business to treat lightly the prospect of seeing this investment become a permanent loss.<sup>61</sup>

Norman H. Davis, Assistant Secretary of State under President Wilson, during the days of Crowder, made a rather sweeping condemnation of the United States tariff policy toward Cuba. Writing as early as 1931 Davis claimed that a few years earlier the United States had Cuba for its largest customer among the Latin American countries. However, by increasing the duty on sugar, Cuba's chief export, until it practically equalled the cost of production the United States destroyed Cuba's power to purchase American goods and helped to cause economic distress and insecurity in Cuba. In turn the economic distress was passed on to the United States in the form of huge losses to American investors. The losses fell not on a few rich speculators but on many thousands of Americans who held Cuban securities of all kinds. Losses so incurred far exceeded the total amount invested in the beet sugar industry for the benefit of which the higher United States tariff had been placed. In addition to losses in trade, commerce and investments, the American people paid indirectly in

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<sup>61</sup>Lefevre, Saturday Evening Post, (January 27, 1934).

taxes on sugar more than the total investment in the American beet sugar industry.<sup>62</sup>

For exports everywhere to drop because of the depression was to be expected. But the magnitude of the decrease in the case of Cuba could not be explained that easily. Experts asserted that the cause of the Cuban decrease was a short sighted tariff policy on the part of the United States. Cubans had expected to find in the United States a practically unlimited market for their output. By 1910 the best sugar states were producing nearly 500,000 tons of sugar a year. Their spokesmen in Congress, headed by Senator Reed Smoot were a guarantee that there would be ample protection against Cuban sugar. The Hawley Smoot Tariff of 1930 increased the duty on sugar to two cents per pound. The American Congress and Tariff Commission paid little attention to the fact that the sugar industry in Cuba was predominantly an American enterprise. Apparently, if American capital and business went outside the country, they must face the consequences in Cuba as elsewhere. Lefevre stated that losses on American income coupled with losses on export trade produced a sum large enough to pay the interest on some of United States bonded indebtedness, which of course will come from the American taxpayer. He emphasized once again that the Cuban problem touched the American pocket-book more than many of our citizens realized.<sup>63</sup>

A few statistics on Cuban-United States trade will very clearly show the phenomenal drop which had occurred. In 1923-24 Cuba was the sixth best

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<sup>62</sup>Ibid.; Norman H. Davis "Wanted: A Consistent Latin American Policy", Foreign Affairs, IX, 547-568, (July, 1931); Herve Schwedersky, "The Tariff on Sugar--a Case Study", The Nation, Volume 135, 426-427 (November, 1932).

<sup>63</sup>Schurz, supra; Lefevre, Saturday Evening Post, (January 27, 1934).

customer of the United States, taking 4.6% and 4.4% of all American products in the respective years. In the same years Cuba was the third best supplier of the United States. Sugar formed from 80 to 85% of Cuban exports while tobacco added 10 to 12% more. In 1933-34 Cuba had dropped from sixth best customer to sixteenth best, taking less than 2% of all exports from the United States. Cuban rank as supplier of the United States experienced a similar decline.<sup>64</sup>

Viewed from the Cuban standpoint the picture presented the same story. In 1923 the United States furnished 67.3% of all Cuban imports and took 67% of her total exports. In 1933 the corresponding figures had fallen to 53.5% and 67.7%. In 1921 Cuba imported products with a total value of \$354,403,000 of which \$263,516,000 came from the United States. In the same year the total Cuban exports were \$278,061,000 of which the United States took \$222,963,000. In 1932 the United States furnished products valued at \$27,653,000 of a total of \$51,024,000 of Cuban imports. Of total exports of \$80,672,000 the United States took \$57,482,000. In 1933 the balance of trade was slightly more in favor of Cuba with her imports reaching \$42,361,520 and exports \$84,390,541.<sup>65</sup> In tabular form the same figures, in part, appear as follows:<sup>66</sup>

Cuban Imports and Exports (in thousands of dollars)

Year	General Imports	Imports from United States	Total Exports	Exports to United States
1929	\$216,215	\$127,051	\$272,440	\$208,774
1930	162,452	91,872	167,411	116,116
1931	80,112	45,940	118,866	89,074
1932	51,024	27,653	80,672	57,482
1933	42,363	22,874	84,391	57,112

<sup>64</sup>Fitzgibbon, 225-226.

<sup>65</sup>Ibid.

<sup>66</sup>New International Year Book 1934; The New York Times, March 26, 1933; Literary Digest, August 26, 1933.



In 1930 the Hawley Smoot Tariff bill was passed in answer to the request of sugar beet producers for additional protection. They asked this safeguard as part of a plan of farm relief as well as a limitation on sugar imported free from the Philippines. The argument advanced by the United States Beet Sugar Association was that the beet sugar industry was facing a serious crisis, due to the competition with sugar imported from foreign countries and produced under the conditions of a lower standard of living. The Association claimed that of all food commodities, domestic sugar was practically the only one being sold at pre-war prices in spite of the fact that production costs had greatly increased. It was alleged that many beet sugar companies were selling below the cost of production. Unless relief was given to them in the form of a protective tariff they claimed that disaster was inevitable, for up to that time twenty-three of the one hundred two factories had ceased operating.<sup>67</sup>

Expansion of the sugar beet industry was advocated as a means of diversifying American agriculture. The American Farm Bureau suggested expansion of sugar beets or other sugar producing crops by the transfer of acreage from crops of which there was a surplus such as corn, wheat and other grains. In addition to aiding the sugar interests, the surplus problem would also be proportionately adjusted. It was maintained by defenders of the beet sugar industry that for the ten years from 1919 to 1929 beet sugar production had been stationary, despite increased production in other parts of the world.<sup>68</sup> It was pointed out that a strong domestic industry was the best guarantee the

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<sup>67</sup>Raymond Leslie Beuall, "Sugar and the Tariff", Foreign Policy Association, V, Number 6, 103-119 (May 29, 1929).

<sup>68</sup>Ibid.

American consumer had against extreme price fluctuations in sugar, such as occurred in 1919-1921. Furthermore, the expansion of the domestic sugar industry was desirable on grounds of national self-defense. As justification for this statement it was recalled that former President Coolidge at one time said, "It is important that as a nation we should be independent as far as we may of overseas imports of foods."<sup>69</sup>

Opponents of an increased sugar tariff, on the other hand, argued that it was not needed as the more important producers in the United States were already declaring large dividends. An increased tariff, they said, would simply encourage an increase of producers--the inefficient type who could<sup>not</sup> make the business pay without "blank check" guarantees. The profits of the efficient producers would rise, of course, but at the expense of the American consumer and American foreign trade. Another probable danger from increased tariff would be an increased demand for Mexican and child labor. In this way, the profit would go to the sugar companies rather than to the beet growing farmer for whom it was intended.<sup>70</sup> The opponents were firm in their stand that an increased tariff would further injure Cuba's capacity to purchase from the United States either agricultural or manufactured products. This would in turn diminish export of agricultural goods and thus injure American agriculture which was so loudly asserting a need for assistance, not harm.<sup>71</sup>

As for the contention that beet sugar production had remained stationary, that condition was due, not to tariff, but to the prevalence of the curly top

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<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

disease for which no control had been discovered. With reference to the argument of national defense the opponents pointed out that frequently nations' efforts to become self-supporting in raw materials resulted in competition which led to war. In the case of sugar it was impossible for the United States to become really self-supporting simply because the seed for the sugar beet industry had to be imported from Europe. Since it would be essential for the United States during war time to have a secure supply of sugar, the adequate source could only be found in Cuba, because of the obvious limitations of domestic production and the difficulty of defending the Philippines. Because of the Platt Amendment Cuba must in effect become a belligerent when the United States went to war as she had in 1917. Communications between Cuba and the United States could be defended with comparative ease. Hence, the only purpose a higher tariff would serve, in relation to national defense, would be to impair a source of supply positively essential.<sup>72</sup>

From the viewpoint of United States nationals in Cuba, a higher tariff would be unjust. Only one out of twenty-two Cuban companies paid a dividend in 1926-27. At least two-thirds of Cuban production was under foreign control. Finally, the sugar industry had undeniably been given an impetus by the Platt Amendment and the reciprocity treaty which had been further encouraged by United States policy and United States investments. In the words of Buell "To cripple the sugar industry of Cuba by increasing the American tariff.... would be an act of international bad faith".<sup>73</sup>

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<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

Despite all objections the Hawley Smoot Tariff went into effect in 1930 with the anticipated results. Domestic sugar was no better off in 1931 than it had been earlier. Even if traced back to the pre-war period the tariff had not helped the home industry to any extent, but it had helped the United States insular possessions to the detriment of Cuba. It stimulated production in the Philippines, Hawaii and Porto Rico and cost the sugar consumer about \$300,000,000 a year or more than the total payments due to the United States on the World War debts, which a prominent writer said was "a rather heavy tribute to pay for the upkeep of our sugar barons".<sup>74</sup> The same writer maintained that the mistaken policy of the United States in this discrimination against Cuba became more glaring when a comparison was made as to the relative importance of investments in the various sugar producing countries. The accompanying table shows the figures set on those investments.<sup>75</sup>

Domestic beet sugar industry	\$ 221,418,000
Domestic cane sugar industry	56,274,000
Hawaiian sugar industry	127,366,000
Porto Rican sugar industry	76,966,000
Philippines sugar industry	190,187,000
Total	\$ 674,101,000
Cuban sugar industry	800,000,000
Other Cuban investments	750,000,000
Total	\$1,550,000,000

During the stormy years of the Machado administration the low price of sugar was of course one important problem to be handled. In an effort to

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<sup>74</sup> Schwedersky, supra.

<sup>75</sup> Ibid.

increase the price Machado accepted the Chadbourne Plan in May 1931. This agreement provided that the leading sugar producing countries were to withdraw from the market their excess stocks which could then be sold over a period of five years and would reduce current exports. In addition, Cuba agreed to reduce its output 36.5% as compared with 10.42% for Java and 15% for European beet producing countries. In November 1930 the Cuban Congress had enacted a law for the Stabilization of Sugar, which authorized a bond issue of \$42,000,000 from which producers were to receive government bonds for each bag of surplus sugar turned over to a National Sugar Export Corporation, created to control the sugar industry under the Chadbourne Plan. The law also authorized the Cuban President to fix production quotas. Since Cuban sugar producers were heavily indebted to American banks frequently the ownership of these sugar bonds tended to pass into American hands. Thus the American banks secured Cuban Government obligations.<sup>76</sup>

Partly as a result of crop restrictions and partly because of tariff, Cuba's share in the United States sugar market decreased. In 1923 nearly 57% of the sugar consumed in the United States came from Cuba. Nine years later the percentage was 28.3%, that amount supplemented by increased production in the insular possessions, which had increased from 19.5% in 1923 to 47.9% in 1932.<sup>77</sup>

The next attempt to solve the sugar situation came directly from the United States. The Agricultural Administration Act, sponsored by the Roosevelt administration, gave the Secretary of State (Wallace) power to arrange

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<sup>76</sup> Buell, Foreign Policy Association Report, IX, Number 8, (June 21, 1933); The New York Times, November 19, 1933.

<sup>77</sup> Ibid.

voluntary marketing agreements with the producers of various agricultural commodities. Under the direction of Dr. John L. Coulter, member of the United States Tariff Commission, the United States attempted to bring together the refiners and producers in the United States, in the Philippines, Hawaii, Porto Rico, and in Cuba, in order that some effective and equitable division of the American market among them might be arranged. Conferences began at Washington on June 27, 1933. A tentative agreement was published on July 18. Cuba had asked for a share in the United States imports of at least 2,525,000 tons of which 600,000 tons might be refined sugar. The published proposal of July 18 was termed by Fitzgibbon "unfair to Cuban producers". To favor domestic producers the Cuban quota was set at 1,700,000 tons, more than 100,000 tons below the figure for 1932. Chadbourne, author of the plan then in operation, told the A. A. A. that the proposed quota was far too low for Cuba. It was the lowest number of tons since 1911 and that figure had been caused by a crop failure.<sup>78</sup>

Just about this time Porfirio Franca was named auditor in the affairs of the National Sugar Exporting Company. All members had resigned rather unexpectedly and almost simultaneously, creating a serious problem. Outstanding sugar obligations under the Chadbourne Plan amounted, at that date, to \$23,000,000.<sup>79</sup>

In this conference attempting to formulate a new policy of controlled production, all groups were represented save the consumer interest of the

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<sup>78</sup>Fitzgibbon, 221; The New York Times, August 12, 1933.

<sup>79</sup>The New York Times, August 31, 1933.

120,000,000 Americans which should have been first and foremost. As usual the sugar trust utilized as a talking point the welfare of the workers in the beet fields, in order to obtain the exorbitant tariff duties they desired. Yet it was noticeable that no arrangement was suggested or made to give hope that their exploitation would cease in the future. Strangest of all perhaps was the fact that Cuban cane growers were not represented at all. The conferences were dominated by domestic refiners, called by one author

a small powerful group of parasites who for years have collected tribute from the American consumer and from the laborer in the continental, insular and Cuban sugar fields.

The early agreements proposed at the conference benefited no one but the refiners.<sup>80</sup>

Numerous protests registered against the plan of July 18 were heard during the month of August. In September the quota plan was revised. The new plan provided that the President of the United States was to have the power to raise or lower the tentative Cuban quota of approximately 2,000,000 tons. Quotas, for the Philippines and the Virgin Islands were also revised upward, at the expense of domestic producers. Even at its new figure the Cuban quota was too low, being 800,000 tons less than under the Chadbourne agreement. Even more inexcusable was a provision limiting the importation of Cuban refined sugar to 250,000 tons which would mean the closing of every Cuban refinery.<sup>81</sup> Uncertainty of production led the United States to scrap this agreement, too.<sup>82</sup>

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<sup>80</sup>The Nation, Volume 137 (October 11, 1933).

<sup>81</sup>Ibid.; Fitzgibbon, 222; The New York Times, September 27, 1933.

<sup>82</sup>The New York Times, November 10, 1933.

Criticism in the United States took the form of a diatribe against the refiners and a plea for the exporter of other products. From 1925 to 1929, it was said, our exports to Cuba, largely agricultural products, averaged \$150,000,000. The estimated total for 1933 was less than one-sixth of that figure. The situation, said outspoken critics, called for an increase in the Cuban quota to at least a minimum of 2,500,000 tons and a corresponding decrease in other quotas. But that alone was not sufficient. It was imperative that the United States sugar tariff be abolished. This could be done gradually by a reduction of one-half cent a year, with a maximum amount of benefit and very little disturbance.<sup>83</sup>

While the 1933 negotiations were still going on the signers of the Chadbourne Plan had notified the International Sugar Council in July that they would be willing to extend the plan beyond September 1, 1935 on one condition. That condition was that before the end of 1933 some agreement must be reached with non-participating countries so that they too would enter the system of control. Although this extension was not arranged, President Grau San Martin on December 30, 1933 signed a decree limiting the 1933-34 crop to 2,315,459 long tons in conformity with the international agreement.<sup>84</sup>

In 1934 a new effort was made by President Roosevelt to reach an adjustment. On February 8 he urged Congress to add sugar beets and sugar cane to the list of basic commodities as worked out by the Agricultural Administration Act. He also urged that the United States market be allocated by a quota

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<sup>83</sup>The Nation, Volume 137 (October 11, 1933).

<sup>84</sup>Fitzgibbon, 222.



system for domestic cane and beet sugar, for Cuban and territorial cane sugar. He recommended a quota of almost a quarter million tons more than that of July 18, 1933. Naturally this proposal was very welcome to Cuban interests and to President Mendieta, who was much relieved, saying that the proposal would mean grinding of the current crop.<sup>85</sup>

On April 4 the bill was passed by the House. On April 19 the Senate passed it, embodying the President's recommendations to a large degree. On April 25 the conference report was accepted by both houses and on May 9, 1934 President Roosevelt signed the Costigan-Jones Bill regarded by trade circles as "the most important and far-reaching legislation affecting the United States sugar industry ever enacted."<sup>86</sup>

Briefly the Costigan Jones Bill declared sugar cane and sugar beets to be basic agricultural commodities. It limited domestic beet sugar production to 1,350,000 tons, an increase of 100,000 tons over the President's recommendation, and domestic cane sugar production to 250,000 tons; and it authorized the Secretary of Agriculture to allocate quotas for sugar to be imported from the territorial possessions and from Cuba. Refined sugar coming from Cuba was limited to 22% of the quota.<sup>87</sup>

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<sup>85</sup> Ibid., 222-223; The New York Times, February 10, 1934.

<sup>86</sup> Ibid., 223; ibid., May 9, 1934; Congressional Record, 73rd Congress, 1st session, 1898; 2nd session, 6030.

<sup>87</sup> Fitzgibbon, 223; New International Year Book, 1934.

Quotas in short tons as recommended and as adopted by the  
Costigan Jones Bill<sup>88</sup>

Producing Area	Recommended by Roosevelt	Adopted by Congress
Continental beet Louisians and Florida cane	1,450,000 tons	1,550,000 tons
Hawaii	260,000	260,000
Philippine Is.	935,000	917,000
Porto Rico	1,037,000	1,015,000
Virgin Islands	821,000	803,000
Cuba	5,000	5,000
	1,944,000	1,944,000
<b>Total</b>	<b>6,452,000 tons</b>	<b>6,452,000 tons</b>

Of the final quota, 418,385 tons might be Cuban refined sugar.

In accordance with the unanimous recommendation of the Tariff Commission President Roosevelt on May 9, 1934 ordered a reduction of 25% in the duty on imported sugar. This meant that Cuban sugar would pay 1.5 cents per pound while full duty sugar would pay 1.875 cents per pound. Thus on one day two possibilities were realized which Cuban interests had hoped and claimed would be remedies for the ills of their sugar industry. The import quota was increased and the tariff was lowered. Neither of the concessions was as large as Cuba had wished. The next step forward for her was the announcement on July 7, 1934 that the State Department intended to negotiate a new reciprocity treaty with Cuba under the authority of a law of June 12, 1934.<sup>89</sup>

<sup>88</sup> Fitzgibbon, 223.

<sup>89</sup> Ibid., 223-224.

Cuban economic outlook in 1933 was very unfavorable. Once again the main cause was the desperate plight of the sugar industry. Decline of sugar prices tended to cause a corresponding decline in money circulation. The high United States tariff of two cents per pound added to the problem. Either an upturn in sugar prices or a reduction in tariff would have helped a great deal. The Cuban Treasury was practically empty, labor problems multiplied, a moratorium on debt payments, principally to the United States, was decreed and the financial situation grew steadily more acute. The Government resorted to emergency loans from private corporations, to bond issues, restriction of production, an official selling agency and an international agreement to curtail output, all to no avail. Constant changes in governmental administration did nothing to ease the situation. Ultimately a new commercial reciprocity treaty signed with the United States in 1934 showed the way to a partial solution of Cuba's difficulties.

## CHAPTER V

### Abrogation and New Trade Agreement, 1934

In its negotiations with the United States the Mendieta Government achieved more permanent and satisfactory results than in its domestic program. Treatment of the domestic situation under President Mendieta does not, however, fall within the scope of this paper. The relations of Cuba with the United States which culminated with the abrogation of the Platt Amendment occurred in the first half of Mendieta's first year in office and it is with that aspect that this chapter deals.

Agitation against the Platt Amendment in Cuba has been as constant as the tides. Undoubtedly much of the outcry was for political effect at home, yet it cannot be denied that the discontent of the Cubans regarding the amendment was very real. It has always been difficult to decide how much of the opposition was the result of persistent agitation and how much was true spontaneous and popular feeling for the League Against the Platt Amendment, a rather rabid organization, never permitted the public concern to flag and the press kept the issue constantly in the limelight.<sup>1</sup>

Critics of the Amendment within Cuba and without consistently maintained that it completely failed in its principal purpose, maintaining a solvent

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<sup>1</sup>"Agitation Against the Platt Amendment", (Unsigned), Foreign Affairs, VI, 231-244, (1927-1928).

government adequate for the protection of life and liberty. The Amendment was blamed for the political, economic and social evils that had dogged Cuba since 1898 and was the reason for the "inferiority complex" among the Cubans in reference to governmental affairs.<sup>2</sup>

Jorge Manach, prominent writer on Latin American affairs, advanced the argument that the Platt Amendment limited Cuban sovereignty. To him the important point was not whether it limited "sovereignty itself but the national sentiment of sovereignty". On that point, he said, there was no possible doubt and expressed himself in this wise:<sup>3</sup>

The paternal and perspicacious prudence of the American Congress resulted in crushing the Cuban sentiment of self determination when it imposed express limits on the exercise of the collective will. The most serious consequence was the weakening of those organic defenses of the new state which should have safeguarded its democratic health and vitality. Feeling the threat of potential intervention, the Cuban's sense of responsibility was undermined and with it his power of self-correction. For around this delicate sense of responsibility revolves, in peoples as in individuals, the whole system of moral values and forces. Tutelage favored the growth of general civic indolence, a tepid indifference to national dangers. Should the nation be threatened, the intervention of Washington was always there as a last resource or a last hope. The heroic attitude was discarded from Cuban values; desperation, that great spur of peoples, was banished. Disillusion led to the withdrawal of the best idealism, the ambition for a republic mature and proud in true historic style, values which are associated alone with full sovereignty was abandoned. What public spirit remained was forced to find expression in matters of secondary import or was drawn off into hollow pretense. The spirit of sacrifice gave way to the spirit of exploitation. In short the protectorate did not grow out of the need for protection, but rather engendered that need for the future.

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<sup>2</sup>The New York Times, September 6, 1933.

<sup>3</sup>Manach, Foreign Affairs, XII, (October, 1933).

Much of the same idea was advanced by Cosme de la Torriente, prominent Cuban, who said that the underlying principle of the Amendment was at fault. He felt that an individual who had attained his majority and the full enjoyment of political and civil rights should not be given a guardian to watch his steps and correct his mistakes--such treatment would make the individual grow so accustomed to guardianship that he would become unable to do anything by himself. Applying this theory to the Cuban Government he said that the very right of the United States to intervene tended to embitter political struggle and even to furnish occasions for the disturbance of public peace. To his nation, when such a possibility of intervention existed, certain people would always be found ready to appeal to the foreign power, alleging as their reason danger to life, property or personal liberty. Should such appeals come from citizens of the intervening power, he said, it was almost a foregone conclusion that some attention would be paid to their complaints. If, however, the appeal was from the nationals of the weaker country, frequently no attention would be paid to it except by calling public attention to their request, thus making their situation more difficult than it had been.<sup>4</sup> By its policy of non-recognition for revolutionary governments the United States helped to aggravate an already sensitive and to some extent outraged Cuban feeling, because, said Torriente:<sup>5</sup>

It is the habit of all self-perpetuating governments on our continent to cloak their abuses of the rights of citizens under irreproachably legal forms and under language of the profoundest respect for democratic principles, morality and justice. The continuance of this

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<sup>4</sup> Cosme de la Torriente, "The Platt Amendment", Foreign Affairs, VIII, 364-378 (April, 1930).

<sup>5</sup> Ibid.

policy will result in the establishment of despotisms in several of our republics, since few people will venture to struggle against the power of the despots who rule over them combined with the refusal of Washington to recognize revolutionary governments.

From the fullness of his experience in Cuba during the Machado regime, Ambassador Guggenheim became convinced that the United States should voluntarily offer to negotiate a new political treaty with Cuba as well as a new commercial treaty. In his dispatch of recommendations, mindful of the imminent change of administration in the United States, he said:<sup>6</sup>

I am aware....that the modification of the treaty suggested above represents a drastic departure in our relationship with Cuba, which, even though you might approve in principle, you might perhaps feel could not propitiously be inaugurated at this time. I feel none the less compelled to draw it to your attention, reiterating in conclusion my conviction that if we are to follow the Root interpretation and are not to intervene in the internal affairs of Cuba it would be better to adopt a more progressive policy in our relations with that country by modifying the Permanent Treaty. On the other hand if we are ever to abandon the Root interpretation of the treaty for more active interest in Cuban affairs, good faith to Cuba should compel us to do so now.

Guggenheim said that the Platt Amendment was publicly denounced but secretly utilized as a political weapon. He added that there was no doubt that some Americans with large investments in Cuba would vigorously oppose modification of the Permanent Treaty, probably asserting that their investments had been made in reliance upon the Treaty and in the belief that in Cuba they would receive from their own government a special protection which

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<sup>6</sup>Foreign Affairs, XII (April, 1934).

would not be extended to them in other countries. The Ambassador believed that the special circumstances which brought about the Platt Amendment in 1898 no longer had the force they had at the earlier time. Then, he said, the United States had a moral responsibility, for the new state which it had brought into existence and there was some justification for the Amendment in the necessity for protecting the Spanish residents of Cuba from the anticipated reprisals of liberated Cubans. Then, too, at that earlier date there was a real fear of foreign invasion.<sup>7</sup>

Many authors directly blamed the Platt Amendment for the abuses of the Machado regime, maintaining that they could not have been carried to such great lengths had it not been for the peculiar circumstances of the Platt Amendment with its current Root interpretation. Mumro writing a year before abrogation, expressed the fear that the Oppositionists when in control would advocate the adoption of radical measures to free the Republic from what they believed to be the political and economic domination of the United States. Such a movement, he said, would create new and difficult problems in Cuban American relationships, especially if the permanent government eventually evolved had for its controlling element the groups which took a leading part in the revolution of 1933. He looked for an effort to secure abrogation of the Amendment; or, worse, perhaps, possible legislation seriously affecting American interests in Cuba. Such legislation would of course be adopted in an effort to change the economic and social conditions "created in part at least by the dominance of American capital in the island's commerce and in-

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<sup>7</sup> Ibid



dustry." An editorial in The Nation carried much the same idea, urging that the United States make belated amends for damage done by pledging early abolition of the Permanent Treaty.<sup>9</sup> A few months later the same magazine expressed the belief that it was unnecessary to pledge Cuba to refrain from a compact with any foreign power which would impair its independence though clearly such a pledge would be given for the asking.<sup>10</sup>

According to Manach Cuba needed to feel herself independent. She needed to pay a price for that independence, even if it was her destiny to pay with more pain and bloodshed. He strongly argued that nations like people do not learn responsibility and capacity for self government by being constantly under parental tutelage. He insisted that the best service the United States could render Cuba would be to consent to abrogation of the Platt Amendment "which is the fundamental cause for the psychological semi-subjection of the Cuban people". He warned that the United States could agree to such a step only by recognizing the consequences--"simultaneous renunciation for both present and future of the privileges which power and proximity give".<sup>11</sup>

Juan Llisteras, another prominent writer on Latin American affairs, held the same viewpoint but expressed it more moderately. Though admitting that the situation called for definite solutions, not for palliatives or temporary measures, he firmly believed, too, that the work to be done required knowledge, and study; it admitted of no delay, but neither did it permit haste.

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<sup>9</sup> The Nation (editorial paragraph, without title), Volume 137, 525, (November 8, 1933).

<sup>10</sup> Ibid., Volume 138, 170, (February 14, 1934).

<sup>11</sup> Manach, Foreign Affairs, XII (October 1933).

He said it must be admitted from the start as a foregone conclusion that the interests of people of the United States and people of Cuba were substantially identical. It was evident that the Permanent Treaty and the Treaty of Reciprocity had outlived their usefulness and would in the future be of more harm than good. Both should consequently be abrogated and replaced by a Perpetual Treaty of Friendship and Alliance and by a Customs Union.<sup>12</sup>

Interventions, said Llitas, had proved fruitless, producing certain momentary advantages but at the same time delaying the political and cultural advancement of the Cubans. Nations, he said, had to build themselves, they could not be built from without. Llitas frankly admitted that he foresaw objections to repeal--that many would be doubtful of the wisdom of suddenly releasing Cuba from all supervision. These doubts however could definitely be traced to the problem of protection of property. In the event of a revolution, what would be done if American or other foreign property should be damaged? What if Cuba should refuse to pay an external debt? What if her courts rendered a questionable decision? Llitas averred that there was no valid reasons for answering such questions in a different manner for Cuba than for any other nation. The question of damages should be adjusted through the usual diplomatic channels. Any differences of opinion should be settled by conciliation or arbitration. Finally, said Llitas, Cuba was not a backward country and should not be treated as such. Foreigners in Cuba, in a position to know because of their close dealings with the Cuban people,

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<sup>12</sup> Herring, Current History, Volume 39 (October 1933); The New York Times, September 6, 1933; Juan Llitas, "Relations Between Cuba and the United States", International Conciliation, Carnegie Endowment for International Peace, 5-23, 1934.

acknowledged her people to be industrious, intelligent and progressive. They had certainly shown a love of liberty and an unwillingness to tolerate oppression and despotism. The United States should be the last to withhold from Cuba consideration it would be willing to show to other countries more remote from its shores. The principle proclaimed by the Drago Doctrine and accepted by the Second Hague Conference against the use of force for economic redress should begin to receive factual as well as tacit recognition.<sup>13</sup>

Ambassador Welles was a strong critic of the Platt Amendment. He declared that as an outgrowth of the terms of the Amendment there had sprung up the dominance of American capital in all streams of Cuban commercial activity but particularly in the sugar industry. Naturally,

American interests operating in Cuba looked not to the Cuban Government but the United States Government for adjustment of their controversies with local officials and for the determination of their general policies.

Frequently the Cuban Government itself became merely a screen behind which the economic fate of the Republic was determined. Welles was not opposed to properly regulated investment of American capital in Cuba--that in itself would have been perfectly legitimate and indeed praiseworthy. The evil lay in the fact that regulation and control of the invested capital was, in its final analysis, determined by a group of financial interests which because of the Platt Amendment had possessed the right to intervene in Cuba's domestic affairs.<sup>14</sup> Welles termed the Platt Amendment the greatest impediment to the exercise of Cuban sovereignty that could have been devised. It operated as

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<sup>13</sup> Ibid.

<sup>14</sup> Welles, Department of State, Latin American Series, Number 7.

a means of preventing the Cubans from "exercising the muscles of self reliance essential for self government". Cuban people became accustomed to looking to the United States for necessary governmental correction rather than undertaking the job themselves. The amazing thing about the whole situation, to Welles, was that the Cubans should so frequently have demonstrated their abounding capacity for self government when they might reasonably have been expected to show none at all.<sup>15</sup>

As early as 1930 Cosme de la Torriente, writing in Foreign Affairs, laid down a definite suggestion for changes in the Platt Amendment. His recommendations were as follows:<sup>16</sup>

1. That Article I be maintained virtually intact.
2. That Article II should be eliminated since the Cuban Constitution itself offered a better guarantee.
3. That Article III be revised, substituting for the right of intervention a pact whereby the United States would offer her support for the defense of Cuba against foreign attack. In exchange for this Cuba should grant the privileges of a Naval Station at Guantanamo, guaranteed in Article VII.
4. That Article IV should disappear in favor of some clause whereby Cuba would take over all of the obligations devolving upon the United States under the Treaty of Paris.

Articles V and VI would be useless, the one because no reason for it existed, the other because it had already been fulfilled.

These suggestions were closely akin to those offered by Ambassador Guggenheim four years later. He too recommended keeping Article I intact and

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<sup>15</sup>Ibid.

<sup>16</sup>Torriente, Foreign Affairs, VIII, (April 1930).

elimination of Articles II, III, IV, V, and VI. For Article III he would substitute a guarantee of Cuban independence similar to that contained in the Treaty of 1903 between the United States and Panama. He would have modification of Article VII to insure to the United States Government perpetual use of adequate facilities at Guantanamo.<sup>17</sup>

From the very beginning of his administration President Roosevelt had indicated that he was not at all averse to repeal of the Platt Amendment. Press comment in the United States invariably fell in with this view. One writer considered the matter as a debatable question asking just what the duty of the United States was in respect to all the Cuban problems. Repeal of the Amendment would not immediately help Cuba economically, yet that was the help she most needed. Neither would repeal be welcomed by the American and European investors who had hundreds of millions of dollars at stake in Cuba and serenely undisturbed in the belief that the United States would not allow Cuba to confiscate foreign property or fall into anarchy. The question, said this writer, was a serious one involving more than the passing of dividends or defaulting on bonds. Granted that the employment of force to collect the bills of American people was condemned by 90% of our people yet the question still remained a touchy one.<sup>18</sup>

On January 22 Senator King (Utah) introduced in the Senate a resolution authorizing investigation of the circumstances surrounding the Platt Amendment in 1901 and determining whether or not it was wise to change or relinquish it

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<sup>17</sup> Cuggenheim, Foreign Affairs, XII (April 1934).

<sup>18</sup> Lefevre, Saturday Evening Post, (January 27, 1934).

and whether the United States should recognize the then existing government in Cuba.<sup>19</sup>

This was followed up a week later in the House by a resolution introduced by Hamilton Fish for revision or repeal of part of the so called Platt Amendment. The resolution was referred to the Committee on Foreign Affairs.<sup>20</sup>

As it was understood that the Department of State was undertaking conversations with Cuban envoys toward the same end the matter was not pushed at the time in Congress. On March 30 Sumner Welles then Assistant Secretary of State made an address in Washington in which he promised four constructive measures to help Cuba. They were: a fair sugar quota, a new commercial treaty, stimulation of trade by utilization of the new Export and Import Bank and modification of the Permanent Treaty with Cuba.<sup>21</sup>

The climax of more than three decades of Cuban efforts for the abrogation of the Platt Amendment came on May 29, 1934. Nothing about the affair was more startling, more surprising than the suddenness and secrecy of the manner in which it came about. The Treaty of Abrogation was negotiated so quietly that it came as a complete surprise to all, especially to Latin American circles. A new treaty signed at Washington May 29 and ratified by the United States Senate on May 31 abrogated the Platt Amendment and removed the other limitations imposed in the Cuban American Permanent Treaty of 1903. On June 4 the new pact was ratified by the Cuban Senate and became effective June 9, 1934 by exchange of ratification between the two governments.<sup>22</sup>

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<sup>19</sup> Congressional Record, 73rd Congress, 2nd session, 1052.

<sup>20</sup> Ibid., 1539.

<sup>21</sup> The New York Times, March 31, 1934.

<sup>22</sup> International Year Book, 1934; American Year Book, 1934; Fitzgibbon, 200.

The provisions of the new treaty were exceedingly brief.

1. Article I abrogated the Treaty of 1903 (Platt Amendment).
2. Article II confirmed the legality and validity of all acts of the United States in Cuba during its military occupation up to May 20, 1902.
3. Article III arranged for the maintenance of the rights of the United States in the Naval Station at Guantanamo.
4. Article IV authorized both parties to cut off commerce to the other if necessary to prevent the outbreak of contagious disease or epidemic.
5. Article V was a formal one providing for making the treaty effective.

Thus ended the right of the United States to intervene in Cuba

for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty and for discharging the obligations with respect to Cuba imposed by the Treaty of Paris.<sup>23</sup>

When on May 29, 1934 President Franklin Delano Roosevelt transmitted a copy of the new treaty to the Senate he sent with it the following message:<sup>24</sup>

Our relations with Cuba have been and must always be especially close. They are based not only upon geographical proximity but likewise upon the fact that American blood was shed as well as Cuban blood to gain the liberty of the Cuban people and to establish the Republic of Cuba as an independent power in the family of nations. I believe that this treaty will further maintain those good relations upon the enduring foundation of sovereign equality and friendship between our two people and I consequently recommend to the Senate its ratification.

In Havana business opinion was divided as to whether the abolition would work toward ultimate economic good. Politicians in the past undoubtedly used

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<sup>23</sup> Ibid.

<sup>24</sup> Congressional Record, 73rd Congress, 2nd session, 9839.

the Platt Amendment as a "ballyhoo" in many political campaigns but the property owning and industrial classes universally viewed it as a safeguard and protection. It was that attitude that was assumed in Havana commercial and industrial circles when the treaty was announced.<sup>25</sup>

In Washington the sentiment of the Senate toward the treaty appeared favorable even when conservative Republicans were interviewed. Possible opposition from the beet sugar centers through Senators Vandenberg of Michigan and King of Utah failed to materialize. Leading Senators expressed themselves as favoring the treaty very definitely. Said Senator Pittman

I am in favor of the treaty. There is no question in my mind that it will be ratified.

Again,

President Roosevelt at the Wilson dinner announced the modern doctrine of non-intervention. Non-intervention does not mean that our forces will not go ashore to protect our nationals. This is the most remarkable pronouncement in the relations between this country and Latin America since the establishment of the Monroe Doctrine. It should end all jealousy and misunderstanding.

Senator Borah expressed himself very simply:

I have been in favor of abandoning the Platt Amendment for many years. We have either got to live up to it or abandon it. We have been doing neither so far.

Senator Vandenberg, friend of the beet sugar growers, said

I would be glad to do what I can for ratification of the treaty at this session. For twenty years the Platt Amendment has been a nature fake, a paradox. As long as it remains in the Cuban constitution we cannot escape the economic responsibility paralleling a political responsibility. We have at home all the economic responsibility we can take care of now.<sup>26</sup>

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<sup>25</sup> The New York Times, May 30, 1934; Chicago Tribune, May 30, 1934.

<sup>26</sup> Ibid.



In a special article written for the New York Times Arthur Kroch brought out the fact that ratification by Congress of the new treaty would be the longest step thus far taken to establish good will on the western hemisphere. The Platt Amendment he said was tactless, brutal and unnecessary. International legality would permit landing of troops to protect nationals as in Nicaragua and Santa Domingo without the Platt Amendment. United States diplomacy with Latin America was characterized as "shirt sleeve" diplomacy. When all relics of that were washed away then the influence of the United States in the New World would be paramount.<sup>27</sup>

An editorial in the New York Times sounded a warning to those within Cuba and without who were rejoicing over abrogation. While fully recognizing and appreciating the national feeling of jubilation the Cubans must realize, the article emphasized, that the surrenders of privilege the United States proposed to make were more of a concession to the Latin American temperament than a denial of the fundamental international rights, since with or without the Platt Amendment the United States might intervene to protect nationals. Retention of the Naval Base at Guantanamo was, said the editor, a clear indication that Cuba was included in the plans of the United States for national defense, for Guantanamo bore a relation to the Panama Canal and also the Monroe Doctrine. By the latter the United States would be bound to object if any European power sought to go over the head of the United States or behind its back in pressing demands upon the government at Havana.<sup>28</sup>

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<sup>27</sup> Ibid., (editorials).

<sup>28</sup> Ibid., May 31, 1934 (editorial).

In addition to this the writer pointed out that no intelligent Cuban could for a moment suppose that the new treaty would automatically put an end to internal political and financial difficulties which were still hanging as a cloud over the coming elections.<sup>29</sup>

The new treaty was ratified on May 31 by unanimous vote. Only Senators Johnson and Fess were skeptical about the effects of the treaty but neither wished to spoil the unanimous vote. Said Senator Fess,

If I had my way we would not interrupt this relation. It will be interesting to note during the next ten years, considering the volatility of minds and the rabid factions in Cuba, the effect on the stability of the government there.<sup>30</sup>

South American republics, including Argentina, Chile, Panama, and Mexico were delighted at the abrogation treaty and praised the United States policy highly, claiming that it would remove distrust and promote better understanding between North and South America because acts of friendship now supported words--the attitude of the United States was a tangible reality. The American and Cuban Presidents exchanged felicitations as did many of the prominent Cuban leaders.<sup>31</sup>

Immediately after the announcement of ratification came another one to the effect that an economic study of Cuba was planned with a view to changing the commercial treaty then in existence. The survey was to be conducted by the Foreign Policy Association by a group of impartial observers who desired

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<sup>29</sup>Ibid.

<sup>30</sup>Ibid.; Congressional Record, 73rd Congress, 2nd session, 10116.

<sup>31</sup>The New York Times, May 31, June 3, 5, 7, 9, 10, 1934; Appendix B; Chicago Tribune, June 4, 5, 8, 10, 1934.

nothing save to present the facts of the situation to both peoples. Said Dr. Buell of the Association

Our purpose is to produce a report which will set forth the fundamentals of the American-Cuban problem in a manner which the public opinion of both countries can grasp.

Selection of the membership of the investigating committee was done entirely by the Foreign Policy Association which had no government connections. The investigation, financed by a grant from the Rockefeller Foundation, was to be conducted in complete scientific independence.<sup>32</sup>

All through the troubled months of 1933, through the successive changes of administrations, from Machado to Mandiata, negotiations went on intermittently leading toward a new commercial treaty. With each shift in government the negotiations would lapse temporarily, to be brought out again and worked over for awhile until the next upheaval. Finally they were brought to a climax in the signing of a new commercial treaty on August 24 at Washington, D.C.<sup>33</sup>

The new treaty made important changes in the relations of the two countries. The Cuban trade agreement belonged in a different category from reciprocity arrangements which were negotiated with other countries as part of the Roosevelt policy. A preferential tariff had been in effect between the United States and Cuba for thirty-one years and was generally regarded as a fixed policy in their commercial relations.<sup>34</sup>

In 1902 the United States had granted to Cuba a reduction of 20% in general tariff rates in return for which Cuba had granted general reductions

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<sup>32</sup> The New York Times, June 1, 1934.

<sup>33</sup> Ibid., August 24, 1934; Chicago Tribune, August 24, 1934; Fitzgibbon, 224; Shepardson, 111.

<sup>34</sup> Ibid.

ranging from 20% to 40% on imports from the United States. It was stipulated that these preferences were not to be generalized and extended to other countries through more favored nation clauses. Thus the United States had special tariff arrangements with a retention of the provisions that they should be exclusive as between the two contracting governments regardless of any concessions which either might make in subsequent dealings with other countries.<sup>35</sup>

The most significant of the mutual concessions granted was one by the United States reducing the tariff on Cuban raw sugar from the rate of 1.5 fixed by President Roosevelt a few months before to .9 cent a pound. In the Hawley Smoot Tariff Bill of 1930 the tariff on sugar had been two cents. This high rate had greatly intensified the depression in Cuba and almost wrecked the sugar industry. On May 9, 1934 this duty was reduced 25% by President Roosevelt on recommendation of the Tariff Commission under a so-called flexible provision of the tariff law. The new agreement reduced it still further to the lowest point since the Dingley Tariff (1897). This concession was offset in some degree by the Sugar Control Act of May 9, 1934 (Costigan Jones Act) which had provided for an import quota on Cuban sugar and for a processing tax on all sugar consumed in the United States. The quota of 1,902,000 short tons fixed by Secretary of Agriculture Wallace was less than had been imported in any year for more than two decades (except during the extreme depression of 1932 and 1933). The new tariff thus established was less than half that for full duty sugar, 1.875 cents per pound. It was estimated by the United States that this would be worth \$22,824,000 annually to Cuban sugar producers,

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<sup>35</sup> Ibid.

a figure slightly greater than the value of all exports from the United States to Cuba in 1933.<sup>36</sup>

Another concession was made on leaf tobacco, which ranked next to sugar as a Cuban export, but this too was obtained at the cost of a quota limiting the amount to be exported to the United States. Distinctly advantageous to Cuban producers were a reduction of the duty on rum from four dollars to two dollars and a half a gallon and a seasonal reduction in the tariff on fruits and vegetables. Cuban fruits, and vegetables matured much earlier than similar products in the United States. They could therefore be marketed for a time in the United States without competing with domestic products. During such periods the lower tariff rates would be in effect.<sup>37</sup>

In return for these concessions Cuba granted to the United States preference on a wide variety of agricultural and industrial products. The duty on lard was reduced from \$9.18 per 100 pounds to \$2.73, to be further reduced to \$1.45 in 1936. The duty on vegetable oils was reduced from \$4.36 per gallon, on hams from \$8.72 to \$5.45 per hundred weight. The duty on potatoes was cut in half. The preferential on textiles was raised from the existing level of 20 to 30% on various articles to 35, 40 and 50%. On low priced automobiles the duty was reduced by 50%. Liberal reductions were granted on iron, steel, wood, copper, lumber and paper.<sup>38</sup>

State Department officials made it plain that the new Cuban Treaty was the first of a series it was proposed to negotiate and that it fell into a

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<sup>36</sup> Ibid.

<sup>37</sup> Fitzgibbon, 224; Shepardson, 112-113.

<sup>38</sup> Ibid.

special category, as said above, because of the continued preferential position which Cuba maintained with the United States. The terms of the agreement provided that it became effective ten days after signing, and that it run for three years. After that time it might be condemned by either party on six months notice. Should such ever be the case, the previous reciprocity treaty would again become effective. The reduced rate on sugar was connected with the Costigan Jones legislation in such a way that the new rate, provided by the treaty, was to be effective only so long as the quota provisions of the Costigan Jones law remained operative. In case of the lapse of the latter the rate of 1.5 cents would automatically be restored.<sup>39</sup>

It goes without saying that the makers and co-makers of the new Cuban treaty entertained high hopes for its efficacy in producing mutual advantages for both Cuba and the United States. It was intended to improve economic conditions in the islands and it was expected to help in recovering what had in the past always been an excellent market for American goods. While 426 items were listed on which Cuba agreed to make tariff concessions to the United States there were 35 items on which the United States made concessions. It was expected that the treaty would check the decline of Cuban American trade which fell from 494,000,000 in 1924 to \$80,000,000 in 1934.<sup>40</sup>

In the first four months after the treaty went into operation (September-December 1934) exports from the United States to Cuba increased 129% compared with the corresponding period in 1933. Exports which had been given major concessions showed a gain of 139%. The increase of imports into the United

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<sup>39</sup> Ibid.

<sup>40</sup> Fitzgibbon, 224; The New York Times (editorial) August 26, 1934; New International Year Book, 1934; Literary Digest, September 1, 1934; Oswald Garrison Villard, "The New Cuban Reciprocity Pact", The Nation, Volume 139, 257 (September 1934).

States from Cuba was even more pronounced during the same months. Imports as a whole gained 155% and imports accorded major tariff concessions increased by 165%. Dr. John Lee Coulter, special assistant to the President's foreign trade adviser, had estimated that the total benefits accruing to Cuba under the new treaty would amount to about \$50,000,000 during the first year of its operation. The accompanying table will give an idea of the volume of trade from January 1933 to June 1935.<sup>41</sup>

Trade of the U. S. with Cuba (in thousands of dollars)

<u>Year</u>	<u>Exports to</u>	<u>Imports from</u>
1933		
January	1,818.7	3,356.0
February	1,971.2	2,303.9
March	2,097.4	4,420.3
April	2,307.7	5,490.7
May	2,194.4	5,311.9
June	2,551.1	4,333.7
July	2,584.3	5,949.8
August	1,800.8	5,678.9
September	1,902.6	6,762.9
October	1,644.2	5,560.6
November	2,044.5	5,118.5
December	2,156.1	3,578.0
1934		
January	2,289.7	4,838.7
February	2,592.2	4,168.3
March	4,421.3	6,176.1
April	4,253.7	4,880.4
May	4,083.0	4,197.7
June	3,762.5	5,223.5
July	3,116.6	6,121.9
August	3,224.2	6,699.2
September	4,380.4	7,439.5
October	4,743.6	5,043.5
November	4,213.2	9,295.0
December	4,277.0	14,840.2
1935		
January	4,967.5	7,301.1
February	4,621.9	5,722.3
March	5,073.8	10,877.4
April	4,537.7	13,233.3
May	5,085.0	12,445.6
June	4,276.1	10,496.1

As might have been expected the new treaty met with immediate praise and protests from those whose interests were affected. It was at once followed by internal efforts to rebuild the sugar industry of the island. Cuban sugar interests expected that the lowered tariff rates plus the advantage that Cuba held in having a greater proportion of her sugar quota unfilled would permit the free sale at the higher price of sufficient sugar to fill the balance of the quota. Fitzgibbons emphatically stated that the rehabilitation of the sugar industry did undoubtedly spell improved economic conditions. But, he said, it must be admitted that the new reciprocity treaty tended to make more firm the monoculture character of Cuban economy. That would be all to the good so long as the United States, in whose orbit Cuba of necessity revolved, was willing to be swayed by the "good neighbor" spirit and not by the harsher doctrines of economic nationalism. But there was no positive assurance that a later administration in the United States might not denounce the treaty; the initial treaty period was so brief and denunciation so easy. Fitzgibbon voiced the opinion held by so many during the entire period of the United States tutelage over Cuba, that her best solution lay in ridding herself of her fatal dependence on sugar, so that she could stabilize herself on a broad and sound economic basis independent of the vagaries of the United States tariff policy.<sup>42</sup>

Perhaps the most striking aspect of the abrogation of the Platt Amendment was the ease with which it was accomplished. It was interpreted as conclusive evidence that the time was fully ripe for a change in the existing arrangements when the United States Senate permitted such a drastic departure from

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<sup>42</sup> Fitzgibbon, 225-227.



established policy without a single dissenting vote. Even the Roosevelt administration must have been surprised at the lack of opposition. The terms of the treaty, clearly cutting out "every tutelary and interventionist provision" of the Platt Amendment were highly commendable. Only one more concession could have been made by the United States to fully establish the opinion in the minds of the Cubans that United States pressure was completely removed. That concession would have been an offer to withdraw the naval base at Guantanamo, which was ceded through compulsion. This was especially true in view of the fact that the United States has territory of its own right in the vicinity which would serve the same purpose--the Florida coast, Porto Rico, the Virgin Islands. However, it was and is entirely possible that the Cubans might wish to have the United States retain the present establishment at Guantanamo because of the stimulus which American occupation gives to local trade. The prime consideration in the whole matter that

any future negotiations with Cuba be conducted freely without pressure of any kind and as between equals, for their mutual advantage

was admirably demonstrated by the repeal of the Platt Amendment.<sup>43</sup>

In Cuba rejoicing over the repeal of the Permanent Treaty was tempered by political considerations. Opponents of the Mendieta regime viewed the negotiations as an attempt to holster up the Mendieta government which was not living up to expectations. The administration on the other hand was claiming all the credit for the successful culmination of negotiations and seeking to capitalize it to the fullest.<sup>44</sup>

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<sup>43</sup> The Nation, (editorial paragraph, unsigned), Volume 138, 689, (June 20, 1934).

<sup>44</sup> Ibid.

Instead of unanimous praise for the United States for its willingness to abrogate the Platt Amendment and to carry out measures of economic rehabilitation, there was much criticism. The opposition in Cuba criticized the American government for concluding treaties of such a far reaching nature with a provisional Cuban government. They also argued that the United States continued to control Cuba by maintenance of warships in Cuban waters. It was asserted that the policy of the United States was not justified by results. Terrorism in Cuba broke out anew under Mendieta and disorders culminated in a serious attempt at a revolutionary strike in March 1935. Defenders of the Roosevelt policy maintained that the United States was both correct and helpful in its policy. They claimed that the United States, despite extremely difficult circumstances, aided Cuba to replace an unpopular government with one more nearly in accord with majority will.<sup>45</sup> From that point forward the responsibility devolved upon the Cubans. At last they were entirely free to govern themselves exactly as they saw fit and proper.

#### Summary of chapter

From the day of its incorporation into the Cuban Constitution, the Platt Amendment had been a source of perennial agitation and criticism, most of it genuine. Its critics maintained that it completely failed in its principal purpose, maintaining a solvent government adequate for the protection of life and liberty. Instead, said critics, it undermined the Cuban's sense of responsibility, favored the growth of indifference to national dangers. Instead of growing out of the need for protection it rather caused the need to continue. Sentiment for removal or modification of the Platt Amendment was apparent in United States circles as well. With the establishment of a government having popular support and apparently able to cope with the situation, the

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<sup>45</sup>Fitzgibbon, 201; Raymond Leslie Buell, "Latin American Policy of the Roosevelt Administration", Foreign Policy Association Reports, X, Number 21, 270-276, (December 19, 1934).

United States worked rapidly toward abrogation of the Platt Amendment and formulation of anew trade agreement, both completed during the summer of 1934. With this accomplished the United States left Cuba to work out her salvation in her own way.

## APPENDIX A

### Text of the Platt Amendment<sup>1</sup>

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

ARTICLE II. That said government shall not assume or contract any public debt, to pay the interest upon which, and to make reasonable sinking fund provision for the ultimate discharge of which, the ordinary revenues of the Island, after defraying the current expenses of government, shall be inadequate.

ARTICLE III. That the government of Cuba consents that the United States may exercise the right to intervene for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, liberty and individual liberty, and for discharging the obligation with respect to Cuba, imposed by the treaty of Paris on the United States, now to be assumed and undertaken by the government of Cuba.

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

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<sup>1</sup>Guggenheim, Foreign Affairs, XII, (April, 1934).

ARTICLE V. That the government of Cuba will execute, and as far as necessary extend, the plans already devised or other plans to be mutually agreed upon, for the sanitation of the cities of the Island, to the end that a recurrence of epidemic and infectious diseases may be prevented thereby assuring protection to the people and commerce of Cuba, as well as to the commerce of the southern ports of the United States and the people residing therein.

ARTICLE VI. That the Isle of Pines shall be omitted from the proposed constitutional boundaries of Cuba, the title thereto being left to future adjustment by treaty.

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

ARTICLE VIII. That the government of Cuba will embody the foregoing provisions in a permanent treaty with the United States.

APPENDIX B<sup>1</sup>

Message of President Franklin Delano Roosevelt  
to the Senate, submitting new treaty of 1934,  
with Secretary Hull's report.

To the Senate of the United States:

To the end that I may receive the advice and consent of the Senate to its ratification, I transmit herewith a treaty of relations between the United States of America and the Republic of Cuba, signed at Washington on May 29, 1934.

This treaty would supersede the treaty of relations between the United States and Cuba signed at Havana on May 22, 1903.

I have publicly declared "that the definite policy of the United States from now on is one opposed to armed intervention". In this new treaty with Cuba the contractual right to intervene in Cuba which had been granted to the United States in the earlier treaty of 1903 is abolished and those further rights likewise granted to the United States in the same instrument, involving participation in the determination of such domestic policies of the Republic of Cuba as those relating to finance and sanitation, are omitted therefrom. By the consummation of this treaty this Government will make it clear that it not only opposes the policy of armed intervention but that it renounces those rights of intervention and interference in Cuba which have been bestowed upon it by treaty.

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<sup>1</sup>Bulletin of the Pan American Union, "New Treaty of Relations Between the United States and Cuba", LXVIII, 465-471, (July, 1934).

Our relations with Cuba have been and must always be especially close. They are based not only upon geographical proximity but likewise upon the fact that American blood was shed as well as Cuban blood to gain the liberty of the Cuban people and to establish the Republic of Cuba as an independent power in the family of nations. I believe that this treaty will further maintain those good relations upon the enduring foundation of sovereign equality and friendship between our two people, and I consequently recommend to the Senate its ratification.

Franklin Delano Roosevelt  
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(Telegram)

Habana, May 29, 1934

President Franklin Delano Roosevelt  
Washington, D. C.

I express to Your Excellency deep and undying gratitude for the conclusion of the new treaty of relations between Cuba and the United States, and I acknowledge Your Excellency's exalted attitude.

Carlos Mendieta  
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(Telegram)

Habana, May 29, 1934

His Excellency Cordell Hull  
Secretary of State  
Washington, D. C.

My sincerest congratulations, with the expression of my personal gratitude for the great aid which you have rendered to the development of the very close relations between our two peoples.

Torriente  
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(Telegram)

Washington, June 1, 1934

His Excellency  
Senor Dr. Coasme de la Torriente  
Secretary of State  
Habana Cuba

I am particularly glad of the opportunity to reciprocate personally the cordial sentiments expressed in your message on the occasion of the signing of the new treaty of relations between the United States and Cuba and to express my confidence that this treaty will open a new era in the relations of our countries which will be characterized by strengthening of the historical ties of friendship existing between our respective peoples.

Cordell Hull  
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(Telegram)

Habana, June 9, 1934

His Excellency  
Franklin Delano Roosevelt  
President of the United States of America  
Washington, D. C.

On the entrance into effect of the new treaty of relations between the United States of America and Cuba, I take profound satisfaction in sending greetings to Your Excellency and the North American people and in expressing my assurance that the old ties of friendship and solidarity between the Union and Cuba have been reaffirmed to the benefit of the future of the two nations.

Carlos Mendiesta  
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(Telegram)

The White House, June 11, 1934

His Excellency  
Carlos Mendieta y Montefur  
President of Cuba  
Habana

I shall be most happy to convey to the people of the United States Your Excellency's cordial message on the occasion of the exchange of ratifications of the new Treaty of Relations between the United States and Cuba. In reciprocating the personal sentiments which Your Excellency was so good as to express, I reiterate my conviction that the relations of our respective countries have entered upon a new phase which will be marked by frank cordiality and a spirit of mutual cooperation and understanding.

Franklin Delano Roosevelt  
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Translation of telegram from Dr. Cosme de la Torriente, Secretary of State of Cuba.

On the signing, today, in Washington of a treaty abrogating that of May 22, 1903 I request you to express to the American plenipotentiaries, to Mr. Cordell Hull, Secretary of State and to Assistant Secretary Sumner Welles in the name of the Cuban people, of President Mendieta, and of his Government and in my own name the profound satisfaction which we feel in these moments in which this act knits even closer the very old friendship existing between Cuba and the United States of America. Ask them to be so good as to express our immense gratitude to President Roosevelt hoping that you may as soon

as possible express personally to the President these same sentiments. At the same time communicate to the American plenipotentiaries the appreciation and high esteem which we feel for the great effort made by them to bring the derogation to a happy ending. The President, the Government and I express to you personally our most sincere congratulations and we advise you that last night the Cabinet put on the records a vote of thanks to you.

#

Reply of Secretary of State, Cordell Hull to Cuban Ambassador, Dr. Marquez Sterling

It is in response to that spirit of genuine friendship and interest in the welfare of our neighbors in Cuba, whose interest we are always ready and anxious to assist in promoting, that the occasion for this treaty revision came about. I congratulate you and I know I speak the whole hearted sentiment of my Government and the people of this country when I say that we shall be the same close sympathetic neighbors that we have been in the past and that we shall watch with great interest the progress of the people of Cuba.

This treaty transforms the former pact, entered into a third of a century ago, into a permanent and indestructible association to which Cuba brings the respect and admiration which the high virtues of the American people inspire in her. My country is persuaded by long and hard experience that those treaties are always fruitful and lasting, which, like the stars and stripes, are indelibly imprinted in our hearts and create an undying bond of gratitude.

## CRITICAL ESSAY

The materials found to be helpful in the preparation of this paper fall into three groups: source material, including government documents and newspapers; secondary material and periodical material including representative magazines and bulletins issued by fact finding organizations.

In the first group, Papers Relating to the Foreign Relations of the United States, for the years 1919, 1920, and 1921, Government Printing Office, Washington D. C. (published in 1934, 1936 and 1937 respectively) were found most valuable. The political situation of 1920-1921, as well as the economic aspect for the same years, figured prominently in these government papers. For the years 1919, 1920, 1921, the volumes were, respectively, II, II and I. In many instances it was plainly stated that certain communications between the United States Government and the Cuban Government or between the United States Department of State and its officials in Cuba had not been printed, but even without these there was ample information concerning the phases covered. The files of the Congressional Record showed comparatively few entries relative to Cuba and the United States. It was evident that affairs were handled to a large extent by the State Department and the chief executive in each period. Those items cited were found in Congressional Record, 66th Congress, 2nd session, 359; 73rd Congress, 1st session, 501 and 1898; 73rd Congress, 2nd session, 1052, 1539, 1712, 6030, 9839, and 10116.

Only one other government publication was used, namely a pamphlet issued by the Department of State. This was An Address by the Honorable Sumner Welles, Assistant Secretary of State, entitled "Relations Between the United States and Cuba", Department of State, Latin American Series Number 7, Government Printing Office (1934).

A very careful and complete study was made of the following newspapers: The New York Times and Chicago Tribune for the years 1919 (August to December) 1920, 1921, 1933 and 1934; The Christian Science Monitor (Boston) for 1919, 1920, 1921; The Los Angeles Times for 1919, 1920, 1921. Files for the last named newspaper were not complete but they were available for the periods when important events were transpiring. The New York Times was found to have covered the situation very thoroughly and fairly evenly as regarded political and economic affairs. The index for The New York Times for all years was invaluable in its listing of articles with titles and subtitles sufficiently amplified to indicate fairly well the nature of the materials. With reference to the Chicago Tribune it must be said that mention of Cuba occurred much less frequently and that accounts were never so complete and so comprehensive as The New York Times, except when a development of paramount importance had taken place. Entries in The Christian Science Monitor were not so frequent or so lengthy but they were generally written after the daily news items had been thoroughly worked over and not infrequently the material appeared as an editorial. The Los Angeles Times contained very few items--indeed it might well have been ignored, save that the very absence of Cuban news and the prominence of Philippine news with reference to the sugar situation, served to show that in the West the problems of Cuba were of trifling interest.

Of secondary sources six were used rather exhaustively, the first named being the most valuable. Russel H. Fitzgibbon, Cuba and the United States, 1900-1935, George Banta Publishing Company, Menasha, Wisconsin (1935) was a splendidly written work having a very complete and detailed bibliography. Second in value was Leland H. Jenks, Our Cuban Colony, Vanguard Press, New York (1928). This was especially worthwhile for its treatment of the economic crisis of 1920-1921. Though not so well documented as Fitzgibbon's work, this one was highly prized by Fitzgibbon himself and by several other students of Cuban history, including Charles E. Chapman, Graham H. Stuart, Dana G. Munro, Chester Lloyd Jones. Another book found very worthwhile was Dana G. Munro, The United States and the Caribbean Area, World Peace Foundation, Boston, (1934). Another used was Harry F. Guggenheim, The United States and Cuba, Macmillan, New York, (1934). Guggenheim's work was a study in international relations based upon his experiences in Cuba as United States Ambassador and amplifying in great detail the ideas set forth in his article in Foreign Affairs, cited later in this bibliography. The United States in World Affairs, An Account of American Foreign Relations, was used for 1933 and 1934. Each year's account was contained in a separate volume, that for 1933 being edited by Walter Lippman with the assistance of the research staff of the Council on Foreign Relations, Harper Brothers, New York (1934). The developments of 1934 were contained in the volume edited by Whitney H. Shepardson in collaboration with William O. Scroggs, Harper Brothers, New York, (1935). Only a limited amount of space was devoted to Cuba as their title would indicate, but significant phases of the situation were carefully selected and carefully treated. The New International Year Book and the

American Year Book were used for all the years involved.

Of the representative magazines consulted The Nation and Current History were most useful. From The Nation the following accounts were used: L. J. DeBekker, "Cuba and Her President", 110, 230-231, February 21, 1920; "Wanted: A New Deal for Cuba" (unsigned), 136, 433-434, (April, 1933); "Mr. Welles Opportunity" (unsigned), 136, 489, (May, 1933); Hubert Herring, "Machado Must Go", 136, 500-502, (May, 1933); "Cuba and the Future", (unsigned), 137, 199, (August, 1933); "A Bad Appointment", (unsigned), 137, 230, (August, 1933); "Our Job in Cuba", (editorial paragraph) 137, 312-313, (September, 1933); Editorial paragraph (no title) 137, 301, (September, 1933); "Shall Our Sugar Refiners Ruin Cuba?" (unsigned), 137, 395, (October 1933); Editorial paragraph (no title), 137, 525, (November, 1933); "Cuba and the New Deal", (unsigned), 138, 116-117, (January, 1934); Editorial paragraph (unsigned), 138, 689, (June 1934); Oswald Garrison Villard, "The New Cuban Reciprocity Pact", 139, 287, (September 1934). Current History offered the following: "Solving Cuba's Election Problem", (unsigned), XIII, 546, (March 1921); "Political Tension in Cuba", (unsigned), XIV, 339-340, (May, 1921); "Reforms Under Cuba's New President", (unsigned), XIV, 715-716, (July, 1921); "Cuba's Tribute to a Former President", (unsigned), XIV, 901-902, (August, 1921); William L. Schwarz, "Cuba's Economic Isolation", XXXVI, 545-549 (August, 1932); Charles W. Hackett, "Unrest and Disorder in Cuba", XXXVIII, 594-595, (March, 1933); Russell Porter, "Cuba Under President Machado", XXXVIII, 29-34, (April, 1933); Herbert Herring, "Can Cuba Save Herself?" XXXIX, 151-158, (November 1933); Hubert Herring, "The Downfall of Machado", XXXIX, 14-24, (October, 1933).

Others used were: "Clearing Skies in Cuba", (unsigned), The Independent, CV, 191, (February, 1921); T. Henry Walnut, "Sugar", Survey, XXXIV, 368-370, (June, 1920); "Cuba, Sugar Mill of the Antilles", National Geographic, XXXVIII, 1-33, (July 1920); "Cuba's Industrial Awakening", Forum, LXIII, 279-289, (March 1920); Edwin Lefevre, "Soldier and Student Control in Cuba", Saturday Evening Post, 206, 5-7, (January 6, 1934) and "Cuba's Grievances", 206, 8-9. (January, 27, 1934); Literary Digest, November 15, 1933; January 22, 1921; December 2, 1933; August 19, 1933; August 26, 1933; September 1, 1934.

A wealth of material was found in the bulletins issued by learned societies or associations. It would be a difficult task to estimate relative values of this type of publication, since all were so evidently carefully prepared and analytical in treatment. Those cited in this paper were Foreign Affairs, An American Quarterly Review, Published by Foreign Affairs, New York; Foreign Policy Association Reports, Foreign Policy Association Incorporated, New York (published fortnightly); Bulletin of the Pan American Union, Government Printing Office, Washington, D. C.; International Conciliation Documents for the Year 1934, published by Carnegie Endowment for International Peace, Worcester, Massachusetts; The Pan American Magazine, published under the auspices of the Geographic and Historic Society of the Americas, Washington, D. C. In Foreign Affairs the following works were cited: "Agitation Against the Platt Amendment" (unsigned) VI, 231-244, (1927-1928); Cosmo de la Torriente, "The Platt Amendment", VIII, 364-378, (April, 1930); Norman H. Davis, "Wanted: A Consistent Latin American Policy", IX, 547-568, (July, 1931); Jorge Manach, "Revolution in Cuba", XII, 46-56, (October, 1933); Harry E. Guggenheim,

"Amending the Platt Amendment", XII, 448-457 (April 1934). In Foreign Policy Association Reports those by Raymond Leslie Buell were found especially helpful. All articles cited were written by Buell. The ones used were: "Sugar and the Tariff", V, Number 6, 103-119, (May 1929); "The Carribbean Situation--Cuba and Haitii", IX, Number 8, 80-88, (June 1933); "Latin American Policy of the Roosevelt Administration", X, Number 21, 270-276, (December, 1934). In International Conciliation only one article was found namely: Juan Llitas, "Relations Between Cuba and the United States", 1934. The Bulletin of the Pan American Union XXXIX, 302-311, (September 1919) cited an article by J. H. Allen, "Teamwork Between America and Cuba Has Paid Well for Both", The Americas, (July 1919); "New Treaty of Relations Between the United States and Cuba" LXVIII, 465-471, (July 1934). The Pan American Magazine contributed one article, "Cuba's Commercial Ordeal", XXXII, 213-215, (March 1921).