

## Chapter 4

### How the US Obtained the Panama Canal

This is the story of how the United States obtained the right to build a canal through what was once part of Colombia. With the help of the United States, a revolution occurred in Colombia that led to Panama's proclaiming its independence on November 4, 1903. A scant two weeks later Panama signed a treaty allowing the U.S. to build, own, and control the Panama Canal. Read this chapter to decide if the United States acted properly and if the need for the canal justified the means used to get it.

#### de Lessup's Folly

In 1513, a Spanish explorer by the name of Vasco Balboa gazed at the mighty waters of the Pacific Ocean. He was the first white man to cross the thin strip of land separating the Atlantic and Pacific oceans. Ever since, men dreamed of building a canal to link these two bodies of water. But it wasn't until the California Gold Rush of 1849 that this dream began to become a reality. In six torturous years, Americans built a railroad across Colombia's isthmus of Panama to connect with two steamship lines — one on the Atlantic and the other on the Pacific. With several thousand railroad workers dying from their efforts to complete this connection, it was said to have been the most expensive railroad project of its day. Those who lived managed to survive an incredible number of dangers including malaria, yellow fever, poisonous snakes, seemingly bottomless swamps, and a river which rose a full 40 feet above its bed during the rainy season.



**Major trade routes through the Panama Canal**

jungles of Panama were too numerous, the great engineer determined to build a sea-level canal like the one at Suez

In the 1870's a brilliant French engineer by the name of Ferdinand de Lessups was put in charge of a project to replace the railroad link connecting the Atlantic to the Pacific with a sea level canal. De Lessups had won worldwide acclaim for completing the Suez Canal and he fervently believed that he was the best man to meet this new challenge. Paying scant attention to reports by the American Army engineers that the obstacles in the mountains and

De Lessups's attempt at canal building in Panama was a disaster from beginning to end. Malaria and yellow fever carried away the lives of French engineers, their families, and the hapless workers who took part in the project. Altogether 20,000 people died in the eight years including the best young engineers graduating from French universities. Nature itself conspired against the French canal builders. Within hours, slippery soil filled up holes, which had taken days to dig; machines rusted in the rains and broke under heavy loads. The river Chagres rose more than its normal 40 feet and even wiped out the railroad tracks built above it 30 years earlier.

De Lessups was forced to give up his projected sea-level canal project after eight torturous years. By this time it had already cost twice the original estimate of \$131,000,000. With less than one-third of the canal completed, the famous *Campagne du Canal* declared bankruptcy. When its financial dealings were

finally investigated three years later, appalling truths were uncovered. De Lessups and the Company's directors had lied about or covered up the many factors that plagued the canal's progress: its costs, the deaths, cave-ins, malaria, broken machinery, and the pickled corpses sent to French medical schools to help pay the bills. The directors had also bribed French politicians, reporters, editors, and businessmen to keep the bitter secrets regarding cost overruns from the public. The resulting scandal left the reputations of few Frenchmen, political and financial leaders, untouched and shook the French government to its moral foundations.

## Strategic Thinking of Canal Advocates

America's interest in building an inter-ocean canal was voiced by some important U.S. leaders in the 1890's, including naval strategist Alfred Mahan, Senator William Lodge and Theodore Roosevelt. They claimed it would speed trade to bind the East and West coasts while saving millions of dollars in shipping costs. Furthermore, a canal would allow a single US fleet to shuttle through it and defend both the Atlantic and the Pacific coasts at great monetary savings. Included in this strategy was a plan for the U.S. to control the approaches to the canal. Thus, the U.S. would have a base in Cuba (assured by the Platt Amendment) and other islands in the region while denying European powers an opportunity to build coaling stations to refuel their war ships. In the Pacific, the U.S. needed Hawaii (which the U.S. had annexed in 1898) to prevent an attack from that direction. Control over either Colombia or Nicaragua was believed necessary depending on which of these countries was chosen for the canal.

Public interest in a projected canal peaked during the Spanish American War. The U.S. Battleship *Oregon* was stationed in San Francisco when the war broke out and its progress toward the war zone was duly reported in the newspapers as it sailed around the Straits of Magellan and north to Cuba. The absence of a canal increased a trip of 4,000 miles by an additional 8,000 and added an estimated twenty days at sea. The question was no longer whether the U.S. would have a canal, but where and when it would dig it.

## Panama or Nicaragua

President Roosevelt was willing to allow Congress to decide whether the U.S. should build a canal through Colombia or through Nicaragua. Congress wanted to make the best possible choice for the United States. But it ended up listening to an agent for the New Panama Canal Company, a successor to the one ruined by de Lessups's immense miscalculations and blind self-confidence. The director of the New Company was Phillipe Bunau-Varrilla. By prior agreement, the New Panama Company had until December 31, 1903 before the areas improved by the old canal company, as well as the construction machinery, railroad track, locomotives and so forth would be deeded to Colombia. Then Colombia and not the New Panama Canal Company could sell these rights for which the New Canal Company was demanding \$40,000,000.

Congressmen serving on a committee to inspect the sites where the canal might be built were invited to talk with officials in France where they were entertained lavishly and presented with the French perspective on the doomed canal project for five weeks. Then their French hosts brought the Congressmen to Panama where Canal Company officials showed them only what the Company wanted them to see.

As luck would have it, a volcano in Nicaragua erupted in 1902 for the first time in 68 years. Bunau-Varrilla quickly made postage stamps as a reminder of the eruption, and sent them to members of Congress. Not surprisingly, Congress selected the Panama route. Influenced by reports of Army engineers, Roosevelt agreed with Congress. He sent Secretary of State John Hay to make a treaty with

Colombia giving the U.S. rights to build a canal through the northern tip of their country known as Panama.

## **The Hay-Herran Treaty, Negotiated and Rejected by Colombia**

When the talks between Hay and Colombia appeared to stall, the U.S. threatened to build a canal through Nicaragua. The threat worked and a treaty was signed in the fall of 1902. The Treaty gave the U.S. the right to build a canal on a strip six miles wide and 53 miles long. The U.S. would have complete control over the entire area. But, the U.S. would be left on its own to negotiate for property belonging to the New Panama Canal Company. In exchange for these privileges, the U.S. agreed to pay Colombia \$10 million and an additional \$250,000 a year until the year 2000. Afterwards, the canal would belong to Colombia.

President Roosevelt approved of the Treaty and sent it to the Senate where it was quickly ratified. But, the Colombian senate delayed ratification thinking it could wait a year for the rights of the Panama Canal Company to expire and these rights, worth \$40 million, could be sold to the United States.

## **President Roosevelt Reacts and Panama Revolts**

When Roosevelt heard that Colombia had delayed ratification, he exclaimed that the “jackrabbits” in Bogota, Colombia should not be allowed to “bar one of the future highways of civilization,” and predicted that “the state of Panama (in Colombia) will secede if the Colombian Congress fails to ratify the canal treaty.”

President Roosevelt was not making idle threats when he hinted at the possibility of secession. He spoke frequently to the man who had the most to gain by arranging for a revolution, Philippe Bunau-Varrilla. And Bunau-Varrilla often talked to Guerreo Amador, the man he was plotting to make the President of an independent Panama.

In mid-October, Panama’s future President sailed south from New York City. Shortly afterwards, the *U.S. Nashville* sailed to waters around the Colombian Sate of Panama. Two weeks later, on November 3, 1903, a cable was sent from Washington to the *Nashville* inquiring as to whether the revolution had started. The answer was, not yet. But 3 hours later, the revolution did start. The main revolutionary force was a fire brigade paid by the New Panama Canal Company. The *Nashville* quickly landed its troops to prevent Colombia from suppressing the revolution. The New Panama Canal Company bought off a Colombian admiral with \$8,000 of gold and two cases of champagne, and a Colombian General was paid \$65,000 for not stopping the revolution.

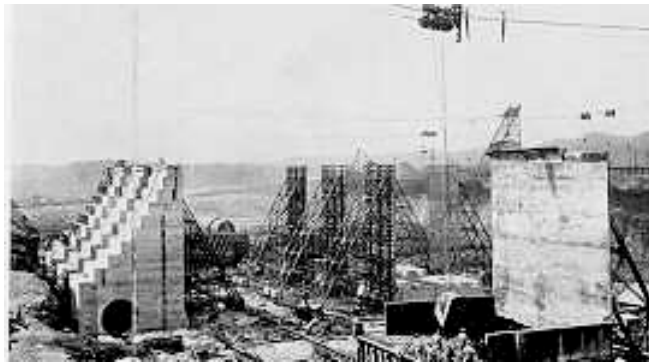
## **The Hay Bunau-Varrilla Treaty**

Before Guerreo Amador left for Panama, Bunau-Varrilla had given him what he thought the new president would need to start a new country: a flag, a declaration of independence, a constitution, a secret code, and a promise for \$100,000. He also appointed himself ambassador to the United States. Three days after the revolution, the U.S. recognized the new nation, Panama. After another 12 days, on November 18th, ambassador Bunau-Varrilla signed a treaty with the U.S. Although much like the original Treaty with Colombia, the new one had several important differences, all of which favored the U.S.:

- This time the U.S. got a path through Panama 10 miles wide (the other was 6 miles);
- The rights to the area for the canal were ‘in perpetuity’ in the other they were to last until the year 2,000;

America's richest and most powerful banker, J.P. Morgan, was entrusted with forty million dollars to transfer to the New Panama Canal Company as payment for the digging rights, improvements, and machinery that otherwise would have been turned over to Colombia.

## Aftermath



**Construction of upper lock, February, 1915**

low. Then water would be pumped into the lock, until the ship was high enough to be floated into the next lock. Upon reaching the high point, the ship would be taken through a lake in the middle of Panama. Then it would move to a full lock that would be gradually drained and in three stages get back down to sea level on the other side of the isthmus.

Responding to criticism for the methods that he used to get the canal, President Roosevelt boasted that he took it, and he left Congress to debate him and not the canal. While that debate was proceeding, Roosevelt bragged, so was work on the canal. Completed just in time for World War I, the Canal took 10 years to build. Construction was a remarkable triumph of American ingenuity and it is counted as the world's most astonishing building project. Following the advice that de Lessups had refused to heed, the U.S. built a 'lock' canal. Coming from either ocean, a ship would enter each lock when its water level was

Americans may justifiably be proud of the engineering feat that built this canal and be confident that the canal had great practical value. Whether the U.S. should be equally proud of the way they obtained the canal is subject to debate.

## Suggested Student Exercises:

1. Explain the advantages to the United States of having a canal that connected the Atlantic and Pacific oceans under US control and the reasons the US was in a far better position than any other country to build one.
2. Explain the role the U.S. played in the revolution against Colombia engineered by the New Panama Canal Company.
3. As your teacher directs, come to class prepared to debate the issue, whether the US in effect stole the canal from Colombia or merely behaved rationally in its own best interests. Students involved in the debate may wish to look at the issue from the perspective of either a Colombian or an American patriot.
4. Do you think the U.S. was wise to return the complete operation of the Panama Canal and the control of the canal zone to Panama by the end of 1999? Why or why not?

## Chapter 5

### The Monroe Doctrine and the Roosevelt Corollary

*We shall consider any attempt on their part to impose their system to any portion of this hemisphere as dangerous to our peace and safety as a manifestation of an unfriendly disposition toward the United States.*

The famous Monroe Doctrine, which was first proclaimed in 1823, contained the words quoted above. At the time, Russia, France, Prussia, and Austria were trying to help Spain get back the American colonies that had overthrown her rule, and Russia wanted land on what is now our west coast. The U.S. announced that it was against any foreign power imposing its 'system' in the western hemisphere, and the other countries backed off for reasons that might have had nothing to do with the President's famous proclamation. With one exception (the ill-fated attempt by France to establish an empire in Mexico) the Monroe Doctrine was all but forgotten before the year 1900.

In the early 20th century, President Theodore Roosevelt not only invoked the Doctrine but he broadened it by adding his own corollary. Roosevelt said the U.S. had a right to act as an international police force, invading neighboring countries and setting their house in order. His excuse was that, with the U.S. as the cop on the beat, other countries (such as Germany, France, or England) would not have an excuse to cruise around the neighborhood.

But many Americans, and certainly most (though not all) Latin Americans opposed the U.S. playing the role of international policeman. They thought the U.S. did not have a right to land troops and build canals in, or manage the finances of, other countries without their permission. This chapter raises the question about whether the U.S. should have these rights.

#### Venezuela and the Roosevelt Corollary

On December 13, 1902, a Venezuelan city was attacked by ships from Germany, England, and Italy. The reason for this hostile act was that Venezuela had failed to repay a debt owed to these three countries. News of the attack brought a prompt response from the US President Theodore Roosevelt who sent Admiral Dewey (of Manila harbor fame) on a well-timed maneuver in the Caribbean. Shortly afterwards, the three European countries announced that they would resolve their problems with Venezuela through binding arbitration as Roosevelt had suggested.

The Venezuelan affair prompted President Roosevelt to formulate what is now known as his 'corollary' to the Monroe Doctrine. Roosevelt thought that incidents like the one in Venezuela would be likely to happen again unless the U.S. took a firm stand. Roosevelt reasoned that if the U.S. collected the debts owed European countries they wouldn't have an excuse to take over nations in the Western Hemisphere.

*Chronic wrongdoing, or an impotence which results in a general loosening of ties of civilized society, may in America, as elsewhere, ultimately require intervention by some civilized nation, and, in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may*

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*force the United States, however reluctantly, in flagrant cases of wrongdoing or impotence, to the exercise of an international police power*

## The Drago Doctrine

Not surprisingly most Latin American countries disagreed with the Roosevelt Corollary. Use of force to collect debts, Luis Drago of Argentina wrote, is wrong. It did not matter to Drago whether the money was owed to American or European governments, private citizens, businessmen, or bankers. Private investors lending money to foreign citizens or governments do so at their own risk. If a country fails to pay what it owes, then it would not be able to borrow any more money. Drago believed that governments have no more right to invade or attack other countries to collect money owed them than a private citizen has the right to use force to collect debts.

## The Roosevelt Corollary in the Dominican Republic

In its short history since independence from Spain, the Dominican Republic was unable to establish a successful democratic government. Dominican peasants seldom had enough to eat; they hardly ever had the chance to attend school; and owning their own land was almost as impossible as owning a palace. Like many Latin American countries, the Dominican Republic was ruled by a small elite class of plantation owners, army officers, and businessmen. But they disagreed with one another, and they often stole money from the customs houses where tariffs on imports, the main source of the government's income, were collected.

In 1905, the Dominican Republic reached a crisis point in its finances. It could not pay either the principle owed to foreign bankers or the interest on their loans. The government owed \$32,000,000, with interest at \$2,000,000 per annum, and the government's yearly tax receipts amounted to \$1,700,000.

Roosevelt thought the situation in the Dominican Republic an excellent opportunity to use his corollary. As an 'international policeman,' President Roosevelt negotiated with Dominican officials. He convinced them to promise they would pay American investors and turn over their money from the customs house to the U.S. When payments stopped, a U.S. firm began collecting taxes on imports. The U.S. had made arrangements to have its own citizens' debts repaid, but neglected to get any help for friendly European nations; this omission caused widespread anger in Europe. Roosevelt decided to stop the international complaints by negotiating a new agreement with the Dominicans that reduced their debt. In exchange, Dominicans allowed the U.S. to collect customs duties on incoming goods, and divide the money equally between European and American creditors as well as the Dominican government.

As a result of the agreement Roosevelt negotiated, the Dominican Republic's customs house was administered honestly for the first time in its history. The Dominican Republic remained under financial supervision from 1905-41 even though many Dominicans thought the U.S. should allow them to run their own country without interference. Marines were landed in the Republic in 1913, again from 1916-24, and once again in 1965. To this day people still disagree as to whether the U.S. did the right thing in 1905, and many Dominicans resent the long occupation of their country by the U.S.

## Dollar Diplomacy and Other Interventions

The practice of invading Caribbean countries was continued from 1909 to 1913 by President Robert Taft, Roosevelt's handpicked successor. Taft's diplomatic objective in the region around the Panama Canal was to get American bankers to lend money to these countries. He claimed this would save Latin

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Americans from running up a debt that European countries would use as excuses to invade. He called attention to the need to protect the sea-lanes leading to the Panama Canal, as well as the Canal itself. But the British press pinned the label, "dollar diplomacy" to President Taft's invasions and the term has stuck.

The practice of the U.S. invading or attempting to overthrow unfriendly governments, and/or to occupy Latin American countries was continued by American presidents right up to the present day, as summarized in the chart below:

Country	Years of Intervention	Country	Years of Intervention
Haiti	1905-41 1995	Panama	1903-1999 1989
Nicaragua	1909-10, 1911-24, 1926-33, 1981-89	Cuba	1898-1902 1906-1909 1917 & 34 1961- present
Mexico	1914 1916-17	Puerto Rico	1901-present
Guatemala	1954	Grenada	1983 •

## Three Different Interpretations for America's Latin America Policy

Historians' opinions about the motives for U.S. policies in the Caribbean have been sharply divided. Some believe that the U.S. was merely trying to protect itself from European countries that might build bases close to the U.S. Others claim the U.S. has been bent on helping big businessmen make money. A third school of thought holds that the U.S. was and still is really generous in helping other countries by protecting them against their own mistakes and foreign aggression.

Each of these positions is represented here in the words of men well qualified to speak on the subject. For some 40 years or more Samuel Flagg Bemis has been the dean of diplomatic historians. Smedley Butler, the second author, was a U.S. Marine who participated in a number of the interventions mentioned in this unit. The third author, Eli Root, served as Secretary of State under President Theodore Roosevelt and was directly involved in obtaining the customs receivership in the Dominican Republic.

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• Chart does not include diplomatic and financial pressures exerted on these countries; also does not imply that intervention was necessarily either good or bad for the country or was done for self-serving or idealistic motives

## Samuel Flagg Bemis Justifies Dollar Diplomacy as Hemisphere Defense

Dollar diplomacy was not designated to profit private interests. It was intended rather to support the foreign policy of the United States; in the instance of Latin America to support the Roosevelt Corollary to the Monroe Doctrine, Taft was following *the instincts and traditions of continental security*. Nicaragua, like the Dominican Republic, like Panama, like Haiti was one of the states in the entire world where least American capital was invested. It is a well-known fact that it was only with difficulty that the Department of State was able to persuade bankers to invest their funds for political purposes.

## Smedley Butler Claims He was a Racketeer for Capitalism

*I spent thirty-three years and four months in active service as a member of the country's most agile military force — the Marine corps. And during that period I spent most of my time being a high-class muscle man for Big Business, for Wall Street, and for the bankers. In short, I was a racketeer for capitalism.*

*Thus I helped make Mexico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I brought light to the Dominican Republic for American sugar interests in 1916. I helped make Honduras "right" for American fruit companies in 1903.*

## Eli Root Claims U.S. Motivated by Idealism

*We believe the independence and equal rights of the smallest and weakest members of the human family of nations are entitled to as much respect as those of the greatest. We deem the observance of that respect the chief guarantee of the weak against the oppression by the strong. We neither claim nor desire any rights, nor privileges, nor powers that we do not freely give to every American Republic. We wish to help all friends in Latin America to a common prosperity and a common growth, that we may all become greater and stronger together.*

After looking at a few places where the U.S. used military force, you might be ready to decide what motivated U.S. conduct in its Caribbean policy. Was the United States a muscleman for Wall Street, motivated by a desire to help bankers and big business? Were we motivated mainly by a desire to help other countries, or were we primarily concerned with our own defense? You be the judge.

## Suggested Student Exercises:

1. Contrast the reasoning of the Drago Doctrine with the thinking that supports the Roosevelt Corollary. With which do you agree? State your reasons.
2. Summarize the circumstances relating to the application of the Monroe Doctrine to the Dominican Republic and decide whether this action was justified.
3. Which of the three theories, *defense*, *economics*, or *idealism* best explain the U.S. actions presented in this chapter as well as in the others? Support your conclusions.