

Imperialism In Central America

As European countries furthered their economic penetration of Africa and Asia

during the 19th century, the United States continued its westward expansion, extending its borders to the Pacific. While the United States had had an interest in the Western Hemisphere since the Monroe Doctrine of 1823, it was only after the Spanish-American War in 1898 that this nation began to exploit the economic potential in Central American countries.

The introduction of the banana into the United States in 1870 started businessmen and companies thinking about profits they could make in Central America. For economic as well as political reasons, President Theodore Roosevelt became interested in areas south of the border and instituted the "Big Stick" policy. Later, President Taft, stressing the areas' economic importance, pursued a policy of "dollar diplomacy." With governmental approval, the stage was set for U.S. businesses to underdeveloped nations. United Fruit was one such corporation. It set out to make it mark in Central America and establish a monopoly in the banana trade.

Although United Fruit was not the only company to produce and trade in Central America, it was by far the strongest and its very name came to be associated with "Yankee Imperialism." From its inception in 1899 -- an amalgam of several other companies -- it grew to such proportions that it accounted for 65% of banana exports to the United States before World War I. How this came about says much about the history of so called "banana republics" -- nations whose internal affairs were heavily influenced, or even taken over, by foreign business interests. It is a study of brilliant organization and initiative in seizing control of a profitable market. However, United Fruit's success was not only due to hard-nosed entrepreneurship. It was also characterized by destructive tactics toward competition, illegal activities and clout with local politicians. One key factor, though, that made all the others work: control over natural resources. For United Fruit was a giant not only in the business of agriculture but also in the role of land owner, and that was how the company secured its dominance.

United Fruit's growth in the banana republics went hand in hand with its acquisition of natural resources. The company owned vast areas in countries such as Costa Rica, Honduras, Guatemala, Panama, and Cuba. In Honduras, United Fruit controlled over 400,000 acres, 40% obtained free due to grants. In country after country, this firm was a leading real estate holder, owning or leasing over three million acres before World War II. Control of these lands made United Fruit the most successful corporation in Central America.

To sell huge quantities of bananas to American consumers, it was necessary to transport them quickly from the interiors of the jungles to the ports. It was expeditious, therefore, that United Fruit get control of the railroads and also engage in railroad construction, through its various subsidiaries. As an inducement, local governments granted the company from 250 to 500 acres for each: mile of railroad construction. United Fruit received alternate blocks of land, with each other section going to the people of the nation where track was being laid (similar to the railroad land grant system in the United States). However, since large areas are required for banana cultivation, the company had intermediaries lease the land back from native landholders. This enabled the company to obtain vast acreage with a minimal investment. United Fruit was thus able to use much of each nation's agricultural land and at the same time reap high profits for its stockholders.

Other American companies, too, gained control of natural resources and thus monopolized trade. This monopoly of land created an atmosphere where many landless peasants had little choice but to work for American companies. Controlling natural resources was an important step in monopolizing other stages of the banana trade, which United Fruit accomplished with tremendous success.

Background Questions:

1. What was the goal of the "Big Stick" and "Dollar Diplomacy" policies?
2. What accounted for the growth of the United Fruit Company?
3. How did United Fruit gain control over national resources in Central America?
4. Compare the land grants received by United Fruit and the railroad land grants in the United States.
5. Why was control over natural resources important for US companies in Central America?
6. Is the United States engaged in imperialism today? Explain your answer.

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