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## THE NICARAGUA CANAL.

No other measure of public policy now submitted to the people of the United States is of such wide-reaching importance as the proposed construction of the Nicaragua Canal, and it is the duty of the organs of public opinion to state the elements of the problem that it offers, so that their readers may intelligently judge whether the United States should aid in its execution, and, if so, to what extent and in what manner. Hitherto such questions as this have been hidden under the cloak of diplomacy; but now, by the action of the Senate in removing the injunction of secrecy from negotiations with foreign powers, this great measure is open to the inspection of the American people, and is submitted to their judgment.

By a treaty, signed on December 1, 1884, between the United States and the republic of Nicaragua, provision was made for the construction by the United States of an inter-oceanic canal from the Atlantic to the Pacific, across the territory of that republic. It was sent to the Senate on December 10, 1884, accompanied by a message from President Arthur recommending its ratification in strong and earnest language; but it was not formally acted upon prior to the inauguration of President Cleveland, on March 4, 1885. Mr. Cleveland, a few days thereafter, formally withdrew the treaty from the consideration of the Senate, and, in his

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annual message to Congress, in December of that year, stated as his reason for so doing that it contained "propositions involving paramount privileges of ownership or right outside of our own territory, coupled with absolute and unlimited engagements to defend the territorial integrity of the state where such interests lie." He further said:

"Maintaining, as I do, the tenets of a line of precedents from Washington's day, which proscribed entangling alliances with foreign states, I do not favor a policy of acquisition of new and distant territory, or the incorporation of remote interests with our own."

Subsequently, on April 25, 1887, the republic of Nicaragua, deeply interested in the construction of the work, granted to a private association of citizens of the United States a concession of the right to build an inter-oceanic canal. A like concession was made by the republic of Costa Rica, situated on the southern borders of the San Juan River and Lake Nicaragua. The association obtaining these concessions was incorporated by an act of Congress approved February 29, 1889, under the name of "The Maritime Canal Company of Nicaragua." It appears from the terms of these concessions that the Maritime Canal Company is invested with the clear and unquestionable right to construct the work proposed, to sell its stock and bonds for the funds required, and to seek the aid of foreign powers, especially that of the United States. The American company thus authorized and organized has supplemented the previous examinations and *reconnaisances* of officers of the army and navy of the United States by careful detailed instrumental surveys, measurements, soundings, and estimates of cost; so that the precise work to be done and the difficulties to be overcome are known. This work has been revised by a board of consulting engineers, and, before any aid shall be rendered by the government, it is to be further revised by officers of the army and navy of the United States on whose skill and judgment entire reliance can be placed. The revised estimates place the cost of the work at \$73,176,308, to which is added for possible contingencies \$14,633,262; and to this must be added interest on the money invested during the progress of the work, making the aggregate cost about \$100,000,000. The Maritime Company has entered upon the actual work of con-

struction, and satisfactory progress has been made, so that the cost, location, and engineering problems involved are fully known. It is apparent that the physical difficulties to be overcome are not greater than those of many of the works of improvement undertaken within our own country, for the highest part of the water way is to be only 110 feet above the two oceans—a less altitude than that of the base of the hills which surround the city of Washington. The works proposed include a system of locks, similar in character to the one built by the United States at the falls of Sault Sainte Marie and to those constructed by Canada around the falls of Niagara. A single dam across the San Juan River, 1,250 feet long and averaging 61 feet high, between two steep hills, will insure navigable waters of sufficient depth and width for the commerce of the world, for a length of 120 miles. The approaches to this level, though expensive, are not different from similar works, and will be singularly sheltered from floods and storms. Of the distance of 169.4 miles from ocean to ocean, 142.6 miles is to be accomplished by slack-water navigation in lake, river, and basins, and only 26.8 miles by excavated canal. The greatest altitude of the ridge which divides the water of Lake Nicaragua from the Pacific Ocean does not exceed at any point 42 feet above the lake.

Perhaps the chief engineering difficulty is in the construction of harbors at the Pacific and Atlantic termini of the canal; but that at Greytown, on the Atlantic coast, which is considered the most formidable, has already been partially built. Vessels requiring 14 feet of water can now safely enter this harbor and discharge their cargoes at the docks of the company. The obstacles are not to be compared with those encountered in the attempted construction of the Panama Canal, or with those which were easily overcome in the construction of the Suez Canal; and the whole work, from ocean to ocean, is free from the dangers of moving sand and destroying freshets. Lake Nicaragua itself is one of the most remarkable physical features of the world. It fills a cavity in the midst of a broken chain of mountains, whose height is reduced, at this point, nearly to the level of the sea, and it furnishes not only the means of navigation at a low altitude, but enormous advantages as a safe harbor.

Though the length of transit is greater than in the cases of the other routes proposed, the difficulties in the way are far less. These are disappearing as the work goes on, while the advantages which will be gained by the construction become more apparent, and can scarcely be measured. The first is one that will be, and ought to be, shared by the whole civilized world. The establishment of a water way between the Atlantic and the Pacific will realize the dream and hope of Columbus, who, underestimating the circumference of the earth, started on his voyage for the coast of India, and found his way blocked by the newly-discovered continent. Since that time, for nearly four centuries, explorers have hoped to find some open way across the isthmus, or, failing in that, to construct such way by artificial means. Every explorer and adventurer, every king and power, has shared in this hope, and to realize it many hazardous enterprises have been attempted. The government of the United States, in later years, especially since the settlement of California, has felt the deepest interest in accomplishing this latter achievement, has sought by negotiation and by treaties to protect the region from hostile occupation, has joined in several plans to construct canals across the isthmus, and has caused to be made elaborate and careful surveys, both by civil and by military engineers, with a view to the selection of the best route. Other nations have been equally interested, but not so active or effective in preparing the way and in selecting the location. The success of the Suez Canal led M. de Lesseps, who was the chief agent in the construction of that work, to seek to complete the channel of navigation around the world by a water way at Panama. The scheme contemplated the digging of a canal from sea to sea, partly at the level of tide water and partly below it. The work, thus far, has been a failure, and the plan is believed to be impracticable. The Nicaragua route, though burdened with the delays of lockage, is now conceded to be more practical, far less costly, and more useful, than the one at Panama, and will accomplish the same object.

The second great advantage to be derived from the construction of this canal, is the extension of our coast line through it to our western States and to neighboring countries. Vessels sailing from New York to San Francisco are now compelled to pass

around Cape Horn, a distance of 19,000 miles. The benefits to be derived from this extension can scarcely be measured. The enormous quantities of wheat, lumber, and other articles produced on the Pacific coast can now be transported to the Atlantic States only by 3,000 miles of railway or by the long voyage around South America, so that the entire value of these productions is often consumed in the expense of the journey. It is believed that our coasting trade would be increased many fold by the use of the canal through Nicaragua, and that by it employment would be given to vessels at seasons of the year when they are now laid up in northern ports.

Another benefit to be derived by the United States from the construction of this canal is that it will give our people a community of interests with the western coasts of Mexico and South America, now substantially closed to our commerce. The commerce of these coasts, being compelled to go around Cape Horn, can from that point reach with less difficulty the markets of Europe than the markets of our own country; while, if the canal be constructed, there will be a safe, well-protected water route between the western ports of the American continent and our chief commercial cities. The canal will, for the first time, make possible an enforcement of the Monroe Doctrine, hitherto a mere dogma in American policy. The communion of interests between the American states will be enormously strengthened by this work. The South American republics are patterned after ours; there can be no clashing of interests between us. For many years they are not likely to be manufacturing countries, but will be devoted mainly to agriculture and mining. They would naturally exchange their gold, silver, sugar, coffee, tropical fruits, guano, and other sources of wealth for the manufactures and productions of the United States.

The construction of this canal would seem, judging by statistics, to be a very profitable investment for American capital. The rapid accumulation of wealth in our country has removed us from among the nations that, by their means, are limited to home enterprises. Assuming that the estimate of tonnage is not excessive, and that the cost of the improvement will not exceed \$100,000,000, the smallest rate of tolls proposed by any one will

yield at least five per cent. on the investment, as well as secure to our citizens, from their proximity to the work, great advantages of trade and profit over foreign competitors.

I will not enter into details as to the nature of the work, or as to the further benefits to be derived from its construction. The question remains, How shall it be executed? And this question must be solved, not in such a way as to advance the interests of private citizens or companies, but as to benefit all the people of the United States. It is proper for me to emphasize the fact that the Maritime Canal Company, and the Construction Company organized by it, have made no application to Congress for aid. The Maritime Canal Company can, no doubt, by making great sacrifices of its stock and bonds, secure the completion of the canal; but all experience shows that this will involve an output of stock and bonds that will be a permanent charge and burden upon the commerce that passes through the canal. The Senate Committee on Foreign Relations has examined the officers of the Maritime Company as to their plans for raising money, which appear to be substantially the same as those adopted for other works of improvement constructed by private corporations. As no income or profit can be derived from the work until its completion, and until the actual passage of vessels through the entire length of the canal, the company, without aid from the government, would be obliged to rely upon its credit or upon its own resources; and, under the most favorable circumstances, it is shown that the burden of liabilities upon the completed work would be not less than \$250,000,000, and might extend to \$400,000,000, most of the amount borrowed at a high rate of interest accompanied by large discounts. The stock and bonds would have to be disposed of in the open market, and would be sold largely in Europe. Therefore, though the work would have been instituted and conducted by American citizens, the control and management of the corporation would necessarily drift into the hands of holders who would have no regard to the important American interests involved in the enterprise. On the other hand, it is apparent that if the United States should aid the work by their credit, the Maritime Company would be able to complete it at the estimated cost without discount or loss; and

that, in consideration for this aid, the United States could prescribe such terms and conditions as would carry out the object of the concessions and the fixed policy of this government. Vessels of the United States will, in all probability, carry the chief commerce through the canal, and it is for the interest of our people that the charges on these vessels shall be so low as to induce the largest possible number of their owners to avail themselves of the benefits of the canal.

The question, then, before those who were drafting a bill to secure government aid, was in what way this aid should be rendered without involving a departure from our established policy as stated by Mr. Cleveland, and without pecuniary loss or entangling alliances. The only method that was suggested was the one adopted by other nations under like circumstances, and especially by Great Britain in respect to the Suez Canal, namely, that the government should, in consideration of its guarantee, secure such a control of the majority of the stock as to enable it to protect the interests of the people, and such control of the expenditures on the work as certainly to limit the obligations of the company to the actual cost of the canal in money. These primary objects have been, it is thought, secured in the bill now pending, by an unconditional guarantee of payment of the principal and interest of the bonds of the company; by the application of the proceeds of these bonds, under the direction of United States engineers, to the work actually done; and by the transfer of \$70,000,000 out of \$100,000,000 in stock to the United States, with the power to vote at any meeting of the company and with a proper representation on the board of directors. These, and other provisions of the bill reported, will, it is confidently believed, not only secure the completion of the work at cost, but will place it in the power of the United States to protect their citizens in the full rights conceded by Nicaragua and Costa Rica, and will prevent the management of the work from falling into the hands of men who are indifferent or hostile to American interests in that portion of the world.

These objects being secured, the question arose as to what arrangement should be made with the American citizens who had, when the United States declined to construct the work, ob-



tained concessions, and who had actually entered upon its construction. The act of their incorporation provided that it might be altered, amended, or changed, at the pleasure of the United States; but the exercise of this power without regard to the interests of the incorporators, and without neglect or forfeiture on their part, would have been a breach of the public faith. The only result would have been that the government would have been compelled to undertake the work itself, or, by declining to do so, would have maintained the dog-in-the-manger policy of refusing to execute, or to allow any other power to execute, a work of conceded importance to all the nations of the world. At the same time the public naturally objects to the use of the credit or the money of the United States to advance the personal interests and profit of individuals. It was therefore provided that the promoters of the Nicaragua Canal should be reimbursed only for the actual cost to them of the work already done, and that this cost should be ascertained by proper officers of the government and paid in the bonds of the Maritime Company guaranteed by the United States. In addition, it was provided that the promoters should have such reasonable allotment of the stock that they already own by virtue of the concession granted to them, as would be a just and fair compensation for their vested rights and for their services. By the terms of the contract entered into by the Maritime Company with the Construction Company, the latter is entitled to \$12,000,000 in stock, in consideration for the concessions and privileges granted by Nicaragua and Costa Rica, which were transferred by the Construction Company to the Maritime Company. It was deemed, after careful consideration, that, as this stock has not yet been earned, the Maritime Company should be allowed to issue to the Construction Company stock of the former company to the value of \$3,000,000, upon condition that all other stock of the Maritime Company, of every kind, name, and nature, issued or agreed to be issued, should be surrendered and canceled, except \$6,000,000 stipulated to be given to Nicaragua for its concessions, and \$1,500,000 to be given to Costa Rica. The value of this stock at first would be nominal, and its future value would depend entirely upon the value of the completed work. This proviso



is regarded by the Maritime and Construction Companies as harsh and illiberal, yet they have agreed to it, as well as to the other terms and conditions proposed in the pending bill.

The more I reflect upon the transcendent importance of the work proposed, upon the international difficulties which formerly surrounded the subject, upon the objections of a large portion of our citizens to the direct construction of the work by the United States according to the plan proposed by the treaty, and upon the just claims of the American promoters of this enterprise who have been engaged in it, the more I am convinced that the aid to be given by the United States, if the bill should become a law, would be a wise act of public policy, second in importance to no other in the history of our country, and of general benefit in promoting our commerce and industry in every section. No doubt the cities along the Gulf of Mexico and the southern Atlantic coast will first feel the beneficial effect of this improvement, but it will extend to the people of every State, by the increase of their commerce and productions.

To reject or to neglect the opportunity now offered would leave this enterprise to the chances of failure, or transfer its control to commercial rivals whose interests and fixed policy would lead them to convert a great highway of nations into a dependency more formidable than Gibraltar and more troublesome than Canada. A commercial company in India has been converted into a vast empire; the single port of Hong Kong is made to dominate a great population in China; the control of the Suez Canal and of Egypt has been purchased in the stock market—these are sufficient warnings to the American people to avail themselves of the opportunity now open to them to protect their coastwise trade, and at the same time, with little cost and no risk, to contribute to the world one of the greatest achievements of mind over matter that has ever been undertaken.

JOHN SHERMAN.

## SILVER AS A CIRCULATING MEDIUM.

THE country is misled, to some extent, by the claim that our currency is upon a gold basis. It is only partially so. The part played by gold in financial affairs is important, but it is subordinate. Gold certificates circulate as currency, and, together with gold coin, constitute a portion of the reserve in the national banks. Thus gold adds to the volume of currency, and for the purposes of business it is quite immaterial whether or not the metal itself is in circulation. In point of economy and convenience, the currency of a country should always be of paper. For this there are many reasons. The abrasion of metals by use is a very considerable item of loss, and this is true especially of gold. A hundred thousand gold dollars cannot be transferred, coin by coin, from one receptacle to another, without an appreciable loss. Small coins of silver show the results of use after a few years. Again, the inexpert public are more easily deceived by false coins than by counterfeit notes, and spurious coins are more easily produced than spurious notes. A million dollars in silver weigh about 30 tons, and a like value in gold weighs about one sixteenth as much. The substitution of subsidiary silver coins for fractional paper currency imposed a loss upon the government, in the cost of production, of not less than \$350,000.

These facts warrant the conclusion that the use of coin, whether of gold or of silver, is both inconvenient and expensive. The continuous use of paper can be secured only by the presence of confidence on the part of the users. That confidence can be maintained only by the promise of a party supposed to be responsible, and that promise must be sustained by the possession of a quantity of coin by the debtor party quite equal to any demand that can be made by the holders of the promises. This condition is fulfilled by our gold and silver certificates, each one of which represents an equivalent of gold or silver coin in the treasury of the United States. There is, therefore, as much rea-