work has thus been organized, and the studies are in progress, there will doubtless follow another conference, with a view to unifying methods, comparing results, and still further extending the scope of the work. There is thus under way under the highest expert guidance a world study of the economics of war and of the world influences which are making for peace.

In view of the large number of countries represented in the conference, and the wide diversity of opinion which naturally existed among its members as to the feasibility of certain branches of the vast undertaking, the entire harmony of the proceedings and the complete understanding reached as to the lines and methods of the work, are certainly cause for satisfaction, and justify the highest expectations of the results. As the work is laid out, competent investigators in all parts of the world will shortly be engaged in laying the firm basis in reason and science for the educational work of peace.

THE PROPOSED LOAN CONVENTIONS BETWEEN THE UNITED STATES AND HONDURAS AND THE UNITED STATES AND NICARAGUA

In July last, the loan conventions between Honduras and the United States of January 10, 1911, and between Nicaragua and the United States of June 6, 1911, were made public by the Senate of the United States to which they had been submitted for consent to their ratification in accordance with the constitutional requirement. The publication of these two conventions was simultaneous with the publication of the new general arbitration treaties recently concluded by the United States with Great Britain and France, and the same object appears to have been in view in making public these four proposed treaties, namely, to give an opportunity for those responsible for their ultimate fate to gauge the public opinion of the country through discussion in the press and otherwise as to the advisability or inadvisability of their ratification. Because of the widespread and deep interest now properly taken in the subject of international arbitration, the discussion of the arbitration treaties has so over-shadowed that of the loan conventions that they have almost been lost sight of in the public mind, and do not appear to be receiving the attention which their importance to the present and future " vital interests " of America deserves.

The text of the two treaties is printed in full in the supplement[1] but a brief summary of their provisions with a comparison with their notable precedent, the Dominican Receivership Convention,[2] with which they differ radically, may not be inappropriate. The two present conventions are almost identical in phraseology and will therefore be considered together.

The conventions commence with a recitation of the impoverished, chaotic, and unstable condition of the finances of Honduras and Nicaragua, which is not dissimilar to the opening paragraphs of the Dominican Receivership Convention, and then state the desirability of the negotiation of a loan with American bankers and the necessity for the assumption of a special relation thereto by the contracting governments. The latter clauses constitute the first departure from the substance of the Dominican Convention, for that convention makes no mention of a loan contract, but, in lieu thereof, sets forth generally the details of the adjustment which the Dominican Republic had already made with its creditors, to be carried out by the issue and sale of bonds, the conditions of which are enumerated, and which are secured by the customs receipts, in the collection of which the United States expresses its willingness to give assistance.

In the first article of the two conventions, Honduras and Nicaragua undertake to enter into the contract referred to in the preamble which will provide for the refunding of their debts, the adjustment and settlement of claims against them, and the placing of their finances upon sound and stable bases, and provide for the future development of their natural and economic resources. The article then states that the contracting nations will take due note of the provisions of the proposed contracts, and, in case of any difficulties arising in their execution, they agree to consult in order that the full benefits of the contract may be enjoyed by both borrower and lender. The Dominican Convention has no counterpart in any of the provisions of this article, and indeed seems to have needed none, in view of its detailed enumeration of the terms of the adjustment and of other provisions which will be alluded to later.

Article 2 of the two conventions charges the customs receipts of Honduras and Nicaragua with security for the contemplated loans, and the debtor states agree not to alter their import and export duties during the life of the loan without agreement with the government of the

[1] Pages 274 and 291.

[2] SUPPLEMENT, Volume 1, p. 231.

United States. A provision to this same effect is contained in Articles 1 and 3 of the Dominican convention. The evident purpose of this provision in the three treaties is to safeguard against unwise tariff legislation on the part of the debtor states which may impair the security for the loans. It may be questioned, however, whether such restriction upon the liberty of action of the borrower is necessary for the purpose stated, or wise from another point of view; for, since the loans are invariably a first lien on the entire customs receipts, which are the principal sources of revenue of these countries, the state would be obliged to legislate out of existence practically all of the income needed for its own maintenance before the assigned revenues could be affected. On the other hand, the alteration or modification of the import or export duties may not only not decrease the total receipts but may so encourage and promote trade as to bring about a substantial increase in them.

Article 3 of the Dominican agreement also contains a clause prohibiting that government from increasing its public debt, except by previous agreement with the United States. This was inserted obviously to prevent the further burdening of the public moneys with ill-advised (if not illegal) and onerous charges, thus insuring, at least during the life of the loan, against a recurrence of the conditions which made the loan necessary. The conventions with Honduras and Nicaragua do not contain a provision of this kind, but it is not unlikely that the loan contracts themselves, which are to be taken due note of according to the treaties, will be so worded as to guard the unfortunate debtors against themselves in the matter of the indiscriminate assumption of obligations without regard to their means of meeting them.

Article 3 of the Honduranean and Nicaraguan conventions and Article 4 of the Dominican convention make provision for the rendering of financial returns to the proper officials of the United States and the other contracting nation, but it may be noted that while the Dominican agreement requires the actual accounts to be submitted by the general receiver himself, the two later conventions simply require a detailed statement of operations under the proposed contracts to be submitted by the fiscal agent.

The chief difference between the present loan treaties and that of 1907 appears in the provision made for the choosing of officials to collect and administer the customs. Under the Dominican treaty (Article 1) the general receiver of customs and his assistants and other employees

of the receivership are appointed outright by the President of the United States, but in the Honduranean and Nicaraguan treaties (Article 4) the fiscal agent of the loan prepares a list of persons which, after approval by the President of the United States, is presented to the other contracting government, and one of the persons on this list is appointed collector general of customs by the government whose customs are to be collected and administered. This feature of the new agreement will be referred to later.

Article 1 of the treaty with the Dominican Republic goes further, however, and specifies *seriatim* the disposition which the general receiver shall make of the sums collected by him, namely to the payment of

(1) the expenses of the receivership,

(2) interest on the bonds,

(3) annual sums required for amortization of the bonds,

(4) the purchase or retirement of such other bonds as may be directed by the Dominican Government, and

(5) the remainder to be paid to the Dominican Government.

Other details as to the application of the assigned revenues are also prescribed. In the Honduranean and Nicaraguan agreements, however, no mention whatever is made of the disposition which shall be made of the sums collected by the collectors general. These conventions simply provide (Article 4) that the collector general "shall administer the customs in accordance with the contract securing said loan," which contract no doubt will contain the necessary details concerning the application of the assigned revenues.

Article 4 of the later agreements also provides that the debtor-contractor shall give to the collector general full protection in the exercise of his functions, and that the Government of the United States shall afford such protection as it may find requisite. Similar stipulations are contained in Article 2 of the agreement with Santo Domingo.

From the above analysis of the three treaties, it will be seen that, while the Dominican treaty, on the one hand, and the Honduranean and Nicaraguan treaties, on the other, are designed to accomplish identically the same purposes, namely, the rehabilitation of the finances of the respective countries by the issue of bonds secured on the customs, which, in order to insure their proper collection and application, are to be administered by an American official, the means adopted, from the point of view of the conventional obligation of the United States, are most dissimilar in many particulars. The one enumerates the details

of the proposed adjustment of debts, the amount, interest, life, and other conditions of the proposed bonds, and the purposes to which the proceeds of their issue are to be applied. It requires that the general receiver and other customs officials and employees be appointees of the President of the United States and describes minutely the duties of the receivership with respect to the application of the assigned revenues. The others contain none of the financial details, which presumably are left for incorporation in the contract to be negotiated between the bankers and the borrowing government, and the only relation which the President of the United States has to the appointment of the customs officials is to pass upon the list of eligibles for the general collectorship presented by the fiscal agent to the government whose customs are to be administered, which government makes its own selection and does the actual appointing.

This difference is more important than appears at first sight, for when the customs officials are appointed by the President of the United States, such appointment constitutes them American officials; but when Honduras and Nicaragua do the appointing, albeit their choice is confined to a list which has been approved by the President of the United States, the appointees bear Honduranean and Nicaraguan commissions and are therefore Honduranean and Nicaraguan and not American officials.

Indeed, the two new treaties contain so little of a conventional character binding on the United States that it seems almost unnecessary that their provisions should have been incorporated in a solemn treaty. The first stipulation which appears to bind the United States is that it "will take due note" of the contract when made. It is obviously not requisite that a treaty be negotiated in order that a government may "take due note" of a contract which its citizens may desire to conclude with a foreign government.

The next duty which the United States stipulates in the Honduranean and Nicaraguan agreements to perform is "to consult" in case of any difficulties. Nations all over the world are consulting daily in the ordinary course of diplomatic usage concerning difficulties which arise, and no treaty stipulation is necessary to provide for this.

The provision of Article 2, however, that the customs duties may not be changed without agreement with the Government of the United States, does seem to require a treaty with the United States in order to make this particular provision effective, but it is not unlikely that had

not other reasons, which will be referred to later, dictated the conclusion of the treaties, this provision could have been taken care of in the loan contracts without reference to the Government of the United States.

The substance of Article 4, which stipulates for the protection of the customs officials by the contracting nations, seems to amount to nothing more than the protection which, under the general principles of international law, an alien so situated is entitled to receive in a foreign country, and which a government has the right to extend to its citizens residing abroad.

Although it is believed that it would be possible to rejuvenate the finances of our two Latin-American neighbors without the necessity of treaty obligations on the part of the United States, there is a most important reason why responsible American bankers should hesitate to lend their money on anything short of a treaty between the United States and the borrowing country.

American citizens, of course, are privileged, the same as the nationals of other governments, to lend their money to foreign governments, and if the contracts have been fairly and legally obtained and are equitable in their terms, the American citizens have the same right under international law as other nationals to have their interests properly protected by their government, should the terms of their contracts be violated.

When, however, the contract has perhaps been suggested by the government of the lender in order to enable it to defend or pursue a national policy, or when the contract is otherwise especially advantageous or desirable from the political point of view of that government, it is not only fair but proper that the individuals lending their money to more or less unstable governments should have some assurance in advance that their contracts will be protected. Such a result is accomplished in Europe, or at least in Great Britain, without placing the interested nations under the necessity of entering into treaty stipulations. The loan is there made under a private contract between the bankers and the borrowing government, the contract containing all the necessary provisions for assuring the safety and proper service of the loan. The principal provision of this kind is that certain officials shall be selected by the government of the lender, and that that government will "take cognizance" of the contract.

The wording of the two treaties under consideration seems to indicate that an attempt was made to follow, at least partially, the British prac-

tice; but in that practice, as above stated, no treaty or other international agreement is concluded and the "cognizance," or the "due note" of the American treaties, is taken simply by the designation by the government of the borrower, of the officials called for in the contract and the diplomatic support of these officials in the performance of their stipulated duties.

The effectiveness of the European practice lies in the fact that those governments generally have a continuous foreign policy, unaffected by changes of cabinets or the political complexion of legislative bodies. In the United States, on the other hand, the foreign policy may or may not be continuous for a number of years, depending upon the exigencies of internal politics or the individual views of different Presidents and Secretaries of State. It is possible here that private contracts such as those under comment may be looked upon with favor and earnestly supported by one administration, but, a few years later, they may not, under a different regime, be so favorably regarded, and may consequently receive indifferent or insufficient support through the diplomatic channel. The vicissitudes of a forty or fifty-year agreement subjected to such conditions would be hard to predict, and the only alternative, if our government desires to encourage its citizens in this useful and patriotic service, seems to be the definite and irrevocable pledge of the Government of the United States by solemn treaty stipulation to support and protect the American investors who may be induced to place their funds at the disposal of the borrowing governments for the purpose of bettering the financial condition of those governments.

The discussion as to whether or not it is politic for the United States to be involved in transactions of this kind with its southern neighbors seems to have been quite exhausted at the time the Santo Domingo treaty was under consideration, and it is needless to reiterate those arguments at length. The statements made by President Roosevelt in his message to the Senate of February 15, 1905, submitting the Dominican Protocol,[1] are as true to-day as they were then; and indeed the United States has the additional burden of protecting and safeguarding its important undertaking in the Isthmus of Panama by seeing to it that no possible excuse shall be given to any foreign Power to intrench itself within striking distance of the Canal. President Roosevelt's words are so concise and to the point that it may be well to re-read them in the light of the present situation of the United States on this hemisphere.

[1] Confidential Executive V, 58 Cong., 3 Sess.

Certain foreign countries have long felt themselves aggrieved because of the nonpayment of debts due their citizens. The only way by which foreign creditors could ever obtain from the Republic itself any guaranty of payment would be either by the acquisition of territory outright or temporarily, or else by taking possession of the custom-houses, which would of course in itself, in effect, be taking possession of a certain amount of territory.

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

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

ADMIRAL TOGO — "THE PEACEFUL MAN OF THE EAST"

The progress that the peace movement has made in the past hundred years since the signing of the Treaty of Ghent is evidenced by the existence of numerous peace societies, which, beginning in the United States, encircle the earth, and the position which these societies hold. Their importance in the life of the community and the influence which they exercise upon international affairs is shown by the fact that re-