

MEMORANDUM.

The advantages of the plan proposed are:

1. That we confer a material and substantial benefit upon the small republics to whom the offer is made. They are now compelled to pay a high rate of interest and to sell their bonds at a discount. The interest runs from five to six per cent. or more, according to money conditions, and the bonds sell at a discount of eight or ten or more per cent. If the United States offers to loan them its credit to the extent that such a loan is safe, the bonds could be made to draw four and a half per cent, which would be an immediate saving to them in the way of interest, and the difference of a cent and a half between their bonds and ours could go into a sinking fund which would, in a reasonable time, at compound interest, pay off the debt and leave them free. We could, in this way, relieve them of the debts which embarrass them, and enable them to construct such railroads as are imperatively necessary for the development of their countries.

2. The second advantage would be that the plan would give our country such an increased influence -- and an influence welcomed because obviously beneficial -- that we could prevent revolutions, promote education, and advance stable and just government.

These two advantages would be derived from the plan without the incurring of any real risk, and we would in the end profit, negatively by not having to incur expense in guarding our own and other foreign interests there, and, positively, by the increase of trade that would come from development and from the friendship which would follow the conferring of the benefits named.

The plan could be offered to Nicaragua first, in view of the fact that she has offered to embody the Platt amendment in the treaty. But I am sure that

that the plan would be so attractive that other countries of Central America, and with them Santo Domingo and Haiti, would soon be asking for us to extend the same neighborly assistance to them.

I have set forth the plan more fully than I had time to when I talked over the subject with you, so that you may the better form an opinion as to its merits.