Loans and Leverage

Tracing the two goals of Taft's Dollar Diplomacy

USH.C.3.1.G "Explain the focus of President Taft's "Dollar Diplomacy" to ensure the financial stability of a region while protecting and extending national commercial interests."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two ways the policy aimed to steady another country's finances, and circle two U.S. commercial interests it aimed to protect or extend. Draw arrows to show how a steadier economy could help those interests.

When Loans Became Foreign Policy

1 In 1909, President William Howard Taft took office as U.S. businesses sought customers and investments overseas. His approach, later called Dollar Diplomacy, made finance a tool of foreign policy. Rather than relying only on threats or military force, his administration encouraged U.S. banks to lend money abroad. A loan could help a government pay its debts and bring its budget under control. Taft also hoped reliable finances would keep European creditors from intervening in nearby countries. For U.S. banks and companies, a more stable borrower could mean safer investments and more chances to sell goods. These aims were linked, not separate.

2 Nicaragua shows how the policy worked and why it was controversial. After a change in government in 1909, Nicaragua faced debt and political unrest. In 1911, U.S. bankers arranged loans to its government, with support from Taft's administration. The agreement gave U.S. interests a role in collecting customs revenue, money raised on imported goods. That revenue helped secure repayment to lenders. Taft's officials argued that dependable payments would steady Nicaragua's finances and reduce the danger of foreign interference. U.S. bankers gained a protected investment, while U.S. businesses hoped for a safer place to trade.

3 Yet a loan did not settle every problem. Some Nicaraguans opposed the strong U.S. role in their country's finances and politics. In 1912, as fighting threatened the government and U.S. interests, Taft sent U.S. Marines to Nicaragua. Their arrival showed that a policy centered on dollars could still involve military force. Taft described financial stability as a way to prevent disorder and protect commerce, but critics argued that U.S. control of revenue limited Nicaragua's independence. Dollar Diplomacy thus joined two goals: making another country's finances more dependable and creating conditions favorable to American lenders and traders. That tension made the policy controversial.

2 ANSWER WITH EVIDENCE

Use the passage

1. How did Taft expect U.S. bank loans to help both borrowing governments and U.S. businesses?

2. In Nicaragua, how was collecting customs revenue meant to support financial stability while protecting a U.S. commercial interest?

3. Why did Taft want to keep European creditors from intervening in nearby countries, and how did that goal connect to U.S. commerce?

4. How does the 1912 Marine deployment complicate the idea that Dollar Diplomacy protected U.S. interests through finance alone?

3 YOUR TURN

Your own words

Imagine a coastal country that owes foreign lenders money and sells coffee to U.S. buyers. Write a five-sentence memo advising Taft whether to support a loan from U.S. banks. Explain how your choice could affect the country's finances and U.S. commercial interests, and identify one risk.

ANSWER KEY

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HIGH SCHOOL · USH.C.3.1.G

PART 1 · READ AND MARK

Underline two ways the policy aimed to steady another country's finances, and circle two U.S. commercial interests it aimed to protect or extend. Draw arrows to show how a steadier economy could help those interests. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How did Taft expect U.S. bank loans to help both borrowing governments and U.S. businesses?	**Loans could help governments pay debts and control budgets. Steadier finances could make U.S. investments safer and create more chances to sell goods.**
2	In Nicaragua, how was collecting customs revenue meant to support financial stability while protecting a U.S. commercial interest?	**Customs revenue helped secure dependable loan repayments, which officials expected to steady Nicaragua's finances and protect U.S. bankers' investment.**
3	Why did Taft want to keep European creditors from intervening in nearby countries, and how did that goal connect to U.S. commerce?	**Taft hoped more reliable finances would reduce the chance of intervention. A more stable region could offer safer U.S. investments and trade.**
4	How does the 1912 Marine deployment complicate the idea that Dollar Diplomacy protected U.S. interests through finance alone?	**Taft sent Marines when fighting threatened Nicaragua's government and U.S. interests, showing that the policy could involve military force as well as loans.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I advise supporting a loan from U.S. banks only if the coastal country's leaders agree to a repayment plan they can afford. The money could help the government pay foreign debts and keep its budget steady. More dependable finances could make coffee shipments to U.S. buyers less risky. U.S. lenders might also earn interest on the loan. However, conditions that give U.S. officials control over local revenue could provoke opposition and weaken the country's independence.

Accept a recommendation for or against the loan if the memo explains effects on both the country's finances and U.S. commercial interests and identifies a plausible risk. Students should distinguish a hoped-for benefit from a guaranteed outcome.