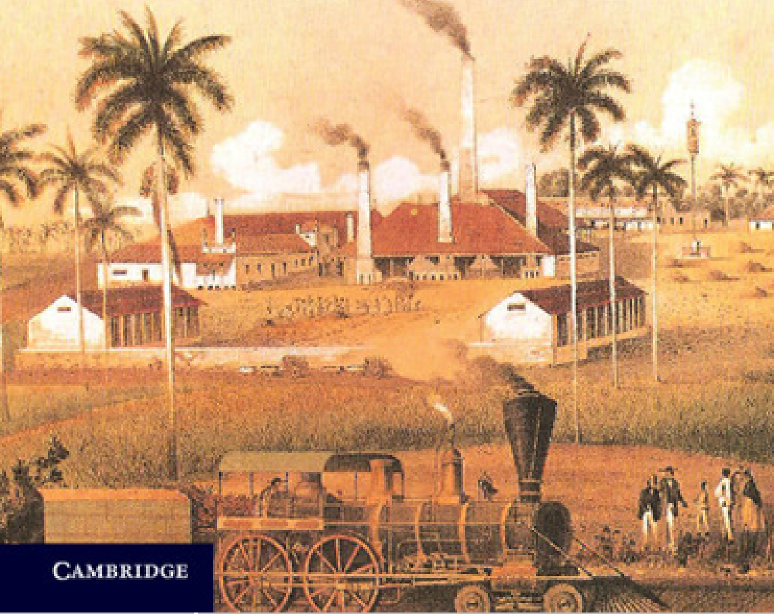
# THE ECONOMIC HISTORY OF THE CARIBBEAN SINCE THE NAPOLEONIC WARS

VICTOR BULMER-THOMAS



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## The Economic History of the Caribbean since the Napoleonic Wars

This book examines the economic history of the Caribbean in the 200 years since the Napoleonic Wars and is the first such analysis to span the whole region. It is divided into three parts, each centered around a particular case study: the first focuses on the nineteenth century ('The Age of Free Trade'); the second considers the period up to 1960 ('The Age of Preferences'); and the final section concerns the half century from the Cuban Revolution to the present ('The Age of Globalisation'). The study makes use of a specially constructed database to observe trends across the whole region and chart the progress of nearly thirty individual countries. Its findings challenge many long-standing assumptions about the region, and its in-depth case studies shed new light on the history of three countries in particular, namely, Belize, Cuba and Haiti.

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*For Barbara*

# Contents

# List of Figures

# List of Tables

# Preface

This book has had a long gestation period. The final phase began in 2007, after I retired as Director of Chatham House. However, its intellectual origins go back to 1998, when I retired as Director of the University of London's Institute of Latin American Studies. This was when I started a research project with other scholars on the causes of the wide spread of income per head between Caribbean countries in the twentieth century. That research project resulted in a first attempt at a database covering the whole Caribbean and led to a special issue of the journal *Integration & Trade* (September 2001). However, the research stopped as soon as I became Director of Chatham House.

Yet, in a very real sense, the origins of this book can be traced to 1966–7 when I was a secondary school teacher in Belize (at that time called British Honduras). This was my first exposure to the Caribbean, and it gave me a lifelong interest in the region even though I spent the first decades of my academic career as a specialist on Latin America. After writing economic histories of Central America (*The Political Economy of Central America since 1920*) and of Latin America (*The Economic History of Latin America since Independence*), it seemed only natural to turn my hand to an economic history of the Caribbean.

It proved to be more challenging than I had expected. Pulling together data for the thirty countries of the Caribbean over a period covering two centuries was not easy. And yet the further I advanced, the more intriguing the research project became. Not only was I able to build time series for the Caribbean as a whole that had never been seen before, but I was also able to cast a sceptical eye over the secondary literature on many individual countries in the light of the new empirical evidence itself. This has allowed me to develop a new approach to the economic history of several Caribbean countries, not just the region as a whole. The most important of these form the three case studies in this book (Haiti, Belize and Cuba).

This book is intended to help those inside the region acquire a better grasp of its economic history and to provide a framework for those outside the

Caribbean who wish to learn more about its past. The Caribbean is largely ignored today by governments and peoples outside the region itself. That is very different from the position 200 years ago, when it was central to the concerns of many important states. The decline in interest is understandable, but it has gone too far. In the last two centuries the Caribbean has had a habit of springing surprises on the world, starting with the successful slave revolt in Haiti leading to independence in 1804, and knowledge of the region's economic history is a first step in building greater understanding.

I cannot list here all those who have helped me in writing this book, but I owe a special debt of gratitude to all the librarians around the world who helped me track down specialist material. I am also very grateful to Florida International University for allowing me to spend part of each year from 2007 to 2010 as a visiting professor and giving me the time to devote to research. Finally, I would like to thank the Caribbean Development Bank and the Tinker Foundation for the financial support that has made it possible to use color printing in this book.

## List of Abbreviations

| | |
|---|---|
| ABC | Aruba, Bonaire and Curaçao |
| ACP | African, Caribbean and Pacific |
| ACS | Association of Caribbean States |
| ALBA | Alianza Bolivariana para los Pueblos de Nuestra América |
| BEC | Belize Estate and Produce Company |
| BG$ | British Guiana Dollar |
| BH$ | British Honduran Dollar |
| BLS | Bureau of Labor Statistics |
| BNdH | Banque Nationale d'Haiti |
| BNRdH | Banque Nationale de la République d'Haiti |
| BVI | British Virgin Islands |
| BWI$ | British West Indian Dollar |
| CAFTA | Central American Free Trade Agreement |
| CAP | Common Agricultural Policy |
| CARIBCAN | Caribbean-Canada Trade Agreement |
| CARICOM | Caribbean Community |
| CARIFORUM | Caribbean Forum |
| CARIFTA | Caribbean Free Trade Association |
| CBERA | Caribbean Basin Economic Recovery Act |
| CBI | Caribbean Basin Initiative |
| CBR | Crude Birth Rate |
| CD&W | Colonial Development & Welfare |
| CDB | Caribbean Development Bank |
| CDR | Crude Death Rate |
| CEPAL | Comisión Económica para América Latina y el Caribe |
| CET | Common External Tariff |
| CMCF | CARICOM Multilateral Clearing Facility |
| $CO_2$ | Carbon Dioxide |
| COM | Collectivité d'Outre-Mer |
| COMECON | Council for Mutual Economic Assistance |

| | |
|---|---|
| CSA | Commonwealth Sugar Agreement |
| CSME | CARICOM Single Market and Economy |
| CTO | Caribbean Tourism Organization |
| CUC | Cuban Convertible Peso |
| CXC | Caribbean Examinations Council |
| d | Old British penny (240d is one pound sterling) |
| DFQF | Duty-Free Quota-Free |
| DLOC | Digital Library of the Caribbean |
| DOM | Département d'Outre-Mer |
| DOTS | Direction of Trade Statistics |
| DR | Dominican Republic |
| D.S. | Dutch Standard |
| DUA | Domestic Use Agriculture |
| DVI | Danish Virgin Islands |
| EBA | Everything But Arms |
| EC | European Community |
| ECCB | Eastern Caribbean Central Bank |
| ECCU | Eastern Caribbean Currency Union |
| ECLA | Economic Commission for Latin America |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| ECU | European Currency Unit |
| EEC | European Economic Community |
| EFTA | European Free Trade Area |
| EPA | Economic Partnership Agreement |
| EPZ | Export Processing Zone |
| ERP | Effective Rate of Protection |
| EU | European Union |
| EXA | Export Agriculture |
| FAO | Food and Agriculture Organization |
| FAOSTAT | Food and Agriculture Organization Statistical Database |
| FATF | Financial Action Task Force |
| FTAA | Free Trade Area of the Americas |
| G-7 | Group of Seven |
| G-8 | Group of Eight |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GNP | Gross National Product |
| GSP | Generalized System of Preferences |
| HFCS | High-Fructose Corn Syrup |
| HIPC | Highly Indebted Poor Countries |
| HOPE | Haitian Hemispheric Opportunity through Partnership Encouragement |
| IBC | International Business Company |
| IBRD | International Bank for Reconstruction and Development |

| | |
|---|---|
| IDB | Inter-American Development Bank |
| IFS | International Financial Statistics |
| ILO | International Labour Organization |
| INIE | Instituto Nacional de Investigación Económica |
| INRA | Instituto Nacional de Reforma Agraria |
| INSEE | Institut National de la Statistique et des Etudes Economiques |
| IRS | Internal Revenue Service |
| ISA | International Sugar Agreement |
| ISAg | Import-Substituting Agriculture |
| ISI | Import-Substituting Industrialization |
| ITO | International Trade Organization |
| ITT | Income Terms of Trade |
| JUCEPLAN | Cuban Central Planning Board |
| lb | Pound weight |
| LCU | Local Currency Unit |
| LDC | Less Developed Country |
| MDG | Millennium Development Goal |
| MFA | Multifibre Arrangement |
| MFN | Most-Favoured Nation |
| MINUSTAH | United Nations Stabilization Mission in Haiti |
| MNC | Multinational Corporation |
| MOxLAD | Montevideo-Oxford Latin American Economic Database |
| MT | Metric Ton |
| NAFTA | North American Free Trade Agreement |
| NBTT | Net Barter Terms of Trade |
| NTB | Nontariff Barrier |
| OAS | Organization of American States |
| OECD | Organisation of Economic Cooperation and Development |
| OECS | Organisation of Eastern Caribbean States |
| ONE | Oficina Nacional de Estadísticas |
| OPEC | Organization of Petroleum Exporting Countries |
| PAU | Pan-American Union |
| PDVSA | Petróleos de Venezuela, S.A. |
| PEA | Population Economically Active |
| PP | Parliamentary Papers |
| PPP | Purchasing Power Parity |
| PTA | Preferential Trade Agreement |
| RNM | Regional Negotiating Machinery |
| SALA | Statistical Abstract for Latin America |
| SEM | Single European Market |
| SITC | Standard International Trade Classification |
| STABEX | System of Stabilization of Export Earnings |
| STUSECO | Stichting ter bevordering van de Studie van de Surinaamse Economie |

| | |
|---|---|
| SYSMIN | System of Stabilization of Export Earnings from Mining Products |
| TIEA | Tax Information Exchange Agreement |
| UBPC | Union of Banana Producing Countries |
| UFCO | United Fruit Company |
| UK | United Kingdom |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UND | United Nations Database |
| UNNA | United Nations National Accounts |
| UNSY | United Nations Statistical Yearbook |
| UNWTO | United Nations World Tourism Organization |
| UNYITS | United Nations Yearbook of International Trade Statistics |
| US | United States |
| USSR | Union of Soviet Socialist Republics |
| USVI | United States Virgin Islands |
| VAT | Value-Added Tax |
| WDI | World Development Indicators |
| WTO | World Trade Organization |

1

# Introduction

Many general histories of the Caribbean have been written since the arrival of the Europeans in 1492. There have also been a number of economic histories covering the age when sugar was 'king' and the colonial possessions generated huge rents for their imperial masters. Yet since the Napoleonic Wars ended in 1815 little has been written on the economic history of the region as a whole, although there have been some excellent studies of individual countries.[1]

There are various reasons for this. For many countries, but not all, the nineteenth century was seen as a period of decline, and therefore the region was considered unworthy of serious attention by economic historians. The data for the different territories are not easily comparable and are hard to access in some cases. As a result, scholars have tended to focus on subregions – such as the British West Indies before independence or the French-speaking territories. For British, Dutch and French scholars, other colonies outside the Caribbean have attracted much more interest. Scholarship in different parts of the world has paid attention to the economic development of Cuba and Puerto Rico, but the rest of the Caribbean has generally attracted much less interest from the same researchers. The first independent countries – Haiti and to a much smaller extent the Dominican Republic – have generated monographs and articles published inside and outside those countries, but comparatively little of this has focused on their economies.

This book is therefore designed to fill a gap in the economic history of the region. It covers the period from the end of the Napoleonic Wars to the present. The story starts at a time when Haiti had already become independent, when the slave trade had started to be abolished and when Spain was strengthening its grip on its Caribbean colonies, having lost its mainland Latin American ones. The vast majority of countries were still British, Dutch, French or Scandinavian colonies, but in every case the old order was changing, and an uncertain future was beckoning.

[1] These are referenced mainly in the Notes on A., B., C., and D. tables.

The end of the Napoleonic Wars was the moment when transfers of sovereignty among colonial powers were coming to an end. There would still be a few – notably Spain to the United States in the case of Puerto Rico – but in most cases the transitions from now on would be to independent states. Military conflicts became less common, but the few that did take place caused much destruction. The quantity and quality of statistics in all countries improved as the nineteenth century advanced, and it becomes possible to detect trends and cycles that were previously obscured by a lack of comparable data.

The economic history of the Caribbean in the twentieth century has also been notable in two ways that have not perhaps received sufficient attention. First, the cycles that had so marked the nineteenth century did not disappear, but they started to take place around a rising trend. As a result, the Caribbean has reached a level of average income that is high by the standards of developing regions. Indeed, many countries now have income per head comparable to that of rich countries. Thus, the problem of production has become much less acute, and for many countries the principal problems now revolve around distribution, employment and sovereignty.

Second, the primary products with which the region has been so intimately associated – especially sugar – have become much less important because all countries have switched exports from agricultural commodities to mining, energy, manufactured goods, and services. Indeed, the Caribbean is the region of the world most specialised in service exports and is likely to remain so. This creates opportunities that are not available to other parts of the world, but these are still not properly understood.

Everyone is agreed that the Caribbean is a region, but there is no unanimity about the countries it embraces. The term 'Caribbean' is derived from the Spanish word for one of the indigenous peoples the *conquistadores* found on their arrival, but it did not define a region until much later.[2] A definition based only on language or colonial origin is clearly too parochial, but it is still common for books on the countries that were once British colonies to carry the word 'Caribbean' in the title without any qualification.

The **narrowest** acceptable definition includes all the islands that are not part of mainland states.[3] This is a natural derivation from the ancient concept of the Antilles, the islands divided into Greater and Lesser according to size and geography.[4] This has the advantage of simplicity and has been used by many

[2] According to Gaztambide-Geigel (1996), the expression 'Caribbean' only became common at the end of the nineteenth century.

[3] This definition excludes islands such as the Florida Keys (part of the US) in the north and Margarita (part of Venezuela) in the south. It also excludes islands belonging to Colombia, Honduras, Nicaragua and Panama in the west.

[4] The Greater Antilles comprise the large islands to the north (Cuba, Hispaniola, Puerto Rico and Jamaica). The Lesser Antilles are all the others (often divided into Leeward and Windward islands).

authors.[5] However, it leaves out the littoral states that share much in common with the islands in terms of history, culture and economic experience.

The **widest** acceptable definition includes all the littoral states from Mexico to Venezuela and the three Guianas.[6] This is very similar to the membership of the Association of Caribbean States (ACS).[7] It is also close to the concept of the Caribbean Basin promoted by the United States in the 1980s.[8] However, both definitions are much too broad for purposes of Caribbean economic history because they include some countries that are essentially part of Latin America (e.g. Guatemala) or whose intercourse with the island Caribbean has been minimal (e.g. El Salvador).

Some littoral countries have been virtual islands and should be included in a study of the Caribbean. These are Belize on the Caribbean coast of Central America and the three Guianas on the northern coast of South America (today called Guyana, Suriname, and Guyane, or French Guiana). It is true that **parts** of other countries – especially Costa Rica, Honduras and Nicaragua – have had for much of their economic history more connections with the island Caribbean than with the mainland. However, it is statistically impossible to separate these parts in the areas that matter. The definition of the Caribbean used here is therefore all the islands, Belize and the three Guianas – what has been called the insular Caribbean.[9]

This is nearly thirty countries and can be unwieldy. It is therefore necessary for many purposes to aggregate them into subregions. Some scholars have chosen to aggregate by size or geography, others by language, and still others by colonial origin. Aggregations by economic activity can also be found. A further complication is that in an economic history covering 200 years, the most appropriate type of aggregation will change over time.

The aggregation used in this book is by constitutional status.[10] Thus, the independent countries are first separated from the nonindependent ones, and the latter are grouped in terms of the metropolitan power with ultimate responsibility for defence and foreign affairs. The independent countries, however, are not all lumped together, because this would be unworkable today. Haiti and the Dominican Republic – the two countries that form the island of Hispaniola – form one subregion in all periods. Cuba is kept separate after

5 For a recent example, see Higman (2011).

6 There is even a definition based on 'plantation America' that embraces the southern US and parts of Brazil (see Wagley, 1960), but this is too unwieldy to be operational.

7 The ACS was established in 1994 and has twenty-five member and four associate states, but it excludes Puerto Rico, the US Virgin Islands and most of the British Overseas Territories. See Serbin (1994).

8 The notion of a Caribbean Basin was revived by US President Ronald Reagan (1981–9) to provide a means of rewarding friends and punishing enemies at a time of political upheaval in the region. It has therefore acquired a geopolitical meaning.

9 See Girvan (2005), p. 305.

10 The database allows countries to be grouped together in other ways if desired.

it became independent because it is such a large part of the Caribbean as a whole. The other sovereign states are included together after they gained their independence.[11]

In addition to aggregating countries into subregions, it is necessary to divide the two centuries since the Napoleonic Wars into subperiods. It is common in economic histories to use the notion of a 'long' or 'short' century depending on the cycles of growth or depression, and this approach is used here. The end of the nineteenth century coincided with the Spanish-American War in 1898. This marked the end of Spain as a colonial power in the Caribbean and the rise of a United States based on an empire that included territories and neocolonies. It is therefore an appropriate moment to end the first part of the book, which therefore runs from 1810–20 to 1900 – the short nineteenth century. Because this period coincided with the end of mercantilism in all countries and a reduction in trade restrictions of most kinds, Part I is also described as 'The Age of Free Trade'.

The second part of the book runs from 1900 to 1960. The end year is influenced by three considerations. First, it is a convenient moment to mark the beginning of the shift from economies based overwhelmingly on primary products to economies based largely on services. Second, it is the year soon after which many countries acquired formal independence. Third, it follows the triumph of the Cuban Revolution that has played such a large part in perceptions of the contemporary Caribbean. Because this period coincides with the introduction of imperial preference by the United States and by its reintroduction in the case of the UK, Part II is described as 'The Age of Preferences'.

The final part of the book runs from 1960 to the end of the first decade of the twenty-first century. This is a period when the region has been subject to rapid structural change, with which it has at times struggled to cope. The importance of traditional agricultural commodities, such as sugar, has dramatically declined while minerals and manufacturing exports have grown in importance. Overshadowing these changes, however, has been the rise of service exports that now exceed merchandise exports by value in most countries. Because this period coincides with the liberalisation of capital flows, the accelerated transfer of technology and the shift of economic power from the west to the east, Part III is described as 'The Age of Globalisation'. It is also the period when thirteen countries won independence to join the three – Haiti, Dominican Republic and Cuba – that were already sovereign.

These three time periods have then been used in the preparation of the database for this book. (Throughout the database the US dollar ($) is used as the unit of account.) The first part (1810–20 to 1900) is a mixture of annual and decennial data (A. tables), with the demographic data mainly given annually, but other data are given at ten-year intervals, starting in 1820 based on three-year

[11] Because they all became members of the Caribbean Community, they are aggregated as 'CARICOM'.

averages and ending in 1900.[12] This is the period when only Haiti was independent for the whole time and the Dominican Republic for part of it.[13] Other countries have then been grouped into British, Dutch, French and Scandinavian colonies. There is also a special database for Haiti (B. tables) based on annual data in view of the importance of a better understanding of the evolution of the Haitian economy in the nineteenth century.

The second part of the database (1900–60) consists entirely of annual entries (C. tables) – the subregions are Hispaniola (as before), Cuba (now independent)[14] and other countries grouped by the responsible metropolitan power for most of the period.[15] However, in recognition of the constitutional changes in many countries, I use the word 'dependencies' rather than 'colonies' in describing the subregions.[16] The final part of the database (1960–2008) also consists of annual entries (D. tables), and the subgroupings are now Hispaniola and Cuba (as before), CARICOM (i.e. the other independent countries), and the British, Dutch and French territories.[17]

Haitian independence and the Napoleonic Wars changed the political landscape, but it did not change the prevailing economic outlook. The Caribbean was still subject to the mercantilist policies practiced by the imperial powers, according to which the colonies enjoyed special privileges for their exports to the metropolis in return for restrictions on trade with other countries and favourable treatment of metropolitan imports. Even Haiti, despite gaining its independence in 1804, was made subject to these rules of the international game – first with Britain and later with France.[18] Adam Smith's *The Wealth of Nations* may have been first published in 1776, but it had little resonance in the Caribbean even fifty years later. Among the colonies, only a handful of ports in Dutch and Scandinavian possessions were free to import from any source.[19]

[12] The final year (1900) is not, however, a three-year average in order to make it compatible with later entries in the database.

[13] The Dominican Republic was briefly independent in 1821 and again from 1844 to 1861. It then became a Spanish colony before winning its independence for the third time in 1865.

[14] Cuban independence is usually dated from the end of the first US occupation in 1902. However, because Cuba is such a large part of the Caribbean, I have chosen not to aggregate it with the other independent countries at this time.

[15] I have therefore labeled the Virgin Islands 'US' rather than 'Scandinavian' because the transfer from Denmark took place in 1917.

[16] Even this may not satisfy the purists, because the French 'dependencies' became part of metropolitan France in 1946.

[17] Haiti and Montserrat (a British Overseas Territory) are members of CARICOM, but the former is included here in Hispaniola and the latter in British territories.

[18] See Chapter 7.

[19] At the end of the Napoleonic Wars, the most important were St Thomas (part of the Danish Virgin Islands), Curaçao (part of the Dutch Antilles) and Gustavia on the Swedish island of St Barthélemy. These ports could import freely, but other countries restricted their exports, and many goods ended up as contraband – including weapons sold to the revolutionary forces in South America.

The final abolition of the slave trade by the European powers, starting with Denmark in 1803,[20] did not change the prevailing orthodoxy in favour of mercantilism. Gradually, however, the heavy-handed restrictions and monopolist practices of mercantilism gave way to a new orthodoxy based on imperial preference. Spain, for example, gave its Caribbean colonies in 1818 the right to trade with all countries but imposed a four-tier tariff on their imports that favoured Spanish goods in Spanish ships.[21] French recognition in 1825 of Haitian independence led to a two-tier tariff that favoured exports from France. The United States, with no colonial possessions in the Caribbean, was therefore frustrated in its efforts to export its growing surpluses to countries that generally purchased their imports from farther afield.

The emancipation of the slaves in the European colonies started with the British possessions in 1834. By the time emancipation was completed in Spain nearly fifty years later, the prevailing orthodoxy had changed once again. Britain, Holland and the Scandinavian countries had eliminated imperial preference, and the independent countries had adopted uniform tariff systems. The door was open for the United States to export to the Caribbean the goods that would pay for its ever increasing imports. The trade pattern of the Caribbean for the next century was starting to take shape.

Whether operating under mercantilism, imperial preference or free trade, the Caribbean countries were expected to export primary products. As in mainland Latin American countries, these resources were then used to buy a range of manufactured goods whose local production was not encouraged by the prevailing orthodoxy. However, the small size of all Caribbean countries – physically in most cases and demographically in all – meant that export specialisation in a small number of products was taken to a very high level. As a result, many imports consisted of foodstuffs to feed the growing population. Thus, the Caribbean both exported **and** imported primary products, making calculations of the net barter terms of trade more complicated than in mainland Latin America.

The first chink in orthodox thinking came – appropriately enough – in Haiti. The leaders of the country in the first three decades following independence did all in their power to revive the export sector after the ravages of the revolutionary war. Their efforts to reestablish sugar exports, however, would fail, and the country came to depend on other commodities – especially coffee.[22] The need for diversification was apparent to many Haitian thinkers, and a lively debate began in the 1880s that revolved around the merits of industrialisation based on the substitution of imports. The first steps were taken to promote local manufacturing, but they were very timid, and the experiment had failed by the time of the US occupation in 1915.

[20] France abolished slavery, and therefore also the slave trade, in 1794, but it was restored in 1802. Slavery and the slave trade had been abolished in Haiti in 1793.

[21] The highest tariff band was reserved for foreign goods in foreign ships.

[22] See Chapter 7.

Policy in other countries was based on the need to promote exports of primary products, but domestic and foreign elites were aware of the dangers of monoculture – the dependence of export earnings on a single commodity.[23] Following a long period of low sugar prices, the British government had established a Royal Commission in 1896 to provide policy recommendations.[24] However, the hands of the Norman Commission – as it became known – were largely tied by the UK's laissez-faire practices at the time, and the only substantial change recommended was land grants to small farmers to reduce the power of the estates.

More significant was the reaction of Cuban intellectuals to the extreme specialisation of the island in sugar following the reciprocal trade treaty with the United States in 1903. This took two forms. First was the condemnation of sugar dependence on economic, social and political grounds, which found its most articulate expression in Ramiro Guerra y Sánchez's *Azúcar y Población en las Antillas*. First published in 1927, it was a devastating critique of what could go wrong in a society that had put all its eggs in one basket. The second was the recognition that not all export commodities are the same and that each one can have a different impact. This found expression in Fernando Ortiz's *Contrapunteo cubano del tabaco y el azúcar*, which was first published in 1940 and drew attention to the differential impact on Cuba of sugar and tobacco.

Ortiz's book might have opened up a fruitful line of research into what today would be called the 'commodity lottery'.[25] However, it was rapidly overtaken by another event in the Caribbean that would have greater influence on economic thinking. This was 'Operation Bootstrap' in Puerto Rico, which launched the rapid industrialisation of the US territory from the 1940s onwards, taking advantage of the island's privileged access to the US mainland and fiscal concessions from the local and federal governments. Furthermore, with the island's constitutional transition in 1952 to *estado libre asociado*, Puerto Rico was seen by many as offering a model for the future of the rest of the Caribbean.

One of those dazzled by the Puerto Rican experience was Sir Arthur Lewis, the Nobel-laureate, who was born in St Lucia and enjoyed a distinguished career in economics inside and outside the region.[26] From the 1930s onwards, Lewis had recognised the bankruptcy of an economic model based on a small range of agricultural exports that could not provide employment for the expanding labour force.[27] Industrialisation seemed to provide the answer. However, Lewis recognised that manufacturing could not be based only on the domestic market, as was happening in many mainland Latin American countries, or on export only to the United States, as was the case in Puerto Rico. At a time when federation was under discussion, he called for a customs union of

[23] On the establishment of monoculture in the British colonies, see Ward (1988), chap. 2.
[24] See Report of the West India Royal Commission (1897).
[25] See Bulmer-Thomas (2003), p. 43.
[26] For an excellent biography of Lewis, see Tignor (2006).
[27] See Lewis (1977).

Caribbean countries to promote intraregional manufactured exports.[28] More controversially, he was pessimistic about the capacity of local elites to provide the investment required and recommended policies that would encourage foreign capital – as in Puerto Rico – to take the lead.

This made Lewis deeply unpopular with many of the nationalist thinkers that emerged after the Second World War. Indeed, one of them dismissed the model proposed by Lewis as 'industrialization by invitation' – a soubriquet that quickly caught on in the popular imagination.[29] These intellectuals were much more inspired by the structuralists that had formed around Raúl Prebisch in the UN Economic Commission for Latin America (ECLA) and that would later lead to the dependency school.[30] Both theories started from the global nature of the economic system and emphasised the subordinate role played within it by the developing countries as a result of unequal relations between the metropolitan countries and the rest of the world.

That Caribbean countries had been caught up in a global design not of their own making since the arrival of the Europeans was hardly in doubt. Furthermore, it was obvious to all that the Caribbean was frequently disadvantaged by the operations of a world system in which policy was largely determined at the centre. At the heart of the relationship between the Caribbean periphery and the metropolitan countries, according to some, were the estates producing the traditional commodities for export, such as sugar. This line of thinking led in the 1960s to the Plantation School, whose most forceful exponents came from the newly independent countries of the British Caribbean.[31]

The Plantation School placed the sugar estate based on slavery at the centre of its analysis.[32] This was then modified to take account of the end of slavery in the nineteenth century while keeping the estate at the core of the theory. However, the Plantation School was launched just at the time that many Caribbean countries were making the transition from commodity to service exports. The analysis had to be modified again, but claiming that the new exports were no more than 'quasi-staples' did nothing to change the essential elements of the model because they were still controlled by foreigners. What mattered was to gain control of the economy through radical policies that favoured nationalisation, expropriation and indigenisation.

The Plantation School had some influence on economic policy in a number of countries. Yet it was in Cuba that the nationalist agenda acquired its greatest expression. This had nothing to do with the Plantation School, but it had a great deal to do with Marxism. These two theories therefore co-existed side by side in the Caribbean in an uneasy relationship, yet there was a great deal of

[28] See Lewis (1950).

[29] The expression was first used by Lloyd Best. See Meeks and Girvan (2010), p. 224.

[30] ECLA, or ECLAC as it would later be called when a number of Caribbean countries joined, was established within the UN system in 1948 and quickly established a reputation under Prebisch for heterodox thinking. See Dosman (2008).

[31] See Meeks and Girvan (2010), chap. 1.

[32] See Best and Levitt (2009).

respect of each for the other. However, the failure of the radical experiments in Grenada, Guyana and Jamaica in the 1970s and 1980s undermined the Plantation School, leaving Cuban socialism as the preferred model for many on the left in the Caribbean.[33]

Others inside and outside the region had watched these developments with great unease. The business community in some countries fought back and found intellectual comfort in the neoliberal model that began to take shape in the 1980s. The collapse of the Soviet Union (USSR) did not destroy the Cuban Revolution, but it undermined the attractions of socialism in the Caribbean and left the field clear for policy recommendations based on free markets and private-sector initiatives. The international financial institutions took the lead, and the World Bank captured the new mood and orthodoxy with *A Time to Choose*, published in 2005. Its title was a provocative response to the 1992 Report of the West India Commission titled *A Time for Action*.[34]

Yet neoliberalism would in turn falter with the financial crisis unleashed across many parts of the world by the collapse of the subprime mortgage market in the United States in 2008. The Caribbean was affected in many ways, and the impact was made worse by a series of frauds perpetrated by foreign financiers.[35] The result was an intellectual vacuum in which both conservative and radical theories had become discredited and where policy had become ideologically rudderless. This was not necessarily a disaster, but it did mean that 'muddling through' became the order of the day in most countries.

This book is not based exclusively on any of the established theories of development for the Caribbean. Instead, it takes its inspiration from a series of ideas that begins with the recognition that the Caribbean has, since the arrival of the Europeans, slotted into a world system in which a small number of metropolitan countries have had an enormous influence as a result of their policies and economic performance. These countries, referred to in this book as the 'core', have changed over time. However, the importance of the core as a whole has not changed and needs to be the starting point for any economic history of the Caribbean.

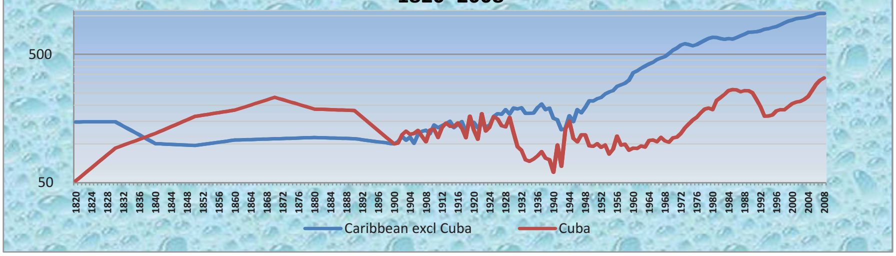
The reason why the core has been so crucial is that the Caribbean economies have relied on exports to the rest of the world as their main engine of growth. Thus, the ratio of exports to Gross Domestic Product (GDP) is very high by international standards, and most of these exports are sold outside the region. The main market is the core, and therefore the consumption patterns of a small number of countries have had a very large influence on economic performance

33 On Marxist thinking in the Caribbean more generally, see Morrissey (1981).

34 The West India Commission had been established by CARICOM heads of government in 1989, and the report carried numerous policy recommendations to take integration of the region to a new level. See West India Commission (1992). The World Bank had never been enthusiastic about regional integration, and its 2005 report must be seen in this light.

35 The most notorious has been Sir Allen Stanford. His company, Stanford Financial Group, collapsed in 2009, leaving in its wake a series of financial disasters.

**Figure 1.1. Production per Head (1900=100), semi-log scale, 1820–2008**




*Note:* The production index is based on exports per head at constant prices until 1960 and GDP per head at constant prices thereafter. Years before 1900 are based on decennial data with gaps filled by interpolation.

*Source:* Derived from Tables A.1a, A.14, C.1, C.9, D.1 and D.19.

in the Caribbean. As these consumption habits have changed, the Caribbean has had to adapt in order to survive.

It is not just the consumption patterns of the core that have mattered. It is also the core's commercial policies. From mercantilism to imperial preference and free trade, the Caribbean countries have been caught up in a web of policies adopted by core countries that have had an enormous impact on income and employment. In the past, the instrument with the greatest impact was the tariff, but today it is just as likely to be the exchange rate or fiscal policy. A change in the basis for taxing airline flights in the core, for example, can have a major impact on visitor arrivals in the Caribbean. The core's consumption patterns and commercial policies then set the framework in which exports took place in the Caribbean and this, in turn, influenced other forms of production.

Before the Napoleonic Wars, many parts of the Caribbean had achieved a high level of output per head. This was based on an extreme level of specialisation in exports where land was owned by a few and labour was coerced, and thus the distribution of income was highly unequal. Nevertheless, by international standards, average income was high because Caribbean countries slotted into a colonial system based on specialisation in a small number of products with high labour productivity. The abolition of the slave trade, the emancipation of the slaves and the end of various colonial privileges then caused a crisis of production in some parts of the Caribbean. Cuba was at first exempt, but in the rest of the Caribbean the fall in production per head did not end until the middle of the nineteenth century, and it was not until the twentieth century that output per head started its upward trend again (see Figure 1.1).

Cuba, always among the largest of the Caribbean economies, at first followed a different path. The slave trade continued – albeit illegally – until after the US Civil War (1861–5), and exports per head at constant prices rose rapidly

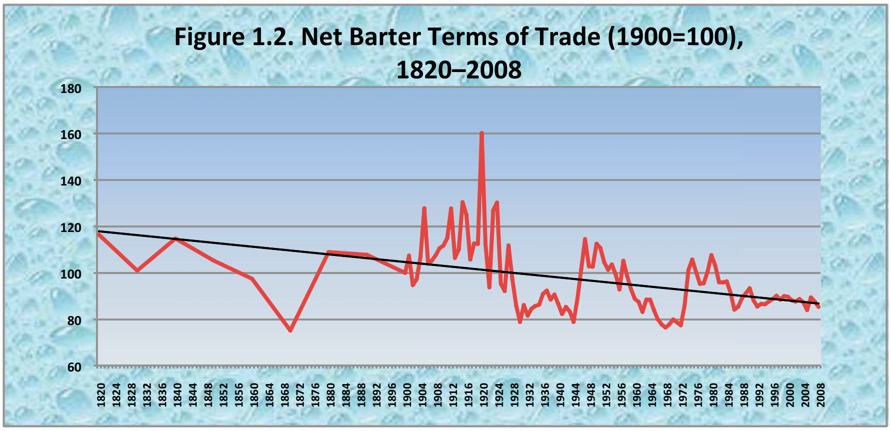



**Figure 1.2. Net Barter Terms of Trade (1900=100), 1820–2008**

*Source:* Derived from Tables A.31, C.26, and D.16. Years before 1900 are based on decennial data with gaps filled by interpolation.

until the 1870s (see Figure 1.1). The productive apparatus of the island survived the First War of Independence (1868–78) but not the Second (1895–8), and exports per head declined sharply in the 1890s. Thus, Cuba followed a different path than did the rest of the Caribbean before 1870, and it did so in parts of the twentieth century as well. It is therefore sometimes necessary to distinguish between the Caribbean with or without Cuba when making international comparisons.

In Table 1.1 the growth of exports in the region is compared with their growth in other parts of the world since 1870 (before this the data for other regions are incomplete). We may observe an initial period (1870–1913) when performance in the Caribbean lagged seriously behind every other region, followed by another cycle (1913–50) when almost the opposite was true. From 1950 to 1973, Caribbean export performance was slightly below the world average, but it was above it if Cuba is excluded. From 1973 to 1998, export performance was in line with other regions, and there was a convergence across the world towards the mean.

The core–periphery relationship in the theory of economic development is often assumed to mask a deterioration in the net barter terms of trade (NBTT). The Prebisch-Singer hypothesis, for example, predicts a secular decline in the NBTT based on the assumption that the periphery exports commodities and imports manufactured goods. The Caribbean NBTT has exhibited a mild deterioration since 1820 (see Figure 1.2), but this does not fit easily with the cycles in the region's economies (see Figure 1.1). Furthermore, the fall in the NBTT in certain periods (e.g. 1850–70) has had less to do with the fall in export prices and more to do with the rise in the price of imports – some of which were themselves commodities. One is left with the strong impression that the NBTT is a rather blunt instrument for diagnosing the performance of

TABLE 1.1. *Export Growth at Current Prices (% per year), 1870–1998*

| Years | Western Europe | Western Offshoots | E. Europe & USSR | Latin America | Asia | Africa | World | Caribbean | Caribbean Excl Cuba |
|---|---|---|---|---|---|---|---|---|---|
| **1870–1913** | 2.81 | 4.16 | 3.25 | 4.12 | 3.21 | 4.45 | 3.21 | 1.83 | 1.68 |
| **1913–50** | 2.00 | 4.27 | 3.83 | 3.77 | 2.65 | 4.47 | 2.99 | 4.08 | 4.43 |
| **1950–73** | 11.70 | 8.90 | 11.18 | 6.32 | 11.66 | 7.51 | 10.39 | 8.78 | 11.11 |
| **1973–98** | 8.87 | 9.07 | 6.68 | 10.49 | 11.78 | 6.58 | 9.27 | 8.44 | 8.94 |
| **1870–1998** | 5.29 | 5.98 | 5.47 | 5.63 | 6.15 | 5.41 | 5.57 | 4.98 | 5.52 |

*Note:* Caribbean exports after 1960 include services. USSR after 1991 is the former countries of the Soviet Union. Other regions as defined by Maddison (2001).

*Source:* Caribbean growth rates derived from Tables A.11, C.8, and D.8. Other regions derived from Maddison (2001) where the last year reported is 1998.

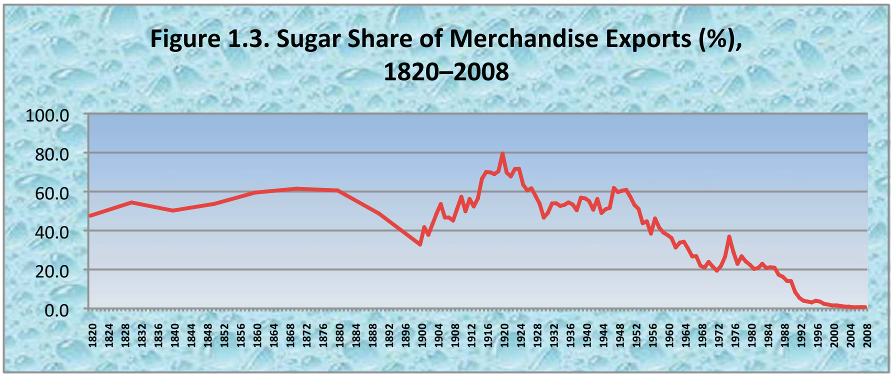



**Figure 1.3. Sugar Share of Merchandise Exports (%), 1820–2008**

*Note:* Merchandise exports include re-exports but exclude services. Years before 1900 are based on decennial data with gaps filled by interpolation.

*Source:* Derived from Tables A.13, A.17, C.8, C.12, D.5 and D.6.

the aggregate Caribbean economy in the last 200 years, although – as we shall see – the NBTT has much more utility when applied to individual countries.

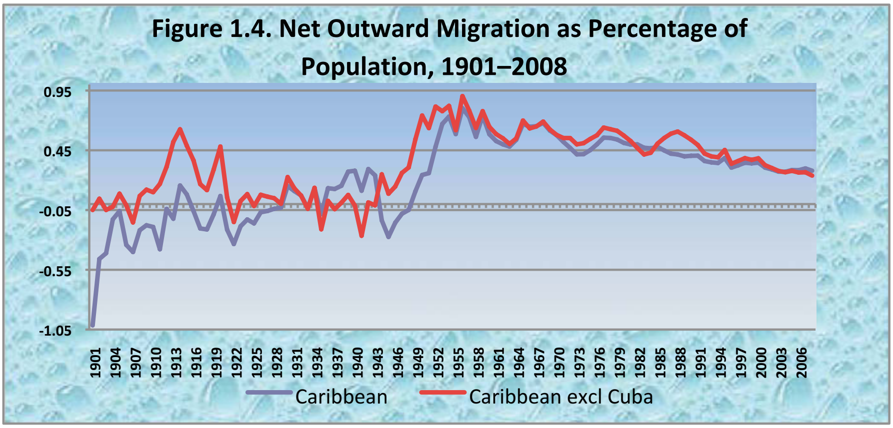
Caribbean production has always relied heavily on exports, which have been concentrated in a small number of commodities. The most important of these has been sugar, but its importance has varied greatly over the last 200 years. In the nineteenth century its contribution to merchandise exports tended to fluctuate between 50 and 60 per cent until the collapse of sugar prices in the 1880s and the shrinking of the Cuban economy in the 1890s (see Figure 1.3). In the first two decades of the twentieth century, its share doubled from one-third to two-thirds, with a brief moment (1920) when sugar accounted for 80 per cent of Caribbean exports. At that point, sugar really was 'king', but since then there has been a steady decline in its importance. Today, sugar represents less than 1 per cent of merchandise exports – and an even lower share if total exports (including services) are used as the point of comparison.

Today, as 200 years ago, output per head in the Caribbean compares favourably with other parts of the developing world. The Caribbean consists mainly of countries that are either 'high' or 'middle' income, with only Haiti regularly classified as 'low' income.[36] The problem of production has not been 'solved', but in most cases it is less acute than the difficulties in achieving a fairer distribution of income, high employment and real sovereignty. Caribbean countries have generally found ways of increasing output at a rate faster than population growth, but they have been much less successful at achieving these other goals.

The problem of income and wealth distribution is a long-standing one. When St-Domingue (modern Haiti) was acclaimed as the richest colony in the world,[37] its average income concealed a huge disparity between the owners of large estates and the enslaved majority. The emancipation of the slaves

36 These are the categories used by the World Bank.

37 See Lacerte (1993), p. 42.




*Note:* Net outward migration defined as the difference between net births and the change in population.

*Source:* Derived from Tables C.1, C.2, C.3, D.1, D.2 and D.3.

throughout the Caribbean improved the distribution of income, but it still left large inequalities. In Jamaica, the decline in the importance of absentee plantation owners allowed the colony to offset a fall in production against an increase in the proportion of income that stayed in the country.[38] Yet everywhere – even in independent Haiti and the Dominican Republic – assets were unequally distributed as a result not only of land concentration but also unequal access to education and political influence.

Although income inequality in the Caribbean is similar to that in some other parts of the world, it has one peculiarity. This is the large gap in some countries between GDP and Gross National Income (GNI). The extreme case today is Puerto Rico, where GNI is only two-thirds of GDP as a result of the high share of income that accrues to foreign companies. Yet it has been a problem over the whole period as a result of high levels of absentee ownership and/or foreign investment. Caribbean countries have sometimes increased production only to find that the main beneficiaries are economies outside the region.

By contrast, the problem of employment is relatively recent. For most of the nineteenth century the Caribbean experienced a shortage of labour that manifested itself in the slave trade, indentured labour and net inward migration of free labour. This started to change in the 1880s after the fall in sugar prices, and by the start of the twentieth century there was net outward migration from the Caribbean, if Cuba is excluded (see Figure 1.4). By the middle of the century, the net flow was outwards, even if Cuba **is** included, and it has remained that way subsequently in every single year. Population growth has therefore been much lower than if there had been no migration.

38 See Eisner (1961), p. 262.

Net outward migration on this scale is a sign of serious disequilibrium in the labour market. It was lamented by Sir Arthur Lewis, whose model of a dual economy took as its starting point high levels of underemployment in the traditional sector.[39] Disguised unemployment was in fact one of the main arguments Lewis used in favour of industrialisation on the grounds that only manufacturing could create the jobs to employ new entrants to the labour force. Yet industry has remained a minor source of jobs, most of which now occur in the service sector, and unemployment is now as much a scourge on Caribbean societies as underemployment – if not more so.

The final problem the Caribbean has had to face is that of real sovereignty – both political and economic. It took forty years from Haiti's declaration of independence before there was another sovereign state in the region. It took nearly sixty years before there was a third (Cuba), and another sixty before there were others. Yet even today only just over half the countries of the Caribbean are nominally sovereign, the remainder having opted for constitutional arrangements that range from full integration into the metropolis (e.g. Martinique) to self-governing colonies (e.g. Cayman Islands).[40] These arrangements are still fluid even though the option of independence has lost its appeal, and the last Caribbean country to become a sovereign state was in 1983.[41]

The nonindependent countries are not responsible for their own foreign affairs and are subject to various forms of metropolitan interference (these disadvantages have to be set against certain benefits that flow from nonindependent status, such as metropolitan citizenship and numerous transfers and subsidies). Yet the independent countries also have sovereignty problems as a result of their participation in a global system in which not all states are equal. Haiti was the first to experience the capacity of core states to bully nominally sovereign countries in the Caribbean, but it was by no means the last. The restricted nature of state sovereignty in the Caribbean was a cornerstone of the Plantation School, and it remains a serious problem today.

This brief account of the problems the Caribbean has faced, and continues to face, suggests that there may be trade-offs among production, distribution, employment and sovereignty. These are illustrated schematically in Table 1.2. The goals are listed in the column and the trade-offs in the row. Puerto Rico, for example, assigned strategic importance to increasing production after 1940 through industrialisation, but it had to accept a deterioration in distribution. Trinidad & Tobago also prioritised production in its oil and gas industry, but

[39] See Lewis (1954). This famous article, however, was inspired more by Lewis' experience in Africa and Asia than the Caribbean. See Tignor (2006), chap. 3.

[40] There are five British dependencies, two Dutch (at least until October 2010), two US, and three French Départements d'Outre-Mer (DOMs). Since 2007, there have also been two French Collectivités d'Outre-Mer (COMs).

[41] This was St Kitts & Nevis.

TABLE 1.2. *Trade-Offs in the Caribbean between Production, Distribution, Employment and Sovereignty*

| | Production | Distribution | Employment | Sovereignty |
|---|---|---|---|---|
| **Production** | | Cuba (1960s); Guyana (1970s) | Cuba (1990s) | Haiti (19th century) |
| **Distribution** | Puerto Rico (>1940) | | Dominican Republic (>1980) | Haiti (20th century) |
| **Employment** | Trinidad & Tobago (>1970) | Martinique and Guadeloupe (>1970) | | Jamaica (>1970) |
| **Sovereignty** | French Guiana (>1960); Cayman Islands (>1960) | British Virgin Islands (>1980) | Turks & Caicos Islands; Aruba | |

it had to accept relatively high levels of unemployment after 1970. Similarly, the high growth of production in French Guiana and the Cayman Islands, to name just two, has only been possible as a result of the sacrifice of formal sovereignty.

Not all countries have always given priority to production. Cuba, for example, in the 1960s and Guyana in the 1970s attached huge importance to improving distribution, but the result was a lower level of output than might otherwise have been achieved. A relatively equal distribution of income in Guadeloupe and Martinique has been an objective for many years, but it has been associated with high levels of unemployment. Similarly, the British Virgin Islands has an income distribution that is much better than most, but it would probably not have been possible as an independent country.

Some countries have prioritised employment. Cuba was determined to avoid high levels of unemployment in the 1990s, and production may have suffered as a consequence. The Dominican Republic, by contrast, sustained high levels of employment through a wage policy that has damaged income distribution. In addition, a small number of nonindependent countries, such as the Turks & Caicos Islands, and Aruba, have achieved lower rates of unemployment than would have probably happened as independent states.

The final trade-off involves those countries that gave priority to sovereignty. Haiti in the nineteenth century was so determined to avoid recolonisation that its constitution heavily restricted foreign ownership. As a result, production grew more slowly than it might otherwise have done. Haiti then fell under US occupation for twenty years (1915–34), and it was subsequently so determined to avoid a repeat that domestic elites were allowed to capture the state apparatus. This generated economic rents and led to a deterioration in income distribution. Jamaica also attached great importance to the issue of sovereignty in the 1970s and paid a heavy price in terms of an increase in unemployment.

Trade-offs cannot be avoided in economics, and the Caribbean is therefore not unique. Yet some economic policies are better than others at alleviating the cost. If it is still true that the countries of the Caribbean are destined to live from exports, the domestic market being too small to justify self-sufficiency or high levels of import substitution, it is certainly **not** the case that all exports are the same. One of the lessons of this book is the importance of export diversification. The second is a recognition that services in general provide a more secure future than commodity exports. The third is that services themselves are not homogeneous, and some are much more beneficial to the domestic economy than others. And just as Fernando Ortiz emphasised the difference in Cuba between sugar and tobacco,[42] policy in the Caribbean today needs to distinguish between those exports that imply high levels of foreign ownership and those that do not.

There is a great deal of pessimism in the Caribbean today – just as there was in the 1930s, 1890s and even earlier. The region has struggled to find the correct policy responses to globalisation, is increasingly marginal to the interests of most core countries, is mostly too 'rich' to qualify for aid flows or debt relief, and has failed to build the institutions it knows are required. Some of this pessimism is justified, but much of it is not. The Caribbean still has advantages that other less fortunate regions lack and is in a position to resolve many of its problems itself. Whether it does so depends in part on drawing the right lessons from its own historical experience.

[42] See Ortiz (1940).

PART I

# THE CARIBBEAN IN THE AGE OF FREE TRADE

## From the Napoleonic Wars to 1900

2

# The Core and the Caribbean

From the beginning of European colonisation, the Caribbean economies depended on foreign trade for their growth and development. The domestic market was very small and import substitution actively discouraged. Yet the countries with which they could engage in commerce were strictly limited in number as a result of consumption patterns for tropical products and imperial trade restrictions. Thus, a small number of states (the core) came to exercise an overwhelming influence on the economic fortunes of the Caribbean countries.

What happened in these core countries – in terms of economic performance, structure and policy – is crucial for a proper understanding of the Caribbean periphery. The standard of living – indeed, the very survival – of the Caribbean countries depended on the opportunities for trade with the core states. There were no exceptions, but Haiti in the nineteenth century is misleadingly often cited as one (the Haitian case is reviewed in detail in Chapter 7). This was not just a matter of trade policy in the core, but it also depended on the evolution of the core economies themselves and their changing trade patterns.

Before the French Revolution began in 1789, the Caribbean played a critical part in the tropical trade of the imperial European powers. Caribbean colonies provided a high proportion of the tropical products imported by the core, and capitalists with Caribbean interests exercised a significant influence on external trade and policies towards slavery. This changed with the spread of European imperialism to countries in Asia, Africa, the Middle East and eventually the Pacific. The once dominant position of the Caribbean in the European colonial empires had altered completely by the end of the nineteenth century and was never recaptured. Indeed, the Caribbean became increasingly marginal to the economic development of the European core states, but the latter remained of huge importance for the economic development of the Caribbean.

At the end of the Napoleonic Wars in 1815, the core consisted of those powers in Europe with Caribbean colonies (Denmark, France, Holland, Spain, Sweden and the UK), together with the United States. By the end of the nineteenth century, however, Germany was firmly established as a core country, despite its lack of colonial ties to the Caribbean. Austria-Hungary, Japan, Italy, the Ottoman Empire and Russia were also major powers by the end of the nineteenth century, but their contact with the Caribbean was so minor that they need not be considered as part of the core. Thus, the core never consisted of more than eight countries, and for much of the century was as few as seven, because Germany did not join the core until after unification in 1871 and Sweden had ceased to be part of it following the return of its one Caribbean colony (St Barthélemy) to France in 1878.[1]

These core countries were not of equal importance for the Caribbean economies. The Napoleonic Wars and the rise of the Latin American republics left Spain much less powerful than it had been, yet it was able to retain Cuba and Puerto Rico.[2] The United States struggled at first to reestablish the trade links that had been so important between the different British possessions before the Declaration of Independence in 1776. The UK, on the other hand, was greatly strengthened. The British decision to return to France, Holland and Spain only some of those possessions occupied during hostilities left the UK in a dominant position. Britain, it could be said with little argument, was the hegemonic member of the core at the start of the 'short nineteenth century'.[3]

By the end of the century, the ranking within the core had been reversed. Spain had almost ceased to be an imperial power, and Denmark would not be one for much longer. France and Holland were secure in their Caribbean possessions, but the latter's once dominant position in the trade and investment of its colonies had diminished. Germany had established a strong trading relationship with the two independent countries of the Caribbean (Haiti and the Dominican Republic) and was developing links elsewhere. The UK was still the most important European colonial power in the region. Yet the hegemonic position it had established at the end of the Napoleonic Wars had ended.

This was because of the expansion of US economic and political power. The conclusion of the Spanish-American War in 1898, with the cession by Spain of Puerto Rico to the United States and the end of its sovereignty over Cuba,[4] brought to a logical conclusion a process that had begun with the Louisiana Purchase in 1803. The United States was now the hegemon, and the other members of the core – however grudgingly – duly recognised the new geopolitical realities. From now on the fortunes of Caribbean countries would

[1] Guadeloupe had also been a Swedish colony, following its transfer in 1813 when it was occupied by Britain, but this was very brief because the UK reversed this decision the following year at the Treaty of Paris.

[2] The eastern part of Hispaniola was also nominally Spanish from 1809, when France was ousted as the colonial power, until 1821 when independence was first declared. Haiti annexed the eastern part in 1822.

[3] This is the term I give to the period from the end of the Napoleonic Wars in 1815 to the loss by Spain of its last colonies in the Americas in 1898. See Chapter 1.

[4] Under the 1899 Treaty of Paris, Spain 'relinquished' its title to Cuba and ceded Puerto Rico to the US. See Lloyd Jones (1936), p. 28.

increasingly be tied to developments in North America rather than Europe, even where the colonial power was European.

US economic progress differed in important respects from that in the European core. From mid-century onwards, the development of the United States strongly favoured inward-looking development with tariffs to match. Although the growth of the US economy was a huge bonus for the Caribbean, US commercial policy often caused difficulties.[5] Where Caribbean countries produced goods that complemented domestic US production or where domestic US capacity could not keep pace with the growth of demand, geographical proximity ensured that they would be well placed to take advantage. Where the exportable surplus of the Caribbean countries competed with domestic output in the United States, it was a different story. US tariffs, the highest among the core by the end of the century, were increasingly designed to provide protection rather than revenue, and they played this role to great effect.

## 2.1. GEOPOLITICS IN THE CORE

The UK came out of the Napoleonic Wars as the strongest of the European powers. Having seized numerous Caribbean territories from Denmark, France, Holland and Spain during hostilities, the UK was in a strong negotiating position at the postwar peace conferences. The Virgin Islands – St Thomas, St John, and St Croix – were returned to Denmark, but St Lucia was taken from the French, Trinidad from the Spanish, and Berbice, Demerara, and Essequibo were taken from the Dutch. Elsewhere territories were returned to their former colonial masters, while the British settlement in the Bay of Honduras quietly expanded far beyond the limits set by treaty with Spain in 1786.[6]

British imperial ambitions at the Congress of Vienna in 1815 were not limited to the Caribbean. Ceylon and the Cape of Good Hope, conquered during hostilities, were taken by treaty from Holland, and Mauritius and the Seychelles were taken from France. The British presence on the west coast of Africa expanded through the creation of Crown colonies in Gambia and Sierra Leone. Yet the greatest threat to the once dominant position of the Caribbean in the British Empire was the expansion of British influence south of the Himalayas. By the end of hostilities, Britain was the preeminent European power on the Indian subcontinent.[7]

[5] So did commercial policy in the European core, but the US was the fastest growing market, and therefore what happened in the US was of special importance.

[6] The first resident British superintendent arrived in 1786, but it would not be until 1862 that the settlement at the Bay of Honduras became the British colony of British Honduras (today Belize). See Humphreys (1961), pp. 10–14.

[7] Portugal retained a small foothold in Goa, and France held onto a number of trading posts, such as Pondicherry.

Although the Caribbean was to decline in importance for the UK, that was not yet how it was seen by British contemporaries. Within a short period after 1815, the UK was anticipating the need for further territorial acquisitions in the area for strategic rather than commercial reasons.[8] This was because of the possibility of an interoceanic canal, which – it was widely assumed – would be built through Nicaragua. In anticipation of this, the Bay Islands (off the coast of Honduras) became a British colony, Mosquitia (the Caribbean coast of Honduras and Nicaragua) was recognised as an independent country (its kings were crowned in Belize),[9] and Tigre Island in the Gulf of Fonseca (on the Pacific side of the isthmus) was temporarily occupied. The weak states of Central America, established after the collapse of the Central American Federation in 1838, were in no position to resist.

British imperial expansion was not welcomed by the United States, although at first there was little that it could do to resist. The United States may have become a quasi-Caribbean power for the first time in 1803 with the purchase of Louisiana from France, but the Napoleonic Wars and the initially tense relationship between Britain and its former North American colonies limited the scope for US action. Britain discouraged trade between the US and the British Caribbean territories, the United States imposed a trade embargo on the UK in 1808,[10] and the two countries went to war in 1812.

US scope for action changed rapidly first with the end of hostilities in 1814 and second with the purchase of East Florida from Spain in 1819. Because West Florida had been taken by force from Spain during the Napoleonic Wars, the United States now had a tropical or subtropical coastline stretching from the Mexican border to the lands adjoining the strategic Florida channel. The republic was finally in a stronger position to assert its authority and to challenge European imperial ambitions. That authority was put to the test with the Monroe Doctrine in 1823. Fearful of an attempt by European powers to capitalise on Spanish weakness in the Americas, demonstrated so visibly by the collapse of Spanish power on mainland Latin America, the Monroe Doctrine was a unilateral attempt to restrain the other imperial powers – principally in the Caribbean region – while reserving the option of annexation for the United States itself.[11]

Of particular concern for the United States were Spain's remaining Caribbean possessions (Cuba and Puerto Rico) together with the eastern part of

[8] See Williams (1916), Chapter 2.

[9] Needless to say, no other country accepted the fiction of an independent Mosquitia.

[10] The Embargo Act, passed at the end of 1807, banned all exports to Europe. However, it was aimed in particular at the UK in response to British seizure of US ships on the high seas. See Bailey (1964), pp. 122–9.

[11] There is a vast literature on the Monroe Doctrine. See Perkins (1937) for its application to the Caribbean.

Hispaniola[12] – reoccupied in 1822 by Haiti.[13] Other European powers did toy with the idea of annexing the eastern part of Hispaniola themselves, so it was not difficult for the United States to imagine that they might have similar designs on Cuba (Puerto Rico was smaller and less strategically important). This was unacceptable to the United States, several of whose leaders had voiced ambitions with regard to Cuba within a few years of independence.

The Monroe Doctrine was not at first taken seriously by European leaders (the Austrian Chancellor Metternich was particularly contemptuous), but a crude balance of power ensured that Cuba and Puerto Rico remained Spanish. The prospect of an interoceanic canal, however, required more vigorous diplomatic action by the United States. The territorial gains made in the Mexican War had converted the United States into a continental power by the end of the 1840s, and the new realities were recognised by Great Britain in the Clayton-Bulwer Treaty of 1850. This obliged the UK to relinquish all of its isthmian possessions except the settlement in the Bay of Honduras[14] and to acknowledge that no foreign power would have exclusive control of any canal that might be built.

A treaty with Colombia in 1846 paved the way for the US-built railway across the isthmus of Panama a few years later. This project temporarily reduced the need for an interoceanic canal, allowing the United States to refocus its ambitions on expanding its influence in the Caribbean. Cuba was again the main centre of attention (the southern states hoped to expand the territory of the United States through the incorporation of the island's slave economy) even as the northern states cast an eye towards the Dominican Republic,[15]

12 'Hispaniola' was the English version of the name given to the island by Columbus in 1492. It fell out of use until it was revived by the US Hydrographic Department in the 1930s (see Montague, 1940). It is not ideal, but it is frequently necessary to have one name to describe the territory that embraces two countries, and other words are confusing. 'Haiti' is an Amerindian word that originally described the whole island, but by the end of the nineteenth century it referred only to the western part, and 'Santo Domingo' in the nineteenth century could mean either the eastern part or the whole island ('San Domingo' was a corruption of Santo Domingo used by US officials).

13 Haiti occupied Santo Domingo in 1805, which at the time was a French colony (Spain had ceded it to France in 1795). However, a Dominican uprising in 1808–9 reestablished Spanish control. A further revolt in 1821 led to the creation of the 'Independent State of Spanish Haiti'. This in turn led to the Haitian invasion and occupation of 1822, which only ended in 1844 when Dominican nationalists finally secured independence and established the Dominican Republic. See Moya Pons (1998).

14 The treaty was so vaguely worded that Britain thought it could keep all its Central American possessions, and the US thought the UK should relinquish all of them. The eventual compromise left Britain in charge of Belize only, while the Bay Islands and Mosquitia were abandoned in 1860.

15 A number of countries have changed names in the Caribbean in the last 200 years. To avoid confusion, I generally use one name only (see Notes on A. Tables). The Dominican Republic is a very good example, because it went through various changes of name in the nineteenth century.

which had secured its independence from Haiti in 1844 and offered perhaps the finest harbour facilities in the Caribbean at Samaná Bay.

The outbreak of the Civil War in 1861 temporarily put on hold US ambitions in the Caribbean – a situation that European powers were quick to exploit. A joint British, French and Spanish *démarche* towards Mexico led to the disastrous French invasion under the Hapsburg Maximilian in 1862, and Spain reoccupied the Dominican Republic the previous year (at the invitation – it should be stressed – of its political leaders). Great Britain turned the settlement at the Bay of Honduras into the colony of British Honduras at the same time, following a boundary treaty with Guatemala.[16]

European powers generally favoured the South in the Civil War, despite the continuation of slavery, because of their need for cotton and their hope that an independent Confederation would diminish the North's growing power. None of them felt confident enough, however, to recognise the Confederation as a sovereign state, and their hesitation may have saved them from subsequent retribution. The United States that emerged from the Civil War was soon to become the dominant power in the Caribbean, with a readiness to use diplomacy, coercion and military force to secure its national interests in the region.

The end of the US Civil War (1865) was swiftly followed by Spanish withdrawal from the Dominican Republic and French defeat in Mexico. By 1867, the year in which Alaska was purchased from Russia, the United States had opened negotiations with Denmark for the acquisition of its Caribbean territories, but this would be blocked by the US Senate (the Danish parliament and the few people allowed to vote on the Danish Caribbean islands were strongly in favour). A few years later, the US government succeeded in taking out a long lease on Samaná Bay in the Dominican Republic, but a change of government on the island led to its abrogation within a matter of months.[17]

Cuba and Puerto Rico, however, remained the great prizes that eluded the United States. The abolition of slavery after the Civil War removed the South's interest in controlling these Spanish islands where slavery still operated, but their geostrategic importance steadily increased for the United States as the prospect of an interoceanic canal came closer. Although overtures to Spain for the acquisition of Cuba (always more important in US eyes than Puerto Rico) were consistently rebuffed, the First War of Independence (1868–78) even raised the prospect of a Cuban republic friendly to US interests being created without the need for US intervention.

[16] The Anglo-Guatemalan Treaty of 1859 established the boundary, and the former British settlement at the Bay of Honduras became a colony in 1862. However, the 1863 Additional Convention between Britain and Guatemala was never ratified. Guatemala subsequently took the view that this nullified the 1859 treaty. See Dobson (1973), pp. 202–13.

[17] See Martínez-Fernández (1994), p. 225. In 1870 the US had come very close to annexing the Dominican Republic and was only prevented from doing so by an unfavourable vote in the US Senate (see Tansill (1938)).

The outbreak of the Second War of Independence in 1895 was to change the situation dramatically. US entry into the war in 1898 quickly secured the defeat of Spain and provided the United States with a major expansion of its offshore empire. Puerto Rico was annexed, but Cuba was allowed to become nominally independent in 1902 after its political elite had accepted the humiliating Platt Amendment, which provided the United States with the right to intervene and granted indefinite leases on coaling stations and naval bases in different parts of the island (including Guantánamo Bay).

By now the hegemonic position of the United States was obvious to all, and Great Britain accepted the inevitable with the signing of the Hay-Pauncefote Treaty in 1901. This provided for exclusive US control of any future interoceanic canal, a change from the Clayton-Bulwer Treaty, which was becoming increasingly urgent for the United States as the prospect of construction in either Nicaragua or Panama came closer. Anglo-American rivalry in the Caribbean did not entirely end with the new treaty, but it played a much smaller part and allowed the UK to concentrate on the competition with Germany and its imperial interests in other parts of the world that were now eclipsing the Caribbean in importance.

The Napoleonic Wars curtailed French imperial ambitions in the Caribbean sharply. The slave revolt in St-Domingue (modern Haiti) in 1791 could not be suppressed, despite the huge loss of life by French troops, and by the end of 1803 Napoleon had been forced to accept that the French presence had ended.[18] Indeed, it was this defeat – not formally acknowledged until 1825 when the independence of Haiti was recognised by France – that persuaded Napoleon to sell Louisiana to the United States, despite the fact that Napoleon had only recently persuaded the Spanish king to exchange it for French possessions elsewhere. By 1815, the French presence had been reduced to the islands of Guadeloupe and Martinique together with the commercially much less important Cayenne (French Guiana).

French interest temporarily revived in the 1870s, despite the earlier fiasco in Mexico, as a result of Ferdinand de Lesseps' interest in constructing a canal in Panama following his great engineering triumph at Suez. Perhaps in anticipation of the need for additional territories for geostrategic reasons, the French government took back from Sweden the small island of St Barthélemy in 1878 (it had been French until 1784),[19] and the next year de Lesseps obtained the concession from Colombia that he needed to begin work on the canal. By the end of the 1880s, however, the project had collapsed, and French dreams for

[18] The 1791 slave revolt was followed by a ferocious fight for territorial control of St-Domingue involving Britain, France, Spain and the former slaves themselves. The British abandoned the island in 1798, but Napoleon sent his brother-in-law General LeClerc to reestablish French sovereignty (he arrived early in 1802). About 50,000 of the 58,000 French troops died in the unsuccessful effort. See Moya Pons (1985), pp. 239–45, and McNeill (2010), pp. 251–67.

[19] France always insisted that it had not 'bought' the island on the somewhat specious grounds that the money it paid was to be used by Sweden to construct a hospital for the care of those Swedish officials that remained.

a Caribbean renaissance ended with it. By that time, in any case, France had acquired a vast empire in Africa, starting with Algeria in 1830, and possessions in Indochina and the Pacific that far exceeded the Caribbean colonies in importance.

Dutch imperial interest had also switched away from the Caribbean by the end of the nineteenth century – to Southeast Asia. Deprived of its profitable plantations in the western Guianas by Britain at the end of the Napoleonic Wars, Holland was fortunate in being allowed to keep Suriname. Elsewhere, Dutch interests were confined to three small islands off the coast of South America (Aruba, Bonaire and Curaçao – ABC) and three of the Leeward islands (St Eustatius, Saba and Sint Maarten – the last shared with France).[20] These six islands, the Dutch Antilles, had survived mainly as centres of contraband before the Napoleonic Wars, and thus their prospects dimmed with the gradual elimination of trade restrictions in the nineteenth century.[21] Much the same was true of the three Danish islands (St Croix, St John and St Thomas), and this helps to explain the interest of the Danish government in their sale to the United States (finally accomplished in 1916).[22]

The survival of the Spanish Empire in the Caribbean after 1815 was very much because of the unwillingness of other powers – including the United States – to allow a different country to gain control of Cuba and Puerto Rico. For a long time, anti-Spanish activity on the islands focused on annexation by the United States rather than independence, but this changed after the US Civil War. The commercial success of both islands (especially Cuba) led Spain to cling tenaciously to the last of its hemispheric possessions, and the outcome of the Second War of Independence was still in doubt until the United States entered the fray. At that point, Spanish defeat was assured, and 400 years of Spanish colonialism in the Caribbean came to an end, leaving Spain with an assortment of African colonies of limited commercial value.

For Germany, interest in the Caribbean came late. Not until unification under Bismarck in 1871 did Prussia, the most important part of the German Federation, show much interest in transoceanic colonies, but this changed rapidly in the next three decades. A toehold was established in the Pacific before Germany finally succeeded in carving out a substantial empire in sub-Saharan Africa. By the 1890s, Germany was an imperial power to be reckoned with, and Britain in particular was careful to avoid imperial clashes with a major commercial rival.

[20] Because of the transatlantic route taken by Dutch sailing ships, the three islands in the Leewards were described in Holland (but nowhere else) as being in the Windwards, and the ABC islands were known as the Leewards.

[21] For much of the first half of the nineteenth century, these islands were administered from Suriname, a reflection of the greater commercial importance of the mainland colony. See Goslinga (1990), p. 153.

[22] On the transfer of the Danish West Indies to the US, see Tansill (1932).

Although the legitimacy of the Monroe Doctrine was never accepted by Germany, its Caribbean ambitions were limited by the difficulty of finding territories that were not already under the control of other European powers. Inevitably, therefore, German interest in the Caribbean was drawn to the island of Hispaniola, where a German commercial presence became significant by the end of the century and where the weak states of Haiti and the Dominican Republic could be subjected to coercive diplomacy. This, however, excited the suspicions of the United States, whose government sent frequent messages to Berlin to remind Germany of the dangers of precipitate action. This seems to have had the desired effect because – despite much US paranoia with regard to Hispaniola, Venezuela and even Cuba – the archival record suggests that Germany did not in the end harbour serious imperial ambitions in the Caribbean.[23]

In the eight decades between the end of the Napoleonic Wars and the Spanish-American War, the Caribbean had lost much of its commercial and geostrategic importance for the European colonial powers. However, its importance for the United States had greatly increased and would do so even more following the opening of the Panama Canal in 1914. The Monroe Doctrine, mocked by many European leaders when it was first pronounced, embodied this change by the end of the nineteenth century. The new geopolitical reality was to prove uncomfortable for the independent Caribbean states (Cuba, the Dominican Republic, Haiti). European colonies in the Caribbean had less fear of military intervention, but their economic fortunes were increasingly determined by their links with the colossus to the north.

## 2.2. GROWTH AND DEVELOPMENT IN THE CORE

At the end of the Napoleonic Wars, the core economies were not the biggest in the world. China in 1820 had a GDP that was several times the size of even the largest core country.[24] Yet the direct impact of China on the Caribbean was negligible; its economy was stagnant, its external trade small, and almost all of its imports came from Europe and the rest of Asia. India also had a larger GDP in 1820 than any member of the core, and its economy was at least growing in the nineteenth century.[25] Indian exports competed with those from the Caribbean by virtue of their low prices and the use of nonslave labour. However, almost none of India's imports came from the region. In the nineteenth century the most important link between these two Asian giants and the Caribbean was in fact provided by the export of indentured labour.[26]

[23] There is no doubt, however, that the purchase of the Danish Virgin Islands in 1916 was precipitated by US fear of German occupation of Denmark in the First World War.

[24] Maddison (2003) estimates the size of China's GDP in 1820 at $228.6 billion (1990 prices) compared with $36.2 billion for the UK (the largest core economy at the time).

[25] India's GDP in 1820 is estimated at $111.4 billion – see Maddison (2003). This had risen to $204 billion by 1913.

[26] Indentured labour from China and India is examined in more detail in Chapter 3.

Many of the countries undergoing industrialisation in the nineteenth century – Austria-Hungary, Japan, Italy and Russia – also had little or no contact with the Caribbean. Furthermore, although not insignificant in terms of population and economic growth, these countries showed little interest in establishing links. Their need for tropical products could be met more cheaply elsewhere, and the market for their nascent industries was either domestic or in neighbouring countries. The small markets of the Caribbean provided little attraction for these countries, and their geostrategic interests tended to lie in other regions.

What mattered therefore for the export-orientated economies of the Caribbean was growth and development in the small number of states constituting the core. During the nineteenth century, the core experienced a modest demographic expansion as a result of higher living standards and advances in medical science. For the core as a whole, this demographic expansion averaged just over 1 per cent per year during each half of the century. This may not sound like much, but it was sufficient to increase the population of the core from 85 million in 1800 to 243 million in 1900. Coupled with rapid urbanisation in the core, this implied a significant increase in the demand for tropical products, even without allowing for the additional demand created by an increase in income per head.

The demographic expansion of the core as a whole conceals significant variations between the eight countries. The country with the slowest rate of growth was France, where the population rose by only 0.35 per cent per year over the whole century (see Table 2.1). Given the semiclosed trading system operated by France with its colonies, this was a matter of considerable concern for French Guiana, Guadeloupe and Martinique. Spain was also a country with very low population growth, and, like France, the rate of growth dropped in the second half of the century (see Table 2.1). However, Spain had ceased to apply a truly mercantilist system to its Caribbean colonies even before the Napoleonic Wars, and therefore the impact of its slow population growth on Cuba and Puerto Rico was less severe.

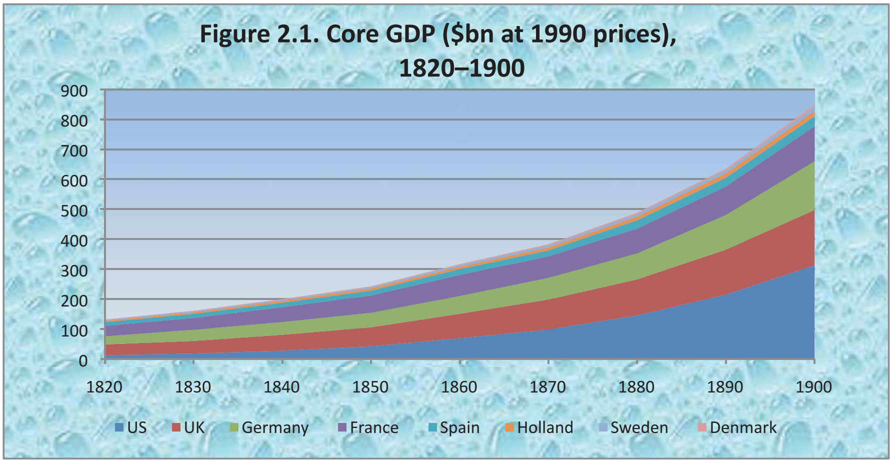
By far the fastest growing part of the core was the United States. From a population of a little over 5 million in 1800, the country had expanded to reach 76 million a century later. This rapid growth, 2.7 per cent a year (see Table 2.1), was made possible by a high level of net inward migration, with most of the immigrants coming from other parts of the core. At the end of the century, the population of the United States was still small in relation to China or India, but it now constituted nearly one-third of the core compared with only 6 per cent in 1800. As the core country closest geographically to the Caribbean, this was highly significant.

Demographic expansion in the core was only part of the story. Growth of the core economies depended also on productivity gains. The GDP in the core countries from 1820 onwards is shown in Figure 2.1. In the first period (1820–50), the core country with the slowest growth was Spain. This was not surprising, however, given the loss of all of its mainland American colonies, the disruptions caused by the Napoleonic Wars and the political upheavals

TABLE 2.1. *Core Population Growth Rates (% per year), 1800–1900*

| Years | Denmark | France | Germany | Holland | Spain | Sweden | UK | US | Core Total |
|---|---|---|---|---|---|---|---|---|---|
| 1800–50 | 0.85 | 0.52 | 1.04 | 1.14 | 0.69 | 0.99 | 1.12 | 3.0 | 1.06 |
| 1850–1900 | 1.08 | 0.18 | 0.93 | 1.09 | 0.44 | 0.78 | 0.81 | 2.4 | 1.05 |
| 1800–1900 | 0.97 | 0.35 | 0.99 | 1.12 | 0.57 | 0.86 | 0.96 | 2.7 | 1.05 |

*Source:* Derived from Mitchell (2007) and Mitchell (2007a).




*Source:* Derived from Maddison (2003).

associated with the Carlist wars after 1833.[27] Sweden also grew slowly in this period, but this mattered less to the Caribbean given its tenuous links to Scandinavia.

The core country with the fastest GDP growth in the first period was the United States (see Table 2.2) – so much so that it was the only core country whose annual growth rate (4.18%) exceeded the mean rate for the core (2.05%). Even so, the US economy was still less than 20 per cent of the total core in 1850, with France, Germany and the UK all having larger GDPs (see Figure 2.1).

In the second period (1850–1900), the core rate of annual growth accelerated to 2.53 per cent (see Table 2.2). Once again the United States was the only country whose rate of growth (4.07%) exceeded the mean for the core, but Germany's rate of growth (2.46%) came close. Thus, the fastest growing core economies were the two that had no formal colonial links with the region in the short nineteenth century. Furthermore, the United States had overtaken the UK as the biggest core economy by 1880, and Germany had overtaken France by then to become the third largest (see Figure 2.1). On the eve of the Spanish-American War, when the United States still had no Caribbean colonies, Germany and the United States represented over 50 per cent of the core's GDP. By 1900 the US economy alone represented nearly 40 per cent of the core. The figure for the UK, the second-largest core economy, was just over 20 per cent.

The growth of the core economies generated increased demand for traditional tropical products (e.g. sugar) along with demand for new products (e.g. bananas). However, the structure of the core economies was also changing as a result of industrialisation. Starting in Great Britain before the Napoleonic Wars, industrialisation spread in the first half of the nineteenth century to

[27] On domestic upheavals in Spain at this time, see Carr (1975).

TABLE 2.2. *Core GDP Growth Rates (% per year), 1820–1900*

| Years | Denmark | France | Germany | Holland | Spain | Sweden | UK | US | Core Total |
|---|---|---|---|---|---|---|---|---|---|
| 1820–1850 | 1.98 | 1.66 | 1.97 | 1.81 | 0.89 | 1.24 | 1.88 | 4.18 | 2.05 |
| 1850–1900 | 2.16 | 1.41 | 2.46 | 1.76 | 1.46 | 2.17 | 2.17 | 4.07 | 2.53 |
| 1820–1900 | 2.09 | 1.50 | 2.28 | 1.78 | 1.25 | 1.82 | 2.06 | 4.11 | 2.35 |

*Source:* Derived from Maddison (2003).

France, Germany and the United States to be followed by the other members of the core in the second half. Industrialisation required raw materials, particularly coal, cotton and iron ore, and in many core countries these needed to be imported.

Trade was the main link between the core and the Caribbean throughout the short nineteenth century. Furthermore, the capacity of the Caribbean countries to import from the core depended almost entirely on the willingness of the core to import from the Caribbean (the reverse was not true). Thus, the growth of the core's imports (at current prices) provides a first approximation of the scope for export expansion by the Caribbean periphery. Table 2.3 provides the evidence, and the final column estimates import growth for the world as a whole.

There were wide variations in import growth among the core and, indeed, during the course of the century. For core countries for which data are available, import growth speeded up in the second half of the century, with one minor exception (Denmark). This was caused partly by the acceleration in GDP growth rates (see Table 2.2), partly by the impact of declining tariffs (with the exception of the United States) and partly by the impact of changing economic structure through industrialisation.

We may now compare the relationship between import growth and GDP growth. This comparison needs to take into account that the GDP growth rates in Table 2.2 are at constant prices, but the import growth rates in Table 2.3 are at current prices. Nevertheless, for the century as a whole, price movements were small, and the comparison may therefore be legitimate.

In the first half of the century, for which we have data for six countries, we find there were only three countries (Denmark, Spain and Sweden) where import growth exceeded GDP growth. In two of the other three countries (UK and United States), import growth was far below GDP growth, and in the third (France) import growth was a little below GDP growth. In the second half of the century, however, where we have data for all eight core countries, all but one had import growth above GDP growth, and in most cases the import growth rate far exceeded the GDP growth rate.

The one exception was the United States. Notwithstanding rapid economic growth, net inward migration and industrialisation, US import growth fell below its GDP growth in both halves of the nineteenth century. Furthermore, in the second half of the century – when the US economy became the biggest in the world – the growth of US imports was the slowest of all the core countries, despite the fact that it had by far the fastest GDP growth.[28] Because the UK had the second slowest rate of growth of imports in the second half of the century (see Table 2.3), the Caribbean faced a major challenge because these

[28] At current prices, US imports as a proportion of GDP fell from 6.6% in 1850 to 4.5% in the period 1899–1908. In constant dollars (1860 prices), the ratio fell from 7.5% to 5% over the same period. See Lipsey (2000), table 15.3, p. 691.

TABLE 2.3. *Core Import Growth (% per year), 1800–1900 (3-year averages)*

| Years | Denmark | France | Germany | Holland | Spain | Sweden | UK | US | World |
|---|---|---|---|---|---|---|---|---|---|
| 1800–1850 | 8.3(a) | 1.46 | na | na | 1.56(a) | 3.1(b) | 0.95 | 2.93(a) | 2.67(c) |
| 1850–1900 | 3.7 | 3.64 | 3.32 (d) | 8.45 | 3.84 | 9.35 | 3.21 | 3.12 | 2.62(e) |
| 1800–1900 | 5.42(a) | 2.54 | na | na | 2.98(a) | 4.63(b) | 2.07 | 3.04(a) | 2.65 |

*Note:* (a) Starts at 1820; (b) starts at 1830; (c) ends at 1860; (d) starts at 1880; (e) starts at 1860.
*Source:* Mitchell (2007) and Mitchell (2007a); world data from Woodruff (1967).

two countries – UK and United States – had such a vast influence on export prospects from the region.

## 2.3. TRADE AND TARIFF POLICY IN THE CORE

In the mid-eighteenth century, before the Seven Years' War (1756–63), all European imperial powers practised a system of commerce widely known as mercantilism.[29] Although full of exceptions, the objective of mercantilism was the accumulation of specie (gold and silver) through a balance of trade surplus. The means to achieve this included laws that restricted the carrying of trade to subjects of the imperial power – a single buyer (the imperial power) for the exports of the colonies, and a single seller (again the imperial power) for the imports into the colonies. Trade with the colonies could include other imperial possessions as long as they were part of the same empire.

In the case of the Caribbean colonies, mercantilism required that all their exports be sold directly to the imperial power in Europe or to the 'mother' country's colonies in the Americas.[30] Imports were expected to come either directly from the imperial power or to be supplied by colonies in the Americas. Shipping was to be provided by subjects of the imperial power, based either in Europe or in the colonies. In the mid-eighteenth century, mercantilism therefore permitted a triangular trade between colonies in the Americas and Europe. French colonies in the Caribbean, for example, could obtain part of their import needs from French North America, provided that the goods travelled in ships owned by French subjects. Similarly, a large proportion of the exports of the British North American colonies consisted of consumer goods sold to the British West Indies.[31]

Mercantilism, the subject in 1776 of a devastating critique by Adam Smith in *The Wealth of Nations*, was dismantled in the short nineteenth century in four stages, but some of the core countries never went beyond the first two. The final outcome, never completely achieved, was unrestricted free trade. The first stage was the designation of certain cities as free ports and the abrogation of the laws restricting the transport of goods to imperial subjects (these laws were known in Great Britain as the Navigation Acts, but all other imperial powers had equivalent legislation). This was 'freedom to trade', but not 'free trade'. The second stage was the reduction of tariffs from the very high levels in force at the end of the Napoleonic Wars. The third stage was the abolition of imperial preference, so that the tariff structure no longer favoured colonial imports. The final stage was the elimination of tariffs altogether.

The country that came closest to unrestricted free trade in the nineteenth century was the UK. This was a consequence of Britain being the leader in terms of industrialisation among the core countries and therefore not requiring

[29] On the basic principles of mercantilism, see Brezis (2003), pp. 482–5.

[30] 'Mother' refers to the colonial or former colonial power. See Chapter 1 and Notes on A. Tables.

[31] For the years 1768–72, this figure has been estimated at 29%. See Lipsey (2000), p. 686.

tariff protection for the development of its manufacturing sector. At the same time, the UK was changing politically, and thus the industrialists, with their preference for low or zero tariffs, were gaining at the expense of the agrarian interests, who favoured high tariffs on competing imports. Finally, the growing sophistication of the British economy meant that the fiscal system was no longer so dependent on income from taxes on trade.

The first step in the UK was repeal of the Navigation Acts, finally achieved in 1849. This meant that goods could now be transported by foreign ships not just to the UK, but also to the colonies. At the same time, the UK revised downwards its tariff rates from their previous high levels. However, it was not until 1846 that the UK took the momentous step of repealing the Corn Laws and abolishing tariffs on grains. This measure, which split the Conservative Party, had been demanded by manufacturers in order to reduce the price of wage goods and keep British industry competitive. It would lead to a massive increase in grain imports – first from Russia and later from North America (principally the United States), followed by Australia.

The repeal of the Corn Laws did not eliminate all tariffs. However, in the next eight years (1846–54), the UK phased out imperial preference, so import duties on other goods (including sugar) no longer favoured the colonies. At the same time, tariffs were reduced further as Great Britain began its long march towards free trade. This was most nearly achieved in the 1870s, when almost all import duties were abolished. The British era of zero or low tariffs, unique among the core countries, lasted with a few exceptions until the First World War. However, it became increasingly controversial. The growing competition in manufacturing from France, Germany and the United States led to calls from British industrialists for the reintroduction of tariff protection, and these calls were taken up by sections of the political class from the 1890s onwards.[32]

It must be clearly understood that British trade policy in the nineteenth century did not mean the abolition of tariffs in the colonies. On the contrary, the income from tariffs was so important (up to 90 per cent of colonial revenue), and the desire that the colonies should not be a drain on the imperial purse so strong, that the abolition of tariffs in the colonies was never an option. Colonial tariffs in the Caribbean were designed to maximise revenue. Tariffs did not normally favour British imports after mid-century, but imperial preferences started to appear towards the very end of the century. Subject to these constraints, British colonies – in the Caribbean and elsewhere – were generally free to buy their imports from the cheapest source and, of course, to sell their exports wherever they chose.

The smaller members of the core (Denmark, Holland and Sweden) never progressed as far as the UK towards unrestricted free trade, but they did allow freedom **to** trade. This was largely because of the needs of their nascent industrialists for at least some tariff protection throughout the nineteenth century.

32 Their undisputed leader was Joseph Chamberlain, an industrialist himself, who was a strong advocate of imperial preference.

However, their small size made it difficult, if not impossible, to apply mercantilism strictly even in the eighteenth century. Thus, as early as 1764, Denmark declared the trade of St John and St Thomas in the Danish West Indies with other foreign colonies in the Americas to be open to the ships of all nations. This was extended three years later to trade with Europe. Unrestricted trade between St Croix (the third Danish island) and the rest of the world was finally adopted in 1833. Tariffs were reduced, but a mild form of imperial preference remained in force throughout the nineteenth century.

The opening of the Danish Virgin Islands[33] to freedom of trade took place before their occupation by Britain in the Napoleonic Wars. Two of the Dutch islands (St Eustatius and Curaçao) were also free ports.[34] However, Curaçao had thrived on contraband with South America, and this declined after the independence of the southern republics. This led the Dutch king in 1826 to abolish all tariffs in Curaçao in the hope of recapturing the trade with South America.[35] Yet Curaçao never fully recovered its role in the entrepôt trade, and the trade declined further when Venezuela in the 1870s imposed a surcharge on imports from the Dutch Antilles, which was not eliminated until the twentieth century.[36]

Suriname was also subject to British occupation during the Napoleonic Wars, but mercantilist principles had been breached even earlier. Despite legal restrictions, Suriname established strong trade relations with the United States, and these continued during hostilities. Holland owed its survival as a sovereign country at the Congress of Vienna to the UK and was in no position – either politically or economically – to reimpose mercantilism on its South American colony. Suriname was now open to trade with all nations, but Holland was still able to impose a form of imperial preference.[37]

The Swedish island of St Barthélemy had no natural resources of any significance, but it had one good harbour (Gustavia). Under Swedish rule, it therefore engaged in entrepôt trade, concentrating on the import of slaves for sale elsewhere in the Americas. By 1790, St Barthélemy had become a free port with a tax system designed to favour Swedish ships. The slave trade saw a jump in the island's population from 224 in 1750 (while still under French rule) to 4,016 in 1830. The end of the slave trade undermined the basis of the island's economy,

[33] Denmark referred to its Caribbean colony as the 'Danish West Indies'. However, for reasons explained in the Notes on A. Tables, I will from now on refer to them as the 'Danish Virgin Islands'.

[34] In *The Wealth of Nations* (1776), Adam Smith had favourably compared freedom of trade on these two islands with mercantilism elsewhere in the Caribbean.

[35] See van Soest (1978), pp. 4–5. However, the tariffs were replaced with a 'safety duty' that reestablished tariffs under another name.

[36] The Curaçao authorities had made the mistake of appearing to back the wrong side in an uprising in Venezuela against President Guzmán Blanco.

[37] The Dutch colonies, however, were not finally freed from mercantilism until 1848. See Goslinga (1990), p. 228.

however, and the population had slumped to 2,390 in 1872[38] – shortly before the transfer of the island to France.

The French shift towards free trade was a much more complicated affair. The French Revolution had begun the process of sweeping away the restrictive legislation associated with mercantilism, but two decades of hostilities – including Napoleon's continental blockade – effectively created an infinite tariff behind which French industry thrived. This protectionist system included the promotion of the beet sugar industry, which rapidly filled the gap left by the collapse of cane sugar exports from Haiti.

The infinite tariff ended with the cessation of hostilities in 1815, but the restored Bourbon monarchy quickly increased duties to provide protection against imports. Tariffs were even raised on cane sugar imports from the Caribbean in order to protect the beet sugar industry. It was not until the reign of Napoleon III (1851–70) that France moderated its tariff levels through a series of trade treaties. Subsequently, the Third Republic witnessed a ferocious twenty-year battle between protectionists and free traders that culminated in the Méline tariff in 1892. This introduced minimum and maximum tariffs for the same product designed to favour countries that granted France Most-Favoured Nation (MFN) treatment. Yet tariffs remained generally high and included agricultural products in deference to the demands of French agrarian interests.[39]

No country had applied mercantilist principles more rigorously than Spain. These, it is true, were undermined both by contraband trade and by the weak position of Spain in many eighteenth-century peace negotiations with rival European powers. The brief British occupation of Havana in 1762, however, provided the most important breach in the mercantilist wall. Cuba was never able to revert to the closed trading system under which it had operated before, and the same was true of Puerto Rico. Indeed, in 1818 Spain introduced freedom to trade for its colonies in the Caribbean with dramatic effects. As early as 1820, 36 per cent of Cuban sugar was exported to the United States at a time when sugar accounted for 80 per cent of exports.[40]

Spanish tariffs remained high during the nineteenth century, but these were moderated by a system of imperial preferences. However, following the 1890 McKinley tariff, Spain signed the Foster-Canovas Treaty with the United States on behalf of its Caribbean colonies, which gave tariff preferences to the United States in return for concessions on US raw sugar imports.[41] By this time, the United States was already the most important trade partner for Cuba and Puerto Rico, having overtaken the UK by the middle of the century. US tariff policy then changed again in 1894, and heavy duties were reimposed on the

38 See Table A.1.
39 On French commercial policy, see Clapham (1968), pp. 260–5.
40 See Schroeder (1982), p. 413.
41 This is analysed in detail in Taussig (1967), pp. 304–16.

Spanish colonies. Spain therefore ended the tariff concessions for the United States in Cuba and Puerto Rico.[42]

The German confederation that emerged from the Napoleonic Wars quickly evolved into two competing customs unions – a northern one dominated by Prussia and a southern one dominated by Bavaria. It was not until 1833 that a joint customs union (*Zollverein*) could be formed of which Prussia was by far the most important member. In order to keep the *Zollverein* independent of Austria (at that time the most powerful state in central Europe), Prussian political economy favoured a modest common external tariff because Austria had some of the highest tariffs in the world.[43] Thus, the Prussian-dominated German confederation came closest to the UK in terms of the pursuit of unrestricted free trade.

Prussian political economy changed after victories in war against Austria (1866) and France (1870). The German Federation founded in 1871 no longer feared Austrian expansion, but its eastern farmers became increasingly wary of competition from Russia and the United States. At the same time, Bismarck needed to increase revenues from indirect taxes in order to provide adequate income for the central authority in the Federation. In 1879, a new tariff policy was therefore adopted that was much more protectionist. Known as the marriage of iron and rye, the new trade and tariff policy combined protection for farmers and industrialists with subsidies for a number of exporters. Further tariff increases were introduced in the 1880s, but the impact of these were moderated by the trade treaties negotiated by Caprivi, Bismarck's successor as German chancellor.[44]

The Declaration of Independence in 1776 may have brought an end to the British Navigation Acts and other restrictions on trade for the thirteen colonies, but the US government remained a strong defender of tariffs throughout the nineteenth century. The first act of the federal government in 1789 was to pass a tariff law, even before Alexander Hamilton's famous report in defence of protection for manufacturing, and measures were also adopted to favour US shipping in coastal and international trade.

Because the federal government was heavily dependent for much of the nineteenth century on income from tariffs, import duties could not be set at prohibitive levels. Similarly, the tension between the northern states that favoured high protective tariffs for industry and the southern states that specialised in raw materials helped to moderate upward pressure on import duties. However, the victory of the North in the Civil War gave a huge advantage to the protectionists, and tariffs drifted upwards. The McKinley tariff in 1890 was blatantly protectionist, and duties rose further in 1894 and 1897. It is estimated that

[42] The start of the Second War of Independence in 1895 is often linked to these changes.

[43] It was assumed by the German Chancellor Bismarck – correctly, as it turned out – that Austria would object to joining any customs union that required it to lower its tariffs. See Clapham (1968), pp. 314–16.

[44] See Henderson (1975), pp. 212–24.

at the beginning of the next century the average duty on British manufactures imported into the United States was 73 per cent.[45]

The McKinley tariff also introduced for the first time the principle of reciprocity. This allowed the US president (the authority having been given to the president by Congress itself) to impose higher duties on imports if the country exporting them was deemed to be taxing imports from the United States unfairly. This use of trade diplomacy, suspended in 1894, was reinstated in the 1897 tariff act and became a powerful instrument in US commercial policy. The United States also copied the European example of trade treaties designed to lower tariffs on a reciprocal basis. In 1892 alone, treaties of this nature were signed with eight countries, including Great Britain (acting on behalf of Jamaica, Trinidad, Barbados and British Guiana), Spain (on behalf of Cuba and Puerto Rico) and the Dominican Republic.[46]

## 2.4. THE ABOLITION OF THE SLAVE TRADE AND SLAVE EMANCIPATION

At the beginning of the nineteenth century, there was no aspect of trade policy more controversial than the trade in slaves. However, the slave trade was not just an issue of commercial policy. It was also a crucial component of the Caribbean labour market, and at the same time slaves represented one of the most important assets in the process of capital accumulation. Last, of course, it was a humanitarian issue.

The arguments for and against the slave trade were not the same as the arguments for and against slavery. Those in favour of the slave trade were always in favour of slavery, and many of those who argued against the slave trade also opposed slavery. However, there were influential voices in the core countries that were in favour of an end to the slave trade, but not to slavery. That is why the chronological gap between abolition (end of the slave trade) and emancipation (end of slavery) was so extended in a number of countries.

The case **against** the slave trade was partly humanitarian and partly economic. The former needs no further elaboration, but the latter does. The transportation of slaves was expensive, and there was a very high mortality rate; the fixed and variable costs of forts on the African coast, maintained at public expense, needed to be taken into account; Africa, Asia and the Pacific could provide the tropical products imported by the core from the Caribbean at lower cost without the need for the slave trade.

The case **for** the slave trade was both economic and political. Death rates exceeded birth rates among the Caribbean slave populations, and thus the labour supply could only be maintained through net inward migration. No labour other than that provided by African slaves was available; even if it were, it would be too expensive. The slave trade reduced the risks of slave

45 See Clapham (1968), p. 322.

46 See Taussig (1967), pp. 279–82.

rebellions, because it made it more difficult for the slaves to communicate with each other and establish bonds of solidarity. And, of course, the slave trade was often extremely profitable.

The first core country permanently to abolish the slave trade was Denmark. Legislation was passed in 1792. This was principally for economic reasons. The cost to Denmark of maintaining West African forts was seen as prohibitive, and two of the three Danish Virgin Islands (St John and St Thomas) specialised in entrepôt trade rather than the production of commodities – thus slavery was less important. Abolition itself was delayed until 1 January 1803, so plantation owners (mainly in St Croix) had ample time to increase the supply of slaves on the islands.[47] Even after 1803, Danish planters were usually able to obtain (illegally) additional slaves through St Barthélemy or Curaçao if needed.

Legislation was also introduced in the British parliament in 1792 to end the slave trade, but – unlike in Denmark – it was defeated. The humanitarian case was not fully accepted, and the economic arguments against the slave trade had been undermined by the slave revolt on St-Domingue the previous year. This had reduced the supply of cane sugar on the world market, pushing up prices and raising the prospect of a new era of prosperity on the British sugar islands. The plantation interests, strongly represented in Parliament, were able to carry the day.

It was not until 1807 that the British parliament passed legislation to abolish the slave trade. High sugar prices were no doubt one factor. However, the delay may also have been caused by the parlous state of the British armed forces at the outbreak of hostilities with France in 1793. The continuation of the slave trade allowed Great Britain to form African regiments in the West Indies, releasing British soldiers for duties elsewhere. It was only after the defeat of the French navy at Trafalgar in 1805 that the British West Indies became safe from naval attack.[48]

The legislation introduced in 1807 outlawed the transatlantic slave trade from March 1808. It was now seen as imperative to end the slave trade elsewhere in order not to disadvantage British plantation owners in the Caribbean. The United Kingdom (as it became in 1802 with the incorporation of Ireland) was in no position in the middle of the Napoleonic Wars to enforce an international ban on the slave trade. However, the federal government in the United States also ended the slave trade in 1808 (legislation having passed Congress the previous year). The southern states, where slavery was concentrated, raised little objection because – uniquely in the Americas – the birth rate exceeded the death rate among the slave populations. Thus, abolition of the slave trade did not pose such a big threat to slavery in the United States, and, in any case, an illegal slave trade into the southern states continued for many decades.

Towards the end of the Napoleonic Wars there were four core countries still legally engaged in the slave trade to the Caribbean: France, Holland, Spain

47 See Dookhan (1974), pp. 134–7.
48 This hypothesis is developed at length by Buckley (1998), pp. 128–44.

and Sweden (the participation of Brazil and Portugal in the slave trade – not finally ended until 1851 – need not concern us here). Both Holland, dependent on British support for the recovery of its sovereignty, and Sweden agreed to end the slave trade shortly before the end of hostilities. At the Treaty of Paris in 1814, Louis XVIII conceded the end of the French slave trade in five years, but he was forced to offer an immediate cessation the following year during Napoleon's Hundred Days. Spain reluctantly agreed to stop the slave trade in 1817 in return for £400,000 in compensation from the UK.[49]

Unfortunately, these diplomatic agreements turned out to be almost worthless. Both the slave trade and slave-produced commodities continued to be highly profitable in many parts of the Caribbean. The trade in slaves to Cuba was particularly important, and there are some suggestions that internationally more slaves were traded across the Atlantic in the 1840s than in any previous decade. Britain, with the largest navy in the world, turned to coercion in order to suppress the trade. Armed with the right of search through bilateral treaties, the British navy policed the African coast and boarded suspicious vessels. It was not, however, until the last slaves entered Cuba in the 1870s that the Caribbean slave trade finally came to an end.

The emancipation of the slaves in the Caribbean was an equally tortuous process. Adam Smith in 1776 had questioned the institution of slavery not only on humanitarian grounds, but also for reasons of cost. Yet slave-grown products could still be highly profitable in the nineteenth century in the southern United States and the Caribbean islands. Furthermore, it was widely assumed that emancipation would lead to a drastic reduction in the labour force available for plantation agriculture because the freed slaves would refuse to work for their former masters. And emancipation implied a massive drop in the value of capital assets unless compensation came into play.

Among the core countries, slavery was first abolished in some of the northern US states (Vermont in 1777 and Massachusetts in 1780 leading the way).[50] However, it was the slave revolt in St-Domingue in 1791 that marked the first break with slavery in the Caribbean. By the time the French revolutionary government abolished slavery on the island in 1793, slavery had effectively ended in St-Domingue. The declaration of independence by Haiti on 1 January 1804 marked the definitive end to slavery on the western side of Hispaniola, and slavery was also ended in the east during the subsequent Haitian occupation (the Dominican Republic would not restore it following independence from Haiti in 1844).

Despite efforts to persuade the former slaves to continue working on the sugar plantations, Haitian sugar exports had virtually ended within two decades of independence. This was a powerful argument used by the anti-emancipationists to delay legislation to end slavery. Furthermore, compensation implied a huge fiscal burden on core economies while import duties on

49 See Bethell (1970), p. 20.
50 See Engerman (2000), p. 336.

slave-grown products brought in valuable revenue. It was many years, therefore, before any of the core countries introduced legislation to outlaw slavery, despite all the efforts of the antislavery societies.

The UK finally passed a law against slavery in 1833. By this time, tropical products – once only available in the Caribbean – could be easily imported from other parts of the British Empire where slavery was not in use. At the same time, political reform had drastically reduced the influence of the West Indian plantocracy, whose profits had also declined as a result of increased competition.[51] Emancipation was to take effect in 1834 – but with an 'apprenticeship' system designed to keep the former slaves attached to the land for several more years. This system, slavery in all but name, was finally ended in 1838. Yet Britain remained dependent on slave-grown cotton from the southern United States until the end of the Civil War and continued to import slave-grown products from Brazil and Cuba until emancipation in the 1880s.

Although Caribbean slavery was of minor importance for Sweden (there were only 1,387 slaves on St Barthélemy in 1830), it was not until 1847 that it was brought to an end. Denmark had tinkered with the issue of emancipation from the 1830s, but the issue of compensation proved to be an obstacle. It was not until the slave revolt of 1848 on St Croix that the Danish authorities took any action, emancipating all slaves with immediate effect in all the Virgin Islands.[52] France did so in the same year. Slavery was not the main issue in the political and social upheavals in Paris in 1848, but it was certainly a factor and emancipation was one of the first acts of the Second Republic.[53] Holland, less affected by the revolutionary atmosphere in continental Europe in 1848 and anxious to protect the planters in Suriname, finally followed in 1863.[54]

Slavery in the southern states was only one of the causes of the US Civil War, but once hostilities broke out it was inevitable that President Lincoln would declare slaves in the rebel states to be free in order to undermine the Southern economy and drive a wedge between owners and slaves. This he did in 1862 (effective 1 January 1863), but it was not until the ratification of the Thirteenth Amendment in December 1865, after the end of the Civil War, that Lincoln's proclamation could take effect everywhere in the United States. From that point on, slavery in the Caribbean – hitherto tolerated by the federal government – would face strong US opposition.

Spain, the only core country that had still not abolished slavery, passed the Moret Law in 1870, granting freedom to all children of slaves born subsequently. This was followed by emancipation in Puerto Rico in 1873, where free labour had always been more important than slave labour. Spain could not afford to alienate the Cuban planters during the First War of Independence

[51] This decline in profitability is a key part of the thesis of Eric Williams that slavery was abolished in the British colonies primarily for economic reasons. See Williams (1944).

[52] See Dookhan (1974), pp. 175–8.

[53] See McCloy (1966), pp. 145–8.

[54] See Goslinga (1990), chap. 7.

(1868–78), and the slave owners were able to delay matters further after hostilities ended. Slavery finally ended on the island in 1880, yet it continued for another six years under the name of the *patronato* (similar to apprenticeship in the British colonies). This brought to an end nearly 400 years of slave labour in the Caribbean.

# 3

# From Scarce to Surplus Labour in the Caribbean

In the first half of the nineteenth century, virtually all Caribbean countries were experiencing scarce labour – a chronic condition in which the demand for labour exceeded the supply of free workers at the prevailing wage rates and where coercion (mainly through slavery) and net inward migration (including the slave trade) were used to close the gap. By the end of the century, the situation had completely reversed. Most countries now suffered from surplus labour, with the supply at prevailing wage rates exceeding the demand. The disequilibrium in the labour market then led to substantial net outward migration from the surplus labour countries rather than to falling wage rates.

Throughout the century, therefore, the imbalance between supply and demand in the labour market was met mainly through quantity adjustments rather than changes in wage rates. When the demand exceeded the supply, this implied net **inward** migration, with the slave trade – despite legal restrictions – dominating labour inflows in the first half of the century. In the second half, indentured labour from Africa, Asia, Europe and even Mexico came to be the most important form of inward migration, with wage rates fixed during the period of indenture. When the supply of labour eventually exceeded the demand, net **outward** migration took place, with the migrants going either to those countries in the Caribbean still facing labour shortages (especially Cuba) or to the Caribbean periphery (Panama, the eastern coast of Central America and southern Florida).[1]

Some inward migration involved free labour (particularly from mainland Spain and the Canary Islands to Cuba). The indentured labourers also became free at the end of their period of indenture, assuming they did not return to their countries of origin (three out of four are estimated to have stayed in

[1] Panama was not an independent country in the nineteenth century; it was still a province of Colombia.

the Caribbean).[2] And the slaves eventually won their freedom after the abolition of slavery. However, it would be a mistake to imagine that the end of slavery brought about a truly free market in labour. Coercion rather than the offer of higher wage rates was the dominant response by employers and the state to labour shortages. The ex-slaves themselves were subject to a period of 'apprenticeship' that could last as long as ten years. Restrictions were placed on access to land in an attempt to ensure an adequate supply of labour for the plantations. Vagrancy laws were commonplace, and the internal movement of labour from one province to another was also restricted in some countries.

The first section of this chapter looks at population change throughout the Caribbean, which is the result of births, deaths and net migration. The second examines the twin issues of the abolition of the slave trade and slave emancipation. The third section is concerned with the coercion of labour after the end of slavery, and the fourth looks at inward migration – especially indentured labour. The final section of the chapter examines the connected issues of surplus labour, free labour and wage rates.

## 3.1. POPULATION CHANGE

The shift from scarce to surplus labour in the nineteenth century came about principally for two reasons. The supply of labour increased in all countries as a result of an acceleration in the growth of population, and the demand for labour in the last two decades of the century stagnated in most countries because of the crisis in the sugar cane industry (see Chapter 4). Only the most efficient sugar cane producers were able to increase output after the fall in prices that took place following the surge in sugar beet production. These two forces were much more powerful than others, such as the rise in education, which, ceteris paribus, tended to reduce the supply of labour because it meant that a growing proportion of the population attended school, and the growth of a small-scale peasantry that presented the ex-slaves with an alternative to wage employment.

The demographic figures tell a compelling story (see Figure 3.1). The population of the Caribbean rose by nearly 45 per cent between 1810 and 1850 and by 95 per cent between 1850 and 1900. The decennial growth increased from 6 per cent in the 1810s to 13 per cent in the 1890s.[3] The Spanish colonies, it is true, suffered a decline in the annual growth rate[4] as a result of the

[2] These are rough figures. However, in the case of Indian migration to the British Caribbean (the most important form of indentured labour), we have more precise figures; between 1838 and 1918 there were 429,623 arrivals and 111,303 returns. See Look Lai (1993), table 6, p. 276, and table 10, p. 279.

[3] Derived from Table A.1.

[4] From 1.66% before 1850 to 1.15% between 1850 and 1900. Derived from Table A.1.

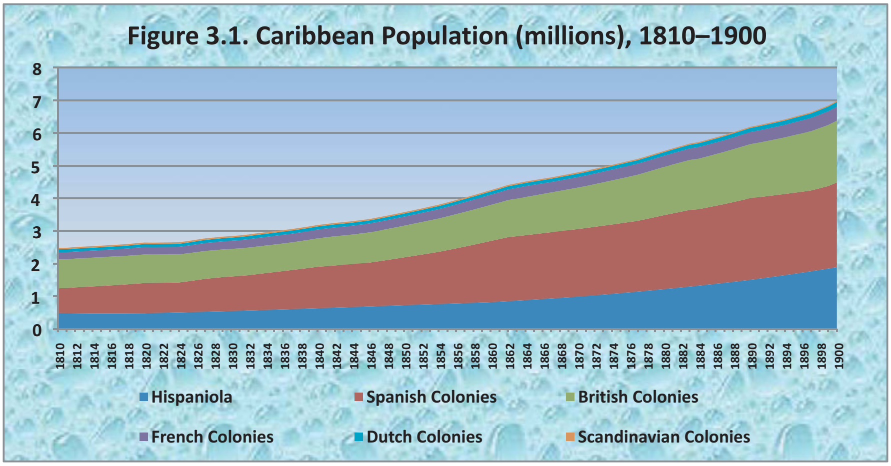



**Figure 3.1. Caribbean Population (millions), 1810–1900**

*Source*: Table A.1.

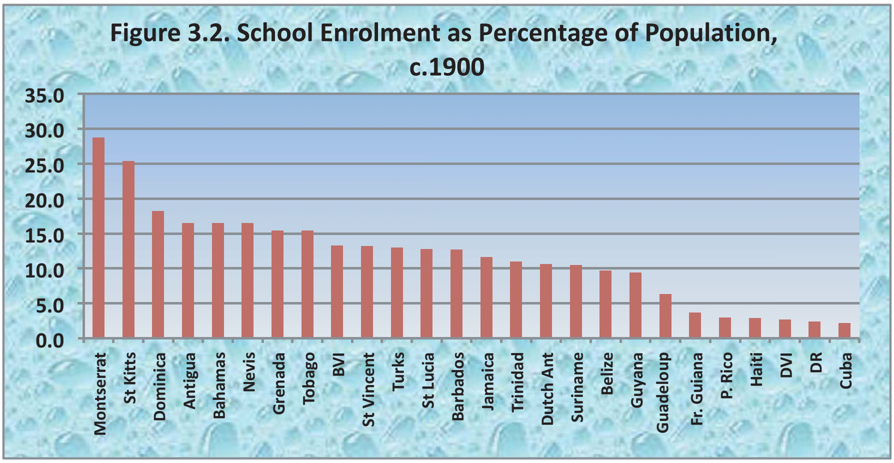
final suppression of the slave trade, and the Scandinavian colonies, where net outward migration was important, experienced a **fall** in population throughout the second half of the century. However, Hispaniola, the British, French and Dutch colonies all experienced an acceleration in their population growth rates.[5]

Population growth can accelerate through a combination of rising birth rates, falling death rates and changes in net migration. Birth rates in the Caribbean were fairly stable, but death rates started to fall as the century advanced, despite the occasional pandemic (cholera, smallpox and yellow fever were particularly virulent in the 1840s and 1850s).[6] Thus, much of the **increase** in the rate of growth of population can be attributed to falling death rates. An increase in net inward migration was much less important. Indeed, many countries experienced net **outward** migration in the second half of the century.

The demand for labour was derived from the performance of the economy (driven by the export sector). This is the subject of Chapter 4 onwards. We may note here, however, that only a handful of countries were able to expand the export sector after 1880, and thus the demand for labour tended to stagnate or even shrink in the last two decades of the century. By then a growing proportion of the population was attending school, but it was still small (see Figure 3.2). In the British colonies as a whole it had risen from little more than 1 per cent in

[5] For the British colonies, the annual growth rose by a factor of 6 (from 0.23% before 1850 to 1.35% between 1850 and 1900). Derived from Table A.1.

[6] Crude Birth Rates in Table A.3 are expressed as the number of births per thousand of the population. Crude Death Rates in Table A.4 are expressed in the same way. In these tables the numbers are colour-coded to take account of the slave population – see Notes on A. Tables.




*Note:* The figures are for 1900 in all cases except Dominican Republic (1883), Puerto Rico (1883), Danish Virgin Islands (1886), Guadeloupe (1888), Cuba (1889) and Haiti (1895).
*Source:* Derived from Tables A.1 and A.7.

the 1830s to over 12 per cent by 1900.[7] In the independent countries and the Spanish and Scandinavian colonies it was between 2 and 3 per cent as the short nineteenth century ended, a little higher in the French colonies, and around 10 per cent in the Dutch colonies.[8] School attendance did not increase enough to reverse the shift from scarce to surplus labour in most countries.

Some structural change had taken place in the nineteenth century, but the labour force was still overwhelmingly rural, and the market for rural labour was mainly focused on the plantation. The rural labour force outside the plantation was employed in the peasant economy producing a small marketed surplus – usually for sale in the domestic market.[9] These workers were therefore on the margins of the wage labour market, but at certain times their participation was crucial. In the small urban labour market, domestic service was generally the largest source of employment, followed by trade and distribution.

As surplus labour replaced scarce labour, the need for coercion by employers and the state diminished. Starting in the towns, a free market in labour gradually spread to the rest of the economy until by the end of the century even the plantations were able to secure most of their labour requirements without

[7] School attendance numbers in Table A.7 are based on pupils registered. Average school attendance was much lower, with actual attendance varying between half and two-thirds. This suggests that school attendance did not necessarily prevent at least partial participation in the labour force by pupils.

[8] This is based on those countries in Table A.7 for which data have been collected.

[9] But not always. Much of the bananas, coffee, cacao, arrowroot and other spices exported from the Caribbean in the second half of the nineteenth century came from the small-scale peasantry.

resorting to coercion. Yet nominal wage rates remained very stable even during the period of surplus labour (see the last section of this chapter), and thus the standard of living was determined more by the amount of work on offer and the change in the price level than by the wage rate itself.

Throughout the century, there was a fierce debate about the impact of the cost of labour on the profitability of the export sector, particularly the sugar industry.[10] Yet it turned out that sugar could be profitable under slavery sustained by the traffic in slaves (e.g. Cuba), under slavery without the slave trade (e.g. the French Antilles), with coercion (e.g. Barbados) and with indentured labour (e.g. Guyana). The difference in the cost of labour that each of these systems implied was a much less important determinant of profitability than the change in the price received from the importing countries. However, the **size** of profits was influenced by the **level** of output in the export sector. As we shall see, the sugar industry – particularly in the years immediately after emancipation – was sometimes unable to secure all the workers required for optimum production. Quantity, not the wage rate, was the defining feature of the labour market in the nineteenth century.

## 3.2. SLAVERY AND THE ILLEGAL TRAFFIC IN SLAVES

Coerced labour took many forms, of which the most extreme was slavery. Before the nineteenth century, the Crude Death Rate (CDR) had invariably exceeded the Crude Birth Rate (CBR) among the slave population in Caribbean countries.[11] Thus, slavery was intimately associated with the traffic in slaves because it was widely assumed that the slave population would disappear without it. Because the male slaves caught in the slave traffic outnumbered the females, this became a self-fulfilling prophecy.

Those campaigning against the slave trade in Europe argued that, in the absence of forced migration through trafficking, the planters would have to treat their slaves better, and this would improve the net birth rate. They also pointed out that, in the absence of the trade, the gender imbalance would correct itself over time, leading in turn to an increase in births. The planters rejected these arguments and insisted that the end of the traffic in slaves would spell disaster because not only would the slave population decline, but the cost of labour would rise, rendering their activities unprofitable.[12]

10 The debate had actually started even earlier with the publication of Adam Smith's *The Wealth of Nations* in 1776. Smith argued that slavery would always be economically less efficient than free labour.

11 For the British colonies, see Ward (1988), chap. 5.

12 Before abolition, the planters argued that slavery without the traffic would be very expensive. After abolition of the trade, but before slave emancipation, they would argue that slave labour was cheap in comparison to 'free labour'. For the case of the British colonies, see Sewell (1861), p. 29.