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An Island Drifting Apart

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Why Haiti mires in poverty while the Dominican Republic forges ahead

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Abstract

The 2010 earthquake in Haiti has exposed the extreme vulnerability of a people living in a country where the state and the economy simultaneously fail to deliver. Haiti's neighbor, the Dominican Republic, has witnessed several phases of strong economic growth since the 1870s and an encouraging transition towards democratic rule in the late 20th century. How could this Caribbean island drift apart so profoundly? Capitalizing on decades of seminal scholarship in the neo-institutional tradition North, Wallis and Weingast (2009) have developed a new conceptual framework to explain different performance characteristics of societies through time. In this study we put the latest vintage of institutional theory to the test by taking it to the case of Hispaniola. We conclude that it captures the differing *internal logic* of the political economy in both countries quite well, but that it is of little use to understand the effect of *external* (international) relations on long term development.

Keywords: Haiti, Dominican Republic, Economic Divergence, Institutional Theory

JEL Codes: N10, N16, O54, P48

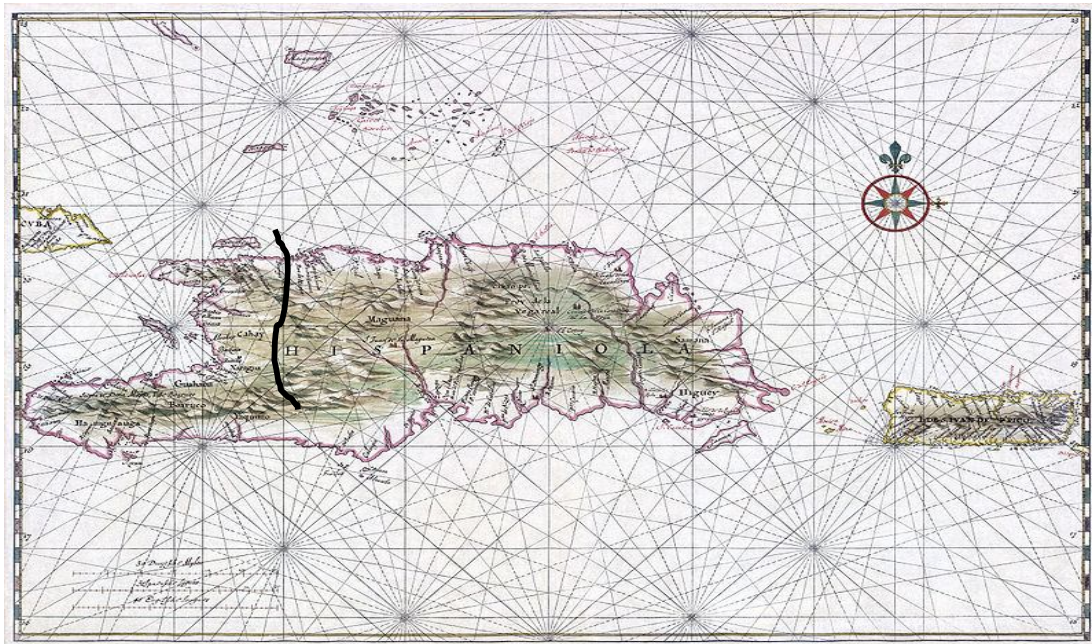
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1. Introduction

In the late Tuesday afternoon of January 12th 2010 a devastating earthquake near Haiti's capital Port-Au-Prince took an estimated 250 thousand lives and shattered the future perspectives of many more Haitians.¹ In the aftermath of this catastrophe international media registered a shocking incapacity of the Haitian government to improve the lot of its crestfallen population. Emergency aid provided by the international community, including medical and logistic assistance from the neighboring Dominican Republic, was frustrated by ailing organizational discipline. People who lost their homes still struggle to survive in improvised tent camps two years afterwards and the Cholera epidemic that broke out shortly after the quake is still a serious concern for public health. Haiti is a classic example of a failed state and compares to countries like Somalia and the DRC. With a GDP per capita of \$1,300 Haiti belongs, together with Afghanistan, to the poorest countries in the world outside sub-Saharan Africa (CIA 2011). And to make matters even worse, Haiti is also one of the world's most unequal countries, with a Gini-coefficient of household income inequality of 0.59 (Frankema 2009, 52).

Figure1: A 17th Century map of Hispaniola



Note: Haiti currently covers ca. one-third of the Western part of the island; the Dominican Republic the Eastern two-thirds. The present border is approximately indicated by the black line (added by the authors).

Source: unknown, map from <http://en.wikipedia.org/wiki/Hispaniola> (accessed 11/08/2011).

¹ Official estimates of the death toll range from 200.000 to 250.000. For the sake of comparison, the 1989 earthquake in the San Francisco Bay Area (7.1 at the scale of Richter against 7.0 in Haiti; a similar densely populated area) had an official death toll of 63.

In the late 18th century the French colony *Saint Domingue* -Haiti since 1804- was one of the wealthiest countries in the world, although it should be emphasized that the majority of its enslaved population did not benefit from this status (Eltis 1997). Spanish *Santo Domingo* -Dominican Republic since 1844- was a backwater in the vast Spanish American empire (see figure 1). Santo Domingo was no match for Haitian forces when they overran the Eastern side of the island territory to re-unite the island in the early 19th century. Yet, the Dominican Republic (DR henceforth) recorded one of the highest growth rates in the Western hemisphere during the 20th century. With a current per capita GDP of \$8,300 the World Bank classifies the DR as an ‘upper middle income country’. Today, the welfare gap with Haiti can be observed in almost every aspect of daily life. How could this island drift apart so profoundly? And what lessons can be drawn from this peculiar case for integrative theories trying to explain different trajectories of social, political, economic and institutional development?

This article offers an attempt to take this particular case to the latest vintage of neo-institutional theory as developed by North, Wallis and Weingast in their 2009 book *Violence and Social Orders*. Apart from the fact that the development history of Hispaniola is largely understudied, there are at least two good reasons why this case is particularly interesting from a theoretical point of view. Firstly, we are dealing with an evident example of a long term ‘reversal of fortune’. This offers a typical problem to theories designed to explain long-term processes of economic divergence: they have to be sufficiently flexible to allow for major turning points in history, while sufficiently rigorous to explain path dependence thereafter.

Secondly, as both countries share one island, geographical explanations for the divergence can largely be ruled out. Hispaniola’s ecology supports the profitable cultivation of tropical cash crops such as sugar, bananas, coffee, tobacco, cotton, indigo and sisal in both parts of the island. Earthquakes and hurricanes are as common in the western as in the eastern part of the island. Some scholars do not want to dismiss the role of geography, however. Jared Diamond argues that ecological degradation in Haiti has reached Malthusian proportions, partly because Haiti disposes of a smaller area suitable for intensive agriculture compared to the DR. Haiti’s mountain slopes consist of thinner soils with a lower recovery capacity and the island’s rains are mainly coming from the east and the major rivers are flowing eastward, supporting higher rates of plant growth in the Dominican Republic (Diamond 2005, 339).

However, overpopulation became an issue *after* the reversal, not before. Haiti’s population increased from circa. 0.4 million people in 1804, to 1.5 million in 1900, to 3.1 million in 1950 and 8.9 million just before the earthquake (Mitchell 2007; Pons 2010).

Moreover, the development of large-scale plantations initiated deforestation on the Dominican side, too, but in the DR a sense of eco-political awareness led to early municipal regulations prohibiting logging and contamination of streams. Bottom-up lobbying for environmental protection led to the purchase of a first natural reserve in 1927, which was unique in the developing world at that time (Diamond 2005, 342). Hence, even Diamond (2005, 333) admits that ecological differences are a result, rather than a cause, of the political and economic divergence of these neighbour countries.

The most cited institutional explanation for persistent poverty in former Latin American colonies focuses on the post-colonial persistence of deep seated socio-economic and political inequality rooted in growth-impeding colonial institutions. The main idea is that the colonial heritage of inequality has disabled societies to make optimal use of their productive resources, and especially their human resources (Engerman and Sokoloff 1997; Engerman and Sokoloff 2005). Mahoney (2010) has recently offered a more ‘historicized’ view, incorporating, amongst others, the effects of major colonial institutional reforms (e.g. the 18th century Bourbon reforms in Spanish America), but he also underwrites the idea that colonial legacies have predetermined current social and economic outcomes.

There is no doubt that the French and the Spanish bequeathed Hispaniola with a highly unequal distribution of income, assets (land, capital) and political influence. Moreover, the extremely repressive system of sugar slavery that was practiced by the French in Saint-Domingue arguably made the legacy of colonial inequality more pronounced in Haiti than in the peripheral colony of Santo Domingo (Leyburn 1966; Rotberg and Clague 1971). Nevertheless, there are at least two major difficulties with the argument that this legacy has had persistent effects until present.

Firstly, colonial institutions were discarded far more decisively in Haiti than in the DR. The leaders of the slave revolution (1791-1804) granted full civil rights to the former slave population, pushing the notion of *égalité* of the French Revolution far beyond the ‘unthinkable’ in those days (Fatton Jr. 2007, 67). The large scale redistribution of land after the revolution was unmatched in the region (Frankema 2010). Foreign land ownership was prohibited and sugar plantations, or any other form plantation agriculture for that matter, never revived. Indeed, Haiti’s transformation from a prototype plantation economy into a post-slavery subsistence farming economy was unique in a region where sugar slavery continued to constitute the socio-economic paradigm. In other words, it is difficult to see the current Haitian state as the product of a persistent colonial system of inequality, which does not imply of course that one system of inequality cannot be replaced by another.

A second problem is that political disorder was endemic in both countries for most of the past two centuries. Series of violent coups alternated with periods of ruthless dictatorial rule. There is absolutely no reason to presume that the nature of political instability and disorder was graver in Haiti than in the DR before the last quarter of the 20th century. Table 1 shows that the average time in office of a Dominican president was actually notably shorter and the proportion of illegitimate regime changes considerably larger. In fact, it is only of fairly recent date that the DR has embarked on a path of political and peaceful democratization, with regular, free and fair elections. We will argue in this study that the different development paths of the DR and Haiti are rooted in different political decisions made by *equally predatory* political elites.

Table 1: Post-independence regime changes in Haiti and the Dominican Republic, 1804-2010

	Period of independence	Change of presidency	Average years in office	Presidents completing at least one term	
		no.		no.	% of total
Haiti	(1804-2010)	59	3,49	17	29%
Dominican Rep.	(1844-2010)	83	1,88	16	19%

Source: Authors own calculations based on Haitian data from Bob Corbett, Webster University: www.webster.edu/~corbette/haiti/misc/topic/leftover/headstate.htm Corbett based himself primarily on Lyonel Paquin (1983) *The Haitians: Class and Color in Politics*, New York: Multi-Type. The DR data are from Moya Pons, Frank (1997) *Manual de Historia Dominicana*, Santiago, D.R. UCMM, 587-598.

These different policy choices can be best understood by adopting the concept of ‘social orders’ as recently developed by North, Wallis and Weingast (2009; NWW henceforth). Capitalizing on decades of seminal scholarship in the neo-institutional tradition, these authors offer an all-embracing conceptual framework to explain the long-term processes of political and socio-economic divergence in relation to the varying solutions societies have devised to the fundamental human problem of violence. The second part of our argument is political elites implement policies and reform institutions in the context of their international relations. These international relations often constrain the choice-set of elite coalitions in varying ways. This external factor is crucial to understand Hispaniola’s divergence, as we will argue, but remains largely outside NWW’s framework.

We will proceed by introducing the key elements of NWW’s ideas in section 2, followed by a brief historical introduction of the island’s separation in two different states in section 3. Section 4 discusses the timing and nature of the reversal of fortune and section 5

offers an explanation of the reversal. In section 6 and 7 we apply NWW's framework to deeper causes of the different social and economic policies implemented in both countries. Section 8 concludes.

2. Violence and social orders

The key premise of NWW's *Violence and Social Orders* is that people engage in social organizations because of a shared preference to contain violence. The different ways in which societies deal with the problem of violence are crucial to understand the different political logics underpinning socio-economic policies. Societies mediate political, economic, religious and military power through formal and informal institutions. These institutions structure human relationships by giving citizens control over resources and social functions and, by doing so, shape the incentives of individuals and groups who have access to violence. The pattern of social organization that emerges from these institutions is what NWW call a 'social order' (2009, xi). NWW distinguish two basic types of social order.

In an 'open access order' (OAO henceforth) violence is controlled by an extensive web of public and private organizations guaranteeing free entry to political and economic markets to all members of society, regardless of their social background, ethnic origin, or political preference. A government monopoly on the use of violence (i.e. civilian control over police forces and the military) is secured by legal, administrative and judicial powers that carefully balance potentially conflicting interests of the state and the society. OAOs support human relationships and economic transactions by formal institutions (law) and by encouraging citizens to participate in public life. OAOs invest huge sums of money in education, health care, arts and infrastructure to strengthen civil society. OAOs are a relatively new phenomenon in human history. Only a handful of Western societies fulfill the conditions of simultaneous open access in the economic and political domain. Once established, however, OAOs tend to be stable, because people internalize its constituting values, such as freedom of speech and congregation, in their belief systems. People are willing to defend these values by articulating their beliefs in social exchanges, cultural expressions and, of course, via the ballot.

In a 'limited access order' (LAO henceforth) violence is contained in a fundamentally different manner: by simultaneously constraining economic and political access. LAOs are stable because people with access to means of violence that pose a credible threat to the political status quo, also have an interest to live in peace and will, therefore, abstain from using force if they can benefit from access restrictions. Hence, the most important condition

for political stability in an LAO is economic monopoly power. Politically controlled entry barriers to economic markets generate the rents needed to reward elite members for the continuation of their political support (or abstinence from violence). Political access, in turn, has to be restricted in order to secure the extraction and distribution of rents among the elite minority. Social mobility is mediated through the vertical and personal networks of patronage, rather than by open competition. The stability of the 'dominant coalition' of elite factions thus depends on its ability to organize its own cohesion.

OAOs are better capable of sustaining economic growth than LAOs because an OAO secures contract enforcement mechanisms that allow economic agents to engage in impersonal exchange (trading without knowing each other). Impersonal exchange is a necessary (though by no means sufficient) condition for sustained economic growth because it pushes market integration, labour division and specialization beyond the limitations of personal trust-based networks. Ruling elites in LAOs that commit themselves to growth-promoting institutions face a trade-off: liberating access to economic markets may enhance productivity and broaden the tax base (which can in turn be used to strengthen political power), but it also supports social mobility outside the channels of political patronage. Social mobility of 'outsiders' poses a threat to political stability when it differentiates elite interests, enlarges the middle class and raises the call for political inclusion and economic reform by larger and more varied groups of citizens.

In NWW's framework the structure of economic rents underpins the stability of the politically dominant elite coalition. When the coalition is unstable, there is a tendency to make rents more 'personal'. Strengthening ties of personal loyalty stabilizes the coalition, but at the cost of reducing market access, which makes the economy less productive. NWW define rent as the '*return to an economic asset that exceeds the return the asset can receive in its best alternative use*' (p. 19). All else being equal, it is much easier to consolidate political power in a resource-rich LAO where large revenues can be derived from assets that are easy to monopolize. One of the explanations for the endurance of many Middle Eastern dictatorial dynasties is that they are underpinned by oil monopolies. In a resource-poor LAO, where rents can only be obtained by directly extracting income surpluses from a large part of the population, elite collations are more difficult to maintain.

OAOs also produce rents, but in a fundamentally different way. In an OAO rents are created by market competition that supports a Schumpeterian process of *creative destruction*. Free market access guarantees that the rents derived from innovations are appropriated by the technicians, scholars, entrepreneurs and investors who invented, applied, adopted and

invested in these new technologies. Their entitlement to rents remains independent of their personal political connections and places their incentive structures in line with the economic objectives of society at large: it generates the technological progress needed to sustain productivity growth.

According to NWW the LAO has been the ‘natural state’ (2009, 31) throughout recorded human history. The authors identify three types of natural states: the ‘fragile’, the ‘basic’ and the ‘mature’ natural state. The main distinction is the degree to which the state credibly commits itself to the development and maintenance of public and private organizations supported by formal institutions. NWW consider Haiti as a prototype of a ‘fragile natural state’; a state that ‘*can barely sustain itself in the face of internal or external violence*’ (2009, 42). In fragile states elite coalitions are volatile and short-lived. Fragile natural states cannot sustain economic growth in ways mature natural states can, because they lack that degree of organizational freedom required for the development of *impersonal* social and economic transactions. For impersonal exchange people have to put their faith in secure contract enforcement mechanisms which reduce the costs of transactions below prohibitive levels. Impersonal exchange, in turn, is a necessary (though by no means sufficient) condition for sustained economic growth because it allows for increasing market size, labour division and specialization beyond the limitation of personal trust-based networks.

States are ‘fragile’ if the dominant coalition is easily upset by external shocks such as natural disasters, relative price changes or military strategic changes of neighbor states. The capacity of any elite faction to remain in charge depends largely on the personality and judgment capacities of its leaders. These leaders often risk death when they make mistakes. Fragile states can achieve some stability when the ruling elites manage to protect the economic privileges of the major political shareholders. Binding and maintaining the interests of the army is critical in this process. In fragile states the institutional structures are simple and not conducive to economic development because ‘*members of the coalition cannot credibly commit themselves to rules or constitutions when the month-to-month reality of the balance within the coalition is in flux*’ (2009, 42). Elite factions fighting for control have a short-term political horizon, which complicates the long run investment policies needed to achieve sustained growth. Public education investments offers a notable example in the Latin American context (Mariscal and Sokoloff 2000; Sokoloff and Engerman 2000; Frankema 2009; Wegenast 2009; Lindert 2010). In the short run government support for public education implies a redistribution of public resources from insiders to outsiders. In the long run it enhances the share of educated people capable of defining their interests and organizing

opposition. Free and open access to various levels of public education is, therefore, a defining feature of a mature natural state.

The present-day DR fits NWWs typology of a ‘mature natural state’. The country has reached a degree of political stability that secures a macro-economic environment conducive to foreign and domestic investment. Economic and political organizations are supported and secured by a set of formal institutions that constrain the use of arbitrary power and reduce transaction costs in the economy. A stable system of property rights protection allows entrepreneurs to develop business or trade organizations independent from personal political connections. Successive DR governments have committed themselves to economic diversification via the removal of entry barriers to capital markets and the improvement of the public education system. DR governments have also subjected themselves to strict laws regulating environmental protection (despite the potential rents that can be obtained from disobeying these laws). Moreover, since 1978 all DR governments have come to power through free and fair elections, which has been unprecedented in DR history.

The key questions that now remain are *why* political elites decide differently with regard to the reciprocal access to economic and political markets? And *why* does a stable order develop in some societies, whereas other societies regularly regress into disorder? In NWW’s conceptual framework the structure of the rents that underpins the powerbase of the elite forms the key to an answer. In the case of Hispaniola, as we will try to show, the structure of the rents indeed mattered a lot, but this structure of rents was critically co-determined by the international context in which both states were operating. This insight subsumes our case-study, as smaller polities always depend to some degree on international alliances to secure their political independence and economic interests. And these alliances constrain the policy-alternatives of political elites to a non-negligible degree.

3. The division of Hispaniola

Although the colonization of Hispaniola became the starting point for the conquest of a vast American empire, the island itself soon lost its appeal to Spanish settlers.² The available sources of gold were rapidly depleted and European germs, violence and mass suicides brought the indigenous *Taíno* population at the verge of extinction in just three decades after 1492. In the second half of the 16th century earthquakes and hurricanes destroyed a series of harvests and a smallpox epidemic killed the majority of imported African slaves. Meanwhile,

² After his first Atlantic voyage during the autumn of 1492 Columbus established a settlement (*la Navidad*) at the north-eastern shores of present-day Haiti. He named the island *La Española*: ‘Little Spain’ (Elliott 2006).

the better situated port of Havana (Cuba) emerged as the major Caribbean stepping stone for Spanish Trans-Atlantic traffic (Pons 2010). During the mid-17th century French *buccaneers* started to roam the island's unprotected northern and western coastlines.³ The depopulated Spanish settler communities in the eastern part of the island were unable to drive them out and military support from Spain was insufficient. Endemic warfare in the Caribbean made it too costly for Spain to reconnect Santo Domingo to its main Atlantic navigation routes. In 1665 Louis XIV claimed the western part of Hispaniola as French territory. Spain officially ceded the territory to France in the Treaty of Ryswick in 1697. The formal recognition of 'Saint-Domingue', as the French called their new colony, paved the way for European investments in a colonial slave plantation complex that turned the area into the world's wealthiest sugar producer by the late 18th century. At the eve of the French Revolution the slave population was estimated at 450-700 thousand souls, controlled by ca. 31 thousand Europeans and 28 thousand free mulattos (Heinl and Heinl 1978, 25; Plant 1987, 7; Fatton Jr. 2007, 18). Sugar output levels outstripped the production of the entire British West Indies (Plant 1987, 7). Saint-Domingue accounted for more than a third of France's foreign trade and became the second trading partner of the US after Britain (Brown 2005, 30; Fatton Jr. 2007, 132). Santo Domingo, that was to remain backwater in the Spanish empire, benefited from its neighbor economy by specializing in the export of livestock products such as meat, tallow and hides to the French plantations.

The balance of power in Saint Domingue was upset in the 1790s. Moved by the ideas and the spirit of the French Revolution the free mulatto population started to demand equal political rights. The ensuing political conflict turned violent and spiraled out of control when both parties decided to enlist slaves in their armies with the promise of manumission after service. This unleashed one of the most successful slave revolts in human history. The slave revolt put a definitive end to French rule on Hispaniola. After the decisive defeat of Napoleon's troops, the Republic of Haiti declared independence at January 1st 1804; the second independent country in the American hemisphere after the US.⁴

To rule out the possibility of a French restoration, all white plantation owners were killed or expelled and most of the sugar plantations were effectively dismantled. The new Haitian constitution drafted by the legendary slave leader Toussaint de l'Ouverture, prohibited slavery and foreign landownership in order to legally prevent a restoration of the sugar slavery practice. The new political leaders understood that agrarian exports had to be the

³ The term *buccaneer* refers to pirates based in the Caribbean (Rogozinski 1999, 85-94).

⁴ "Haiti", meaning "mountainous land", was the Arawak name for the island of Hispaniola.

economic mainstay for the new republic, but opinions differed on how to reform the economy after the demise of the sugar estates. Between 1807 and 1820, Haiti was de facto split up over this issue in two opposing states; the northern kingdom reestablished the sugar plantation system based on mandatory wage labor services. The southern republic redistributed land to independent smallholders and soldiers serving in its army (Brown 2005). More than a decade of war had reduced Haiti's population around 1804 by perhaps as much as a quarter of the pre-1791 total and the dissolution of the French owned sugar plantations had put vast tracts of cultivable land in the hands of the state. However, the newly independent state lacked the policing power to enforce the new peasant class to work on plantations in harvest times and squatting became the new norm. Upon re-unification by President Jean-Pierre Boyer in 1820, the laws of the southern republic were extended to the whole of Haiti, which eventually resulted in the primacy of a rural subsistence economy, with a modest smallholder's coffee export sector.

The development and collapse of the sugar slave system fully adheres to the logic of an LAO. The dominant coalition made up by French sugar planters was stable for more than a century because the elites had coherent political interests in the maintenance of a profitable and extremely exploitative economic system. Because of their small numbers the French and mulatto elites were aware that internal cohesion was fundamental for survival. It is also clear that this economic system was unsustainable in the long run, because it lacked the conditions required to diversify and to open up market access to larger parts of the population. The failure to extend political access eventually also caused its collapse. The subsequent transformation from a capital-intensive plantation economy into a rural subsistence economy structured accessible rents in such a way that it was far more complicated for incumbent political elites to extract sufficient rents to organize long term elite cohesion. Dominant coalitions were frequently undermined by political guerillas that gathered support among a large impoverished peasant majority that found itself excluded from urban-centered patron-client networks.

The Haitian revolution could not leave Santo Domingo unaffected. Haitian forces overran the eastern part of the island in 1801 and again in 1804.⁵ The fear that the French would use Santo Domingo as a base for the re-conquest of Haiti -as Napoleonic troops had done in 1802-03- turned its subjugation into a security imperative. Santo Domingo, which was politically and demographically dominated by creoles and mulattos, reverted to Spanish rule

⁵ In fact, in the Treaty of Basel of 1795 Spain had granted the entire island to France. The Haitian government claimed to be the rightful heir to this treaty (Bellegarde-Smith 1990: 52-53; Stinchcombe 1995: 201-207).

in 1814 after expelling the Haitians with the help of European naval support. Pons estimates that the DR population was halved by 1809 in comparison to the 1789 level as a result of endemic warfare and the prolonged economic crisis. Colonial entrepreneurs, landowners, intellectuals and clergymen were either dead, or had left the island (Pons 2010, 116). Haitian forces under command of President Boyer again seized the country in 1822 and established an “iron rule” that lasted until 1844 (Schoenhals 1990, xviii). Slavery was again abolished and land was seized from the church and large landowners on a large scale. The economy fell into a new prolonged period of disarray. These 24 years of Haitian occupation of Santo Domingo germinated long-lasting tensions that remained interwoven in the interactions of both societies until the present day.⁶

However, the Haitian revolution affected international relations in the entire Atlantic world. Especially Cuban and American slave owners watched the slave revolt in their ‘backyard’ with great suspicion (Saint-Louis 2010). According to Stinchcombe Haiti became “*a racial symbol of powerful and rich blacks, black rulers, black generals winning wars*” (1995: 247). The US government refused to recognize Haiti as a sovereign state until the 1860s. France and other Caribbean slave states contained ‘Negro power’ with trade embargos and international diplomatic isolation. Haiti’s international excommunication greatly reduced its opportunities to revitalize its agrarian export sector (Lundahl 1989; Geggus 2001; Fatton Jr. 2007), while the revolution pushed the political orientation of post-independent DR governments in an opposite direction. Securing foreign military support from Spain, Britain, France and the US was a primary concern for successive DR governments until their military had become so strong under Trujillo in the 1930s that the balance of military power was decisively tilted the other way.⁷

The changing international relations in the wake of the Haitian revolution are important to understand why Haitian society failed to overcome endemic political instability in the course of the past two centuries and, also, to understand why DR elites, who essentially operated in equally chaotic circumstances, with equally predatory and coercive solutions, eventually committed themselves to policies supporting economic modernization. These policies generated a set of institutions that created sufficient scope for secure land ownership, environmental protection, foreign investment and a steady expansion of key public services

⁶ The fact that Dominican doctors were one of the first to provide medical care after the earthquake has been widely regarded as a hopeful sign of change in the complicated relationship between both countries.

⁷ Spanish troops were even invited to take possession of the island in 1861, but were expelled once again after a bloody civil war in 1865. In the 20th century the Dominican Republic created one of the strongest armies of Latin America and much of the popular support for the army is clearly based on the tensed relationship with Haiti.

such as education, health care and infrastructure. None of this emerged in Haiti at any comparable scale or time horizon. As in North and South Korea, where the communist and capitalist development models are reinforced by mutual political resentment, the *persistent* differences in the economic development models of Haiti and the DR were nurtured by the social, political and cultural cleavages that had grown so deep during the Haitian occupation.

4. The reversal of fortune, 1870-1930

The DR established a sustained economic lead over Haiti during the six decades between 1870-1930, an era in which export-led growth improved living standards in large parts of Latin America (Thorp 1998; Bulmer-Thomas 2003). Increasing exports of agricultural commodities and mineral resources were driven by an increasing demand from the industrializing countries in the North, a dramatic decline of ocean freight transport costs and the increasing availability of foreign capital and technological knowledge (O'Rourke and Williamson 1999; Taylor 2006). As the US emerged as the world supreme economic leader in the late 19th century, US investors were eager to find profitable outlets of financial capital inside and outside their country. The DR managed to bandwagon the 'Golden Age' of Atlantic economic integration by developing a competitive sugar industry.

The expansion of the DR sugar industry was to a considerable extent financed by US capital and guided by the know-how of Cuban sugar planters who fled the civil war (1868-1878) in their own country (Baud 1987). Cuban sugar entrepreneurs were familiar with the newest technologies in cane cultivation and sugar milling and disposed of the necessary capital to set up their businesses elsewhere on the basis of wage-labour (the Cuban war concluded with the formal abolition of slavery). Between 1875 and 1882 no less than 35 steam mills were built and sugar constituted more than half of the annual export value of the DR between the late 19th and mid-20th century.

Haiti failed to embark on a path of export-led growth. Coffee was the major export commodity, but the Haitian smallholders did not have access to sufficient land and capital to expand and professionalize their businesses. Figure 2 presents the sugar and coffee export volume indices for 1880-2000 with the base year 1900 (= 100). The graph shows that sugar exports in the DR increased at an exponential rate between 1880 and 1930. Sugar exports rose from 4.5 thousand metric tons in 1880, to 54 in 1900, 93 in 1910 and 323 thousand in 1929. Haiti exported 30 thousand metric tons of coffee around 1900, but despite intermittent fluctuations this quantity was almost similar in 1929 and even a bit lower on average during the early post-war years (Mitchell 2007). In 1910 the per capita US\$ value of DR exports was

twice as high as Haiti's.⁸ In 1929 the gap had grown to a factor 3, in 1950 to a factor 4 and in the early 1970s to a factor 8 (Mitchell 2007).

The commercial expansion of the DR spurred the development of domestic transport and communication networks (Pons 2010, 491). Foreign investors from Cuba, Europe and the US built up their stakes in the sugar industry and supplied the capital for investments in railways, port facilities and communication systems (Plant 1987, 14-16). Railway construction picked up during the 1880s and resulted in a track of ca. 180 km in 1900, connecting the major cane growing areas to the coastal ports of Santo Domingo and San Pedro de Macorís. With a reported length of 37 kilometers in 1900 railway construction in Haiti had hardly taken off (Mitchell 2007). By the late 1920s the per capita number of cars and telephones in use was approximately three times as high in the DR (Mitchell 2007, Tables F6, F9).

The record of primary school expansion points to a more encompassing commitment of successive DR governments to socio-economic modernization. Table 2 shows the development of gross primary school enrolment rates per decade between 1920 and 2000. The share of children in school in the DR was double that of Haiti by 1930 and even three times as high one decade later. By 1960 the DR had reached virtually complete primary school enrolment rates, while in Haiti about half of the children had no access to education and this remained the case throughout the 20th century.⁹

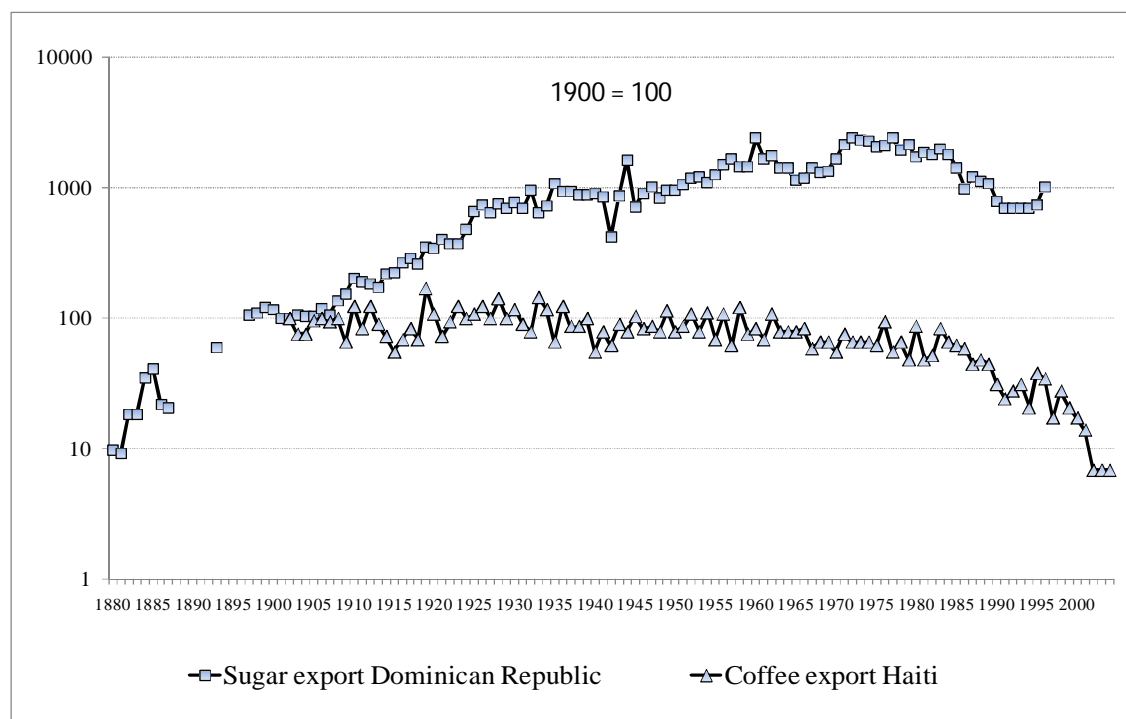
The average primary school enrolment rates of 15 Latin American countries (table 2, 4th column) indicates that mass education was spreading faster in the DR than in most other Latin American countries. By 1930 the DR lagged behind with ca. 15%, but by 1960 it had surpassed the regional average by 11%. A similar rapid increase occurred in secondary education after World War II. Between 1950 and 1960 the enrolment rates increased from 12 to 22% in the DR, against a rise from 3 to 5% in Haiti. Illiteracy figures illustrate the enormous impact of the divergence in educational development: in 1950 ca. 87% of the

⁸ The IMF economists Jaramillo and Sancak (2007) argue that the economic and institutional differences between Haiti and the DR were insignificant until the 1930s and claim that the DR established a decisive lead in per capita income only in the early 1960s. They rely on a comparison of dubious GDP per capita series starting in 1960 from the World Development Indicators. Surveying income and land distribution statistics Lundahl has demonstrated that Haitian census estimates are "among the worst in Latin America" because of guesswork, deliberate government manipulation and a complete lack of accurate rural income data (1996, 110). Jaramillo and Sancak concede that the absence of data prior to the 1960s hampers their analysis, but completely ignore the existence of alternative data and even fail to mention the take-off of the sugar industry in the DR in their historical survey (2007, 24).

⁹ The current situation in Haiti is so dramatic that the publication of official figures on primary school enrolment has been stopped altogether.

Haitian youth aged 15-24 was illiterate, while in the DR this rate had been reduced to 47% and continued to decline rapidly afterwards (UNESCO 1965).

Figure 2: Index series of the volume of sugar exports of the Dominican Republic and coffee exports of Haiti, 1880-1960 (1900 = 100; y-axis logarithmic scale)



Source: Mitchell 2007, Tables C16 and C18

Table 2: Gross primary school enrolment rates, 1920-2000

	Dominican Republic	Haiti	Average of 15 LAC's*
1920	na	18	47
1930	41	22	56
1940	63	20	63
1950	75	34	75
1960	99	38	88
1970	107	49	98
1980	118	67	102
1990	97	56	103
2000	118	na	113

Source: Frankema 2009a, Appendix Table A.4.1., pp. 222-223. See also Frankema 2009b.

Notes: Observations of year closest to stated year. The average enrolment rates for 15 Latin American and Caribbean countries is unweighted and includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruguay.

Historical accounts of the labour situation in the DR reveal that part of the fruits of growth trickled down to the lower income classes. In 1884 the first strike of Dominican cane cutters for higher wages was recorded (Plant 1987, xii). In the following decades more and more Dominicans refused to work in the cane fields because alternative jobs in agriculture were more profitable and there was abundant land available to start new farms. Immigrant labour had to be recruited from Cuba, Puerto Rico and the Canary Islands, in order to accommodate the labour shortages during the harvest season. During the US occupation of the DR (1916-1924) an increasing part of the labour reserve was supplied by landless Haitian peasants (Plant 1987). Dominican workers could afford to avoid the miserable labour conditions in the cane fields. For Haitian labour migrants economic necessity outweighed the deep emotional objections against the return to ancestral conditions of labour confinement.

A comparison of real wage levels in 1950 provides an impression of the degree of inequality that had emerged over the past half century. An unskilled male adult day labourer in Port-Au-Prince would earn circa 1,350 Haitian Gourdes a year, which is the equivalent of 270 US\$ at the official 1950 exchange rate. Unskilled adult male workers in Ciudad Trujillo (Santo Domingo) would earn approximately 440 US\$. The nominal wage difference of 63% cannot be explained by differences in price levels. Calculating the price differential of a basic consumer basket containing rice, maize and wheat flour, meat, sugar, oil and soap we find that only 18% of the nominal wage differential can be explained by higher consumer prices in the DR, which leaves a gap in real wage income of 45%.¹⁰

Of course, this is a very crude estimate of wage inequality, but probably an underestimate. When we take the compositional differences of the labour force into account it is highly likely that average real income gaps were higher than 45%. In 1970 more than three-quarters of the Haitian labour force was still employed in agriculture. Average subsistence farmer's incomes were under pressure of land degradation and population growth (Lundahl 1979, 81). Stagnating agricultural exports coincided with a steady decline in the average size of landholdings due to maintenance of the *Code Napoléon*, stipulating that all children have equal property inheritance rights (Lundahl 1979, 278). The 1971 agrarian census reported an average holding size of 1.4 hectare, while 86% of Haiti's farmland was part of a holding under 5 *carreaux* (6.5 hectares). These *minifundias* were used for a mixture of food (corn, sorghum, rice) and cash crop cultivation (coffee). The ratio of cultivated land to labour had

¹⁰ These real wage calculations are based on wage and price data derived from the Institut Haitien de Statistique, *Bulletin Trimestriel de Statistique*, No. 1, 1951, Port-au-Prince; and Direccion General de Estadistica, *Anuario Estadistico de la Republica Dominicana 1950*, Ciudad Trujillo

become the lowest (0.6 hectares) in all of Latin America (Lundahl 1979, 76). By comparison, in the DR the share of the agricultural labour force shrunk from 72% in 1950 to 47% in 1970 to just below 20% at the close of the 20th century (ILO 1997).

The structural change of the DR economy created opportunities for fiscal reforms that proved impossible to realize in Haiti. In the second half of the 19th century government budgets in both countries relied for more than four-fifths on custom revenues. The DR managed to diversify its fiscal basis and increase the share of internal taxes (property, income, consumption) and non-tax revenues so that the share of custom duties in total government revenue declined from ca. 80% before 1914 to ca. 25-30% by the end of the 1930s. These fiscal reforms widened the scope for long term public investment programs and, even more fundamentally, underlined the gradual development of a social contract between state and society: even Trujillo, one of the most cruel dictators of 20th century Latin America, understood that when a state levies direct taxes it has to offer something return. Haitian governments remained heavily dependent on volatile custom duties and foreign aid during the entire 20th century.

5. Why did the Dominicans seize the opportunity?

Why were the Dominicans, contrary to the Haitians, able to realize export-led growth? Ecological differences can certainly not explain the migration decision of Cuban planters in the 1870s-1880s. After all Haiti had been the world's leading sugar producer for a long time and still was an ideal tropical location for cane cultivation. However, the Haitian constitution prohibited foreign land ownership. This law reflected the deep resentment against the former colonial plantation system. Various 19th century Haitian governments have tried to recover the plantation economy, not in the least place to increase the state revenue basis. But their attempts to introduce the so-called *codes rural*, stipulating the labour obligations of peasants on large commercial farms, were jeopardized by popular resistance. Haitians refused to comply with legislation forcing them to become wage workers on cash crop plantations. Many former slaves choose to set up a farm in the mountain areas (*Marroonage*), where they could live outside state control, avoiding army recruiters and tax collectors (Lundahl 1979).¹¹

Black peasant resistance against mulatto attempts to revitalize the plantation economy was, more than once, used by shrewd political entrepreneurs to overthrow the incumbent government. Peasants organized as guerillas (the *cacos*) attacked the propertied classes. Such

¹¹ The general disposition to legal disobedience still hampers rural development, as many peasants never cared to register their land entitlement. This complicates the formation of size-efficient farms (Rogozinski 1999).

agrarian revolts often unleashed a new wave of military repression and centralization of power under newly installed leaders (Fatton Jr. 2007: 106). Potential mulatto investors lost interest in a rural living and started to lease out their lands to smallholders on the basis of a share-cropping agreement. Hence, by the end of the 19th century almost all of the cultivable land was cultivated by smallholders, the majority of which engaged in subsistence farming. The inability of large landowners to secure their economic interests via the political channel was quite exceptional in the Latin American context (Lundahl 1979; Frankema 2009) and is of great importance in view of the NWW thesis. Political stability was recurrently undermined by waves of violent guerilla attacks and military counter-attacks. However, an environment where the majority of black peasant farmers was so openly hostile against *latifundistas* (particularly when former slave-owners!) was not very attractive to Cuban planters considering emigration.

The fact that Haiti prohibited foreign investments in its agricultural sector does not explain why Cuban planters choose to settle in the DR. In fact, investment prospects in the DR were far from optimal either. In the 14 years between the end of Spanish rule (1865) and the victory of the liberals (1879), the DR witnessed no less than 21 regime changes and endemic guerilla warfare between liberal political forces from the North and conservative forces in the South. However, as a former Spanish colony the DR had something to offer to Cuban sugar lords who, after all, spoke and thought in Spanish. Cuban planters shared their cultural identity with the creole and mulatto elites in the DR. There was no open hostility against plantation owners and large plots of state owned lands could be bought or leased at a reasonable price.

Still, the liberal hold of power in the 1880s was crucial in pushing the incipient sugar industry beyond its formative stage. The liberal government decided to open up new lands for sugar plantations and grant concession to foreigners for the construction of new sugar mills. Tax exemptions were granted to the producers of vital agricultural and industrial commodities such as sugar, salt, coffee, soap, bricks and candles. The liberal elite factions were rooted in the tobacco-growing economy of the Cibao region. Tobacco was mainly cultivated on small to medium size family farms. The principle export-connections were controlled by German merchants (i.e. political outsiders) who organized the shipment and insurance of DR tobacco to the major ports of Bremen and Hamburg. Because of the decentralized structure of the tobacco trade and the year-round employment it provided, mercantile classes had little chances to monopolize part of the trade and extract rents by raising price margins (Baud 1987: 137).

This particular social and economic structure gave rise to a number of democratic procedures for the selection of tobacco industry representatives, who resisted taxes on income or land, but agreed on the use of custom duties for the military struggle against the South, for investments in infrastructure such as roads and port facilities, and for the development of credit institutions facilitating agrarian loans and public education (Hoetink 1982). In the South the rural system was dominated by large landowners, who relied on debt peonage to grow food crops, raise cattle and produce timber. They resisted the development of an independent peasantry, but the development of the sugar trade transformed the socio-economic relationships in the South. Impoverished peasants were eager to sell their land and start working as wage workers in the cane fields, in the sugar mills or in complementary service activities (Bryan 1978).

In sum, Haitian and DR elites were both aware of the policies required to realize an export-led growth model in the closing decades of the 19th century. In both countries such policy considerations were subject to violent confrontations. In the DR these confrontations were designed along regional lines, in Haiti they took the form of a class struggle between urban (mulatto) elites and the free black peasantry. However, the combination of Haiti's domestic institutions (the constitution) and its adverse international reputation worked strongly against the expansion of its domestic export sector through foreign investments. DR elites, on the other hand, were forced to look for international partners in order to secure its political independence. Political opposition against foreign economic interference (investors, land ownership etc.) existed, but was not strong enough to undermine the institutions that secured foreign economic interests. The liberal era created a critical juncture in the development of DR's social order, because it invited foreign investors and domestic entrepreneurs, who had little political influence beforehand, to become a major economic and political actor in the 20th century.

6. How foreign interventions affected the structure of rents

In the previous section we discussed how the legacy of the economic transformation after the slave revolution affected the internal political dynamics and, in turn, the choices of governments to support or restrict foreign business initiative. Here we pursue our argument that the gradual opening of access to economic markets was more likely to sustain in the long run in the DR than in Haiti, despite the fact that this was certainly not a linear process, nor one with a pre-determined outcome.

The growing access to foreign capital during the late 19th century created a problem in the DR that is often witnessed in LAOs: as the state is captured by private interests (self-enrichment, patronage) it can be burdened by unsustainable levels of public debt at the expense of society at large. An unsustainable level of foreign debt forced the DR government in the early 1900s to sell off its main public revenue source (the custom houses) to the Santo Domingo Improvement Company (SDIC): a euphemism for an American private and profit-based company. The SDIC bought out European creditors and acquired large control over the DR state finances. In 1905 the US president Theodore Roosevelt announced the financial annexation of the DR because of its inability to repay its debt and set the SDIC on a side track. This financial annexation would last for more than 40 years, until Trujillo paid off the last portion of foreign debt in 1947 and resumed control over the custom houses (Munro 1964). This long period of US control over the DR's custom houses had profound implications for the structure of rents that could be captured by the political elites.

Between 1916 and 1924 the US further enlarged its grip on the DR through a full-fledged military occupation. This occupation was a direct response to war time conditions. With the opening of the Panama Canal in 1914 the island of Hispaniola had gained major strategic importance. Enduring political instability in the DR, with no less than 14 regime changes since 1899, was considered to be against US interests in a time of grave military and economic tensions. Although the military occupation was highly unpopular (not in the least place because of its repressive nature), it proved a blessing in disguise for the sustainability of DR's incipient economic development (Calder 1984).

The occupation re-established a minimum level of political stability needed to secure business interests and protect foreign and domestic investments. The military government restored financial stability and balanced budgets. The chronic shortage of seasonal labour was relieved by a program allowing the temporary migration of Haitian peons to work in the cane fields (Plant 1987). Investments in public works were scaled up. With the completion of a national network of highways a permanent transport connection between the North and South was established, which was a major step forward in the political unification of the DR. Moreover, the military government carried out a strict program of civilian disarming, thereby reducing the future power of local guerilla movements. The new national army built up under US supervision was granted the exclusive monopoly on the use of force (Calder 1984). The years following the occupation were characterized by growing prosperity and political freedom. For the first time a new DR government was installed via free and fair elections. Horacio Vásquez (1924-1930) guaranteed press freedom and the control of the army by the

civil administration. While the world economy recovered from the First World War and DR's export revenues surged, Vásquez continued the investment programs in infrastructure, education and health care.

For the occupation of Haiti the US had almost identical motives: prevent German occupation of the island, restore political order and enforce delayed payments to US money lenders (Schmidt 1995). The occupation of Haiti was to last much longer, however, from 1915 to 1934. The Americans immediately set out to break the destabilizing potential of the *cacos* by training a national army (the *Garde d'Haiti*) and develop local infrastructure to consolidate army control. Yet, the US intervention achieved far less of its goals in Haiti in two decades, than in the DR in eight years. There were two major reasons for this difference. First, US forces found popular resistance much more difficult to handle than in the DR. Second, the available resources to invest in Haiti were much smaller and harder to obtain, since fiscal revenues were smaller and less easy to tap.

Given the lack of domestic investment capital in Haiti the Americans introduced a *corvée* system of forced labour to construct roads, which revived the memories of slavery and racial discrimination, especially when some US officers started to abuse the system for other purposes. An early uprising against the *corvée* system was put down by US marines, but guerrilla warfare continued unabated (Bellegarde-Smith 1990: 82). The *corvée* system was abolished in 1918 because it generated too much hostility. Agrarian reforms, including the introduction of new agrarian technologies and the reorganization of the public education system, also stayed put, because public funds had to be channelled towards Haiti's debt redemption.

In order to pave the way for foreign investors the Americans drafted a new constitution in 1918 removing the clause that prohibited foreign landownership. In addition, a 1922 law authorized the "leasing of unoccupied lands" for longer periods (Lundahl 1979, 266). These measures did not generate the expected large-scale investments, however. When the US forces withdrew in 1934, only two large American-owned enterprises were operational: the HASCO (sugar) and the Dauphin Plantation (sisal) (Pettigrew 1958). The American endorsement of large-scale plantations led to opposition among peasants, especially after the expulsion of peasants from their lands. The bloody 1929 uprisings worried president Hoover so much that he initiated a scheduled withdrawal to save the reputation of the US army. The Haitian development program, intended as a long-term venture, was among the first elements to be "sacrificed".

The gravest miscalculations on the American side (which bear close resemblances to recent experiences in Iraq and Afghanistan) pertained to the particular socio-ethnic garment of Haitian society: the marines brought a “strong racial prejudice” to Haiti, according to which all Haitians were black, illiterate peasants and inferior to the white race (Lundahl 1979, 466). This attitude violated the distinction that the members of the light-skinned Haitian elite themselves made between the black peasants and their own kind and thus incited antagonism among the mulattos who had initially welcomed US intervention, since the occupiers needed them in government positions. The exhibited racism thwarted the agricultural education project which relied on support from the Haitian elite. The Americans disdained the traditional Haitian school system with its emphasis on (heroic) literature and classical studies according to French model; reform plans suggested by the native Minister of Education were ignored. The American belief that the Haitian peasant would benefit more from agricultural and vocational education was based on the idea that Haitians did not need intellectual instruction and provoked resistance from the Haitian authorities who resented American arrogance. Thus, the US occupation failed to induce change in the Haitian education system that kept perpetuating the overt class divisions between the governing elites and the illiterate peasants. And without a sound education system this malicious social equilibrium kept burdening social and economic progress in Haiti throughout the remainder of the 20th century.

7. Two ‘strands’ of dictatorial rule, 1930-1986

US efforts to export ‘democracy’ to other places in the world have a long history, with varying rates of success. Within a few years after the departure of the US marines, dictatorial rule was restored in Haiti and the DR. In both countries dictators emerged who managed to consolidate power for a long time (Trujillo in the DR, 1930-1961; the Duvalier dynasty, 1950-1986). However, there were clear differences in the way these dictators organized their political support.

In just a couple of years after his coup d’état in 1930, Trujillo created a *de facto* monopoly on political power which he retained for more than thirty years until his assassination in 1961. His economic policy focused on the expansion of domestic production through import substitution. Agricultural self-sufficiency and rapid industrialization were the hallmarks of this philosophy. Trujillo’s economic management intertwined economic expansion with elite predation. He passed numerous laws granting monopoly rights to enterprises or even entire sectors in which he built up his personal stakes. A large number of companies were bought up with public money or via dubious fiscal constructions. Trujillo

became the national captain of industry, owning all sorts of industries, ranging from cement, paper, glass and nails to medicines, liquors, textiles and, of course, sugar. He also controlled the financial sector (Crassweller 1966; de Galíndez 1973).

Trujillo's self-enrichment went hand in hand with real progress in technology, productivity and structural change (Crassweller 1966; de Galíndez 1973). Vast tracts of unopened state land were allocated to landless farmers and brought under cultivation. Turits (2003) shows how Trujillo negotiated the opposing economic interests of various stakeholders in his policies of land redistribution, where he managed to simultaneously satisfy the demands of the big sugar companies and the peasantry, as well as safeguarding the interests of the US government and his domestic political clientele. The agrarian sector achieved self-sufficiency in major staple crops like rice, corn and beans by 1950. Agrarian growth reinforced industrial expansion. Between 1938 and 1960 the number of manufacturing establishments almost doubled, while industrial sales grew with a factor 12, capital investments with a factor 9, raw materials input with a factor 14 and the expenses on fuel and lubricants even with a factor 22 (Pons 2010, 362-363).

The US government tolerated Trujillo's systematic violations of human rights because he was a proclaimed anti-communist and guaranteed stability, until in the 1950s his cleptocratic style of government became obsessive. His nationalization programs started to choke off economic growth and attempts to expropriate the large American-owned sugar businesses in the DR were a clear sign that he had lost sense of political reality.¹² The Trujillo dictatorship shows, in line with the legacies of dictators like Pinochet (Chile) and Suharto (Indonesia), that rapid economic progress is not necessarily bound to concur with widening political access. In fact, under Trujillo political access became more restricted than ever. It was the stability and, hence, the predictability, of his economic rule which created secure conditions for long term investment programs. Trujillo's monopoly on the use of violence, as former chief of the national army, had made it easier to contain political opposition and prevent disorder. Trujillo's major investment programs in education, infrastructure, health care and his balancing of agrarian versus urban interests contributed to his grip on power. Although his economic policies eventually hampered further economic development, these

¹² In the final years of his rule Trujillo was confronted by an invasion of Dominican exiles and economic sanctions from the OAS (the Organization of American States) in response to his shameless attempt to murder Betancourt, the president of Venezuela. As the DR balance of payments worsened and many of his associates started to transfer their funds to foreign banks in fear of his downfall, Trujillo had to resort to the IMF for debt assistance. He was eventually assassinated by an alleged CIA directed conspiracy in May 1961 (Pons 2010).

investments created a basis for subsequent regimes to re-open market access and restore economic and political competition.

After Trujillo's death, political exiles returned to the DR supporting the democratization movement. Between 1961 and 1978 Neo-Trujilloist politicians (primarily Joaguín Balaguer) gave way to the popular call for political democratization, supported by an increasing number of depoliticized public and private organizations (Pons 2010). By the 1970s a politically conscious urban middle class of intellectuals, artists, merchants, entrepreneurs, lawyers and doctors had gained sufficient influence to tilt the balance. The number of university students had increased from about 300 in 1930 to 4.000 in 1961 and 45.000 in 1977 (Mitchell 2007: Table I2, 795-796). The diffusion of telephones, radios and motor vehicles in an emerging urban consumer society facilitated the spread of news, press reports and the organization of mass protests. The attitude of the US had also changed considerably. The US now actively promoted the democratization process in the DR.

The Duvaliers (1957-1986) did not manage to replicate Trujillo's dual trajectory of expansion and predation. Despite the promises of Francois Duvalier to establish a fundamental break with a long history of economic stagnation, political oppression and social inequality, the Haitian peasantry was soon deprived of its illusions. Proposed reforms of the agrarian sector and the education system lacked a long term investment strategy and consistent political commitment. Trade unions were prohibited. The village school system which the Americans had tried to reform, reverted to traditional patterns which, as Lundahl (1979, 26) argues, constituted "*one of the main instruments whereby the governing cliques dominate the peasants.*" Hence, where entrepreneurs in the DR were able to draw from an increasing supply of educated employees as a result of public investments in mass education, the Haitian elites stuck to the opposite strategy: avoid public investments supporting the rise of a middle class. Hence, the two American companies in Haiti, HASCO (sugar) and the Dauphin Plantation (sisal), that established a relatively successful business during the occupation years, were only able to survive because they were allowed to function as a state within a state. They set up their own villages for their workers, their own schools and sport accommodations and also initiated the development of local infrastructure, while struggling with an impermeable system of land property rights.¹³

¹³ Pettigrew (1958) discusses the process of land acquisition at length. The Dauphin Plantation obtained a lease contract from the Haitian government for unoccupied state land for thirty years, which no doubt was only approved because of US political pressure. However, the government land was interspersed with privately cultivated fields. Because it was essential to have vast interconnected tracts of land, private land titles had to be transferred to the company. The company eventually managed to obtain all the private land, but the procedures

Another major contrast with Trujillo was the effective dismantling of the US trained *Garde d'Haiti* after Francois Duvalier (Papa Doc) assumed power. The American cooptation of the mulatto minority during the occupation had reinforced racial tensions in Haitian society and Duvalier's power was to a considerable extent based on playing upon these popular sentiments. His candidature was supported by the *négritude* movement, an urban based mob of black Haitians, from which he recruited his personal terror gangs, the infamous *Tonton Macoutes*. By dismantling the national army, Duvalier quickly destroyed the chances at the creation of a stable violence monopoly, one of the preconditions for a future of prolonged political stability (Ferguson 1988, 38-41). Trujillo did exactly the opposite. He (ab)used the American trained army to solidify his position.

His initial good relations with the Americans resulted in renewed aid assistance and widened access to foreign loans, but the US became increasingly alarmed over Duvalier's open human right violations and his ambivalent attitude regarding communist propaganda. After all, Duvalier ruled Haiti during the heydays of the Cold war and the Cuba crises. Duvalier was entirely pre-occupied with maintaining his personal position and, from time to time, survived attacks on his life and that of his family. He evolved into the prototype of a whimsical dictator. In this light, it is no surprise that his government failed to channel part of the available aid into cheap rural credit programs for farmers, or to devise fiscal measures in support of commercial agriculture. There simply was insufficient stability for a long term political horizon and the state's revenue basis kept eroding: the rising population pressure and ecological degradation put increasing strains on the production of subsistence commodities (Lundahl 1989). The agrarian crises that was about to unfold, required a type of coordinated and collective action for which no institutional structures were in place.

The constraints to institutional reform were rooted in the immediate post-revolutionary years. Former slaves chose to secure economic independence by subsistence farming and continued the practice of *marroonage*, even after the abolition of slavery, showing how deeply suspicious the peasantry was of any state initiative. Due to a lack of rent extraction possibilities, the system of political patronage was never able to support large groups of clients. Hence, political power remained difficult to consolidate and the conditions for

lacked transparency, as Pettigrew recalls: "*But finally I signed and a couple of literates who held power of attorney from all the rest signed. I handed over several thousand dollars in the presence of the notary [...] How it was ever distributed is one of those mysteries but it was. After commissions to the surveyor and those acting with power of attorney and others I doubt if much over half the sale price ever got to the rightful owners*" (123-4).

securing growth-enhancing public and private institutions remained weak. This vicious circle proves hard to break.

Indeed, the differences in style of government between Trujillo and the Duvaliers reflect the distinctions in the social order of both countries quite well. Trujillo dealt with the problem of violence by strengthening both, the national army (which secured his political position) and the public revenue basis (which secured his economic position). Trujillo was able to establish a degree of economic security based on tangible government commitments to social investments. Duvalier's terror gangs were cheaper to maintain than a full-fledged national army. These gangs operated on a strictly personal basis and were directly tied to the central leadership by a cult of fear.

Jean-Claude Duvalier made no attempts to break with the arbitrary violence and structural repression of his father, and probably did less to preserve the economic interests of Haiti. He undertook no action to preserve the Haitian sugar and sisal businesses from collapsing under pressure of falling world market prices, despite the ironic fact that Haiti became a net importer of sugar in the 1980s. He and his wife, Michèle, took pleasure in showing off their conspicuous consumption to the poverty stricken masses (Ferguson 1988). Baby Doc came to symbolize the immoral predatory state; a state which had lost every bit of legitimacy in the eyes of the people it was supposed to work for. One author almost exactly puts it in the terms of NWWs typology of a fragile natural state: *"for the past thirty years, the country's problems have been compounded; the economy is in a permanent state of degradation, the political system is marked by the absence of any functioning institutions, the already weak sense of the public good is vanishing, class divisions have become obscenely inordinate, and poverty has deepened to an alarming degree [...] Finally, the absence of legitimate central authority has contributed to the parcelling of violence and the proliferation of armed gangs with ever shifting alliances."* (Fatton Jr. 2007, 7).

8. Conclusion

In his classic study *The Haitian People* James Leyburn argued that *"If ever a country had an opportunity to start absolutely fresh in choosing its own social institutions, Haiti had that opportunity in 1804. Free at last, with no traditions to uphold, the first independent Negro state in the world, owing allegiance to no man or nation [...] All paths were open to them."* (1966, 32). We firmly disagree with this statement and NWW's theory of social orders helps to understand why *the choice of social institutions* is constrained by the internal logic of limited access orders.

Right after the end of the slave revolt in 1804 the new Haitian leaders sought to consolidate their power by increasing state revenue via the recovery of the plantation economy. The majority of ex-slaves wanted to secure their dearly won independence via the establishment of subsistence farms on free land. They resisted every attempt at the reintroduction of labour discipline. The state lost this battle because it had little opportunities to mobilize the resources needed to impose reform laws and to reintroduce coercive policies. The mountain areas inhabited by dispersed communities of maroons, proved a perfect breeding ground for guerilla groups jeopardizing the establishment of a violence monopoly by the state for centuries to come. According to Fatton the skewed relationship between state and society, “*engendered a generalized indiscipline that incited governments to rule with brutal coercion and people to resist by inventing new means of fugitive conduct.*” (2007, 67).

However, fugitive conduct was not just a deliberate strategy of ex-slaves who wanted to escape state coercion. Social and economic isolation was also externally enforced because of the international excommunication of the Haitian government far into the 19th century. Because the independent republic was not recognized as a sovereign nation state, it was impossible to form strategic alliances, to get access to foreign loans and to safeguard trade interests. Forced isolation greatly reduced the manoeuvrability of successive Haitian administrations. When opportunities for export-led growth opened up in the late 19th century all the odds were stacked against Haiti.

NWW point out that people’s belief systems are determined by their conception of historical events. The slave system had created a deep aversion against the plantation sector and the successful revolt against it had strengthened the conviction that an escape from oppression was possible. The identity of the Haitian society is uniquely shaped by the fact that it is the only country in the world where slaves actually liberated themselves. US politicians seriously underestimated these sentiments during the occupation (1915-1934) and were incapable to overcome popular resistance. The Duvaliers managed to stay in power for about thirty years, but only because they maximized repression based on personal ties and survived a number of assaults with a considerable dose of luck.

Sustained economic growth and structural change in the DR was of course not the inevitable result of Haitian underdevelopment. Yet, it certainly helped to raise popular support in favor of a distinctively different economic development model. The specific island geography created a mirror image, in which Haitian society reflected as ‘anti-modern’, ‘stagnant’, ‘illiterate’ and ‘irrational’. The DR benefitted from this image in maintain important international relations. The Cuban civil war generated an unexpected inflow of

foreign capital and technological knowledge; when recurrent political instability threatened to undermine the incipient export industry, US strategic interests during the First World War helped to restore political order, curb the monetary crises, complete the unification of the country and contain guerilla violence by monopolizing military power. By the time Trujillo put these achievements at stake in the last years of his dictatorial reign, a substantial group of intellectuals, exiles and urban professionals was able to prevent retrogression. Trujillo himself had laid an important part of the basis for this middle class political victory. The consolidation of the twin process of democratization and economic growth was not pre-determined by history, nor is it secured forever, but we are convinced that it was more likely to happen in the DR than in Haiti after 1844.

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