

Did 1898 Mark a Fundamental Transformation for the Cuban Sugar Industry?

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Whoever says economic union says political union. The nation that buys, commands. The nation that sells, serves.

José Martí

The bank that underwrites the cutting of the cane is foreign, the consumers' market is foreign, the administrative staff set up in Cuba, the machinery that is installed, the capital that is invested, the very land of Cuba held by foreign ownership...all are foreign, as are logically enough, the profits that flow out of the country to enrich others.

Fernando Ortiz

Tell a workaday historian that a date is significant and he or she starts to break out in a cold sweat. Ever wary of those who generalize about watershed moments in a nation's history, professional historians immediately start to act surly and think of all the reasons why that era or date really failed to transform the course of events or signal a tidal wave change of values, ideologies, methods of warfare or technologies. Instead, we invariably fuss about all the exceptions and nuances that complicate our understanding of that era. Periodization by definition is the bane of the academic historian's existence; that's why we so cavalierly dismiss textbooks which glibly write of the Second Industrial Revolution or The Age of Romanticism as if such epochs represented a pivotal departure from the past. So it was with no small measure of trepidation that I have entitled this paper as I did. Such a title carries more than its fair share of symbolic freight especially in the wake of the ubiquitous retrospectives that marked the centennial of the Spanish-Cuban-American War of a few years past.¹ Most would expect this paper to speak about how the North American occupation of the island had indelibly altered the factors of production in the countryside and then provocatively conclude that Cuba was either a hapless lapdog of Yanqui imperialism or that the island's newfound protectorate status within the North

American hegemonic orbit had ushered in an era of unprecedented foreign investment, signalling peace and prosperity for Cuban sugar growers and their workers.

Compounding the problem, is that if there ever was a date or an event that merits this kind of weighty baggage, it might just be 1898. Latin American, Spanish and North American contemporaries all wasted no time in claiming (for very different reasons) that the war and its aftermath was a defining moment, not just for Cuba itself, but for their societies as well. For instance, Latin American intellectual José Enrique Rodó and his *Arielista colegas* were troubled about the cultural repercussions of the Spanish defeat by the Colossus to the North and what the ensuing North American occupation of Cuba, Puerto Rico and the Philippines meant for Latin America's future and its relationship with North America. These writers contended that the war would open the hemisphere to the floodgates of *yanqui* materialism, therein precipitating the corruption of Hispanic cultural values. Rodó chided Spanish Americans for being too quick to abandon their culture and values and rushing headlong to embrace the materialistic, utilitarian values of Anglo-Saxon civilization. For the *Arielistas*, North Americans had little to offer to the world of art and the spiritual development of humanity.²

For Spain, on the other hand, the ignominious defeat signified the culmination of its final colonial crisis, the end of empire. A generation of elegant writers would henceforth carry the year as both badge and symbol of what they were convinced was a transformative, if melancholy, moment in Spain's identity as a nation. Generation of '98 writers, like Miguel de Unamuno, José Ortega y Gasset, Ramón del Valle Inclán and Pío Baroja forced Spaniards to confront the reality that they were no longer a part of a powerful empire, let alone that it had for some time been incapable of adequately providing markets for its colony's primary export. From this point on, these intellectuals believed that Spaniards had to confront its backwardness, complacency, and

procrastination and look inwards, not outwards to understand who they were and what they should be in the future. That process of inward reflection, ironically would inhibit Spaniards from critically coming to grips with its colonial past.³

For nationalist Cubans, 1898 would become a rallying cry which from that moment on gave no quarter to the North American presence on the island, asserting that the U.S. military had snatched independence from Cuban patriot jaws. From their perspective, intervention had condemned the island to another sordid chapter of parasitical colonialism. A potent revival of Cuban nationalism during the 1920s echoed Arielista criticisms of yanqui materialism. For Cuban intellectuals the revolutionary martyr and poet José Martí embodied authentic humanistic values that distinguished Cubans from their Anglo-Saxon counterparts.⁴ Later, the young revolutionary Fidel Castro would fervently invoke José Martí's admonition about the dangers of North American intervention (see epigraph) during his armed struggle against the Batista dictatorship.

North Americans, for their part, were persuaded of the larger domestic and international ramifications of the relatively easy military victory. They would infelicitously rename the Cuban struggle for independence, the Spanish-American War. (Our glaring omission of Cuba from the war's name speaks volumes about what North Americans thought [and still do think] about who and what we were fighting for during the conflict). It reinforced what many North Americans had come to believe, that we were now a potent force to be reckoned with on the international stage.⁵ Military success came wrapped in a fervent dose of ideological justification. Arrogant politicians like Senator Albert Beveridge went above and beyond "burden of empire" rationalizations.⁶

God has not been preparing the English-speaking Teutonic peoples for a thousand years for nothing but vain and idle self-contemplation and self-admiration. No! He has made us the master organizers of the world to establish system where chaos reigns. He has given us the spirit of progress to overwhelm the forces of reaction throughout the earth. He has made us adept in government that we may administer government among savage and

senile people. Were it not for such a force as this the world would relapse into barbarism and night. And of all our race He has marked the American people as His chosen nation to finally lead in the regeneration of the world. This is the divine mission of America, and it holds for us all the profit, all the Glory, all the happiness possible to man. We are the trustees of the world's progress, guardians of the righteous peace.

And what impact did 1898 have on the island's sugar sector; the insatiable monocrop that drove the Cuban economy?⁷ At first glance, the evidence appears incontrovertible.

Contemporaries pointed to sweeping changes in virtually every facet of sugar growing, processing, infrastructure, and marketing after 1898 as North American capital and technology became indispensable to the progress of the sugar industry. North American investment literally overwhelmed the island after 1898. Estimated at 50 million in 1894, U.S. investment quadrupled to about 200 million by 1906 and to 1.1 billion by the Great Depression.⁸ By 1905 over 13,000 North Americans had acquired land titles in Cuba and an estimated sixty percent of all rural property was owned either by individuals or corporations from the United States. Historian Louis Pérez informs us that the portion of the sugar crop produced by U.S.-owned mills increased from 15% in 1906 to 48% in 1920 to 75% in 1928.⁹ (Leland Jenks estimated that in 1927 about 62% of the Cuban sugar crop was produced by mills that could "be identified as wholly American.")¹⁰ In return, the Cuban share of the U.S. sugar market would rise from 15% in 1900 to about 65% in 1922.¹¹ In fact, by 1913 four-fifths of Cuba's exports found their way to U.S. markets and sugar made up an astonishing 72% of Cuba's exports.¹² Not surprisingly, the United States was also Cuba's principal importer. Critics decried the island's increasing dependence on its neighbor, pointing out that after the war Cuba had become the U.S.'s major customer for rail freight cars, and its second largest customer for steel rails--a demand that reflected the extensive construction of private railways on sugar properties. Public railways became almost entirely British- or

American-owned. And North American banks dominated the island's financial services; by the early 1920s, 75% of all island deposits were in U.S. and Canadian banks.¹³ Cuban sociologist Fernando Ortiz in his classic comparison of sugar and tobacco, *Cuban Counterpoint*, put it bluntly: "And so the sugar industry became increasingly denaturalized and passed into anonymous, corporative, distant, dehumanized, all-powerful hands, with little or no sense of responsibility."¹⁴

If anything from the U.S. perspective, the perception was greater than the reality. After 1898 Cuba became the product of an aggressive marketing campaign, the likes of which the Caribbean had never seen previously. A 1904 North American investor boasted: "Nowhere else in the world are there such chances for success for the man of moderate means, as well as for the capitalist, as Cuba offers today...I advise the capitalist to invest in Cuba, and seriously suggest to the young and ambitious man to go to Cuba and cast his fortune with those of the island."¹⁵ Two former consular officials spoke of untold bargains: "land can be bought in unlimited quantities at from one-half to one-twentieth of its value before the insurrection."¹⁶

Faced with such daunting evidence, it would be easy to invoke Roberto Durán's "No más, no más," surrender, and accept that 1898 was, in fact, an important marker, falling in line with contemporaries and recent scholars alike about the momentous impact of the war on the island sugar industry. But blaming North American intervention would be the easy and obvious way out; not to mention the fact that it would just echo what many economic historians--marxist and otherwise--have written about the period.¹⁷ It's not that the statistics are untrue; North American investment clearly saturated the island in the first decades after the military occupation in a series of successive waves. Like many staples, prices for sugar were volatile. Each bust period in the sugar cycle meant unpaid debts, bankruptcies, and capital flight. North American capital--

increasingly after 1920s the monies came from multinational banks, such as The National City Bank and Chase National, rather than sugar companies--invariably foreclosed on sugar properties for a song. In 1920-1921, on the heels of a devastating drop in sugar prices, National City had more than \$35 million in loans that could not be paid. By 1922 it had taken over sixty sugar mills and established the General Sugar Company. The U.S. dollar became the coin of the realm on the island. Cuba would not create its own national bank until after World War II.¹⁸

Indeed, it is hard not to argue that Cuba was little more than an appendage of the North American economy after 1898. Eric Williams first coined the term “American Sugar Kingdom” to characterize the extent of North American domination of the Caribbean sugar industry after 1898. Appropriating Williams’ term in the title of his recently published monograph, César Ayala argues that after 1898 “the extent of centralization of ownership and the scope of the phenomenon of vertical integration in the American Sugar Kingdom are unprecedented...gigantic U.S.-owned sugar mills invaded all the islands, transforming the scale and the organization of cane agriculture and sugar production everywhere.” Ayala argues that North America’s emergence as an imperial power in the Caribbean was part and parcel of the transformation of the structure of capitalist property and that it was the war that “gave the refiners a new political framework within which these new, expansive economic forces could be unleashed.”¹⁹

But the periodization conundrum surfaces when Ayala admits that many of these pathbreaking changes to the sugar industry were indeed initiated prior to 1898. And was it changes in technology that drove the sugar sector as economic historian Alan Dye suggests or the maturation of the capitalist order in the early twentieth century. The war artificially isolates a moment in Cuban history, obscuring more than it reveals. What needs to be examined in some detail is what happened to the island's sugar industry both before and after the war. Changes in

processing, land tenure and the labor regime prior to 1898, in fact, would pave the way for the upheaval of the postwar era. More importantly, the period from the 1880s to the 1920s witnessed a revolution in the worldwide sugar trade which fundamentally altered Cuba's position in the market. Beet sugar came to be a formidable opponent of Cuban cane sugar and its cultivation in Europe and in Europe's colonial possessions shut Cuba out of the European market. That left Cuba with few viable options outside of the beckoning North American market. And that market was going through a major restructuring as the American Sugar Refining Company created a formidable trust that further diminished the choices and autonomy that Cuban sugar producers had enjoyed. As we shall see, these momentous changes had as much of an impact on the character of the sugar industry as the flood tide of North American capital after the war. Finally, sweeping technological changes would overtake the industry during the last decades of the twentieth century. Many of those improvements in mass production technologies not only were initiated before the Cuban war for independence, but they required ever greater capitalization of the sugar industry, capital that had to be provided from abroad if the island sugar sector was to continue to compete internationally.

In short, my argument is that a series of mitigating factors--internal as well as external--precipitated a fundamental reorganization of the Cuban sugar economy.²⁰ North American investment was an important part of the story, but only a part. To trace these changes, I will, in turn, discuss the Cuban sugar economy prior to 1880, the consequent introduction of mass production technology into the sugar sector, the revolution in the international sugar trade, and the rise of the North American sugar trust. Finally, I will review what happened after the war. It should become clear that the postwar period was part and parcel of an extended transformation of the Cuban sugar industry, lasting from 1880 until 1930. In some cases the North American

occupation accelerated and heightened that metamorphosis, but it did not initiate the evolution of the sugar industry.

The Sugar Economy Before 1880

Sugar monoculture dominated Cuban society during the nineteenth century. Monoculture did not come about because of the predatory designs of Uncle Sam. North American investment did not alter Cuba's overreliance on cane sugar cultivation, it only served to reinforce it. In fact, Cuba had produced more than a quarter of the world's sugar from the 1840s to the 1870s. And well before substantive North American investment found its way to the island, Cuban planters and merchants had aggressively promoted sugar exports to foreign markets and tenaciously defended their interests on the island, in Spain and abroad. It is not an exaggeration to say that Cuba was a world leader in sugar technology and entrepreneurship. Cuba would be the first to introduce railways and telegraphs to Latin America in 1837 and 1844, respectively, the first in the hemisphere to adapt the steam engine to the sugar mill (*ingenio*), to incorporate vacuum pan technology (1842), and to utilize sugar centrifuges (1849).²¹ Rich soil, ideal growing conditions and low labor costs--both African slaves and Chinese contract workers--combined to make it possible for growers to produce sugar at a lower cost than any other place in the world.

Although production began to stagnate during the second half of the century, Cuban cane sugar would be assisted by favorable international market conditions. The U.S. Civil War and the Franco-Prussian War induced higher prices and even during Cuba's first unsuccessful war for independence, the Ten Year's War (1868-1878), most of the fighting took place in the eastern end of the island, safely away from the sugar zones. Although sugar prices contracted during the Ten Year's War that was a result of the international market for the commodity, not domestic

conditions. Alan Dye, who has written a detailed econometric study of the sugar industry, has noted that the war also indirectly helped the sugar industry by destroying a large number of antiquated old sugar mills, while sparing newer mills, equipped with the latest technology. In sum, Cuba enjoyed a tradition of innovation in its principal industry; Cuban and Spaniard entrepreneurs alike were willing and able to adapt new methods to their estates and for much of the nineteenth century, domestic capital spearheaded the industry.²²

*The Transformation of the Sugar Trade*²³

If Cuban monoculture did not come about because of North American designs, there's little doubt that the industry would become increasingly more reliant on the North American market and capital during the last two decades of the nineteenth century. The reason for this was not North American investment, but rather the appearance of beet sugar as a stiff international rival to cane sugar. This forced cane sugar growers and merchants to scramble during the last decades of the nineteenth century, as beet sugar moved from 20% of total world sugar production to 59% in 1890. Europe, which previously had been an importer of sugar, became a net exporter. Beet sugar has one principal advantage over cane sugar; it can be harvested and stored for later harvesting, while cane has to be cut into the exact amounts which can be milled within the next twenty-four hours. This new challenger put cane sugar at a curious disadvantage for another reason; sugar would be the only major tropical commodity that was also produced in Europe and North America.

Beet sugar had the advantage of an intricate protectionist system, complemented by a system of subsidy and direct aid (the so-called Sugar Bounties) for European colonies, which brought beet sugar prices below any possible competition and drove Cuban, Puerto Rican and

Dominican sugar off the European market. Java increased its production thanks to Dutch subsidies, India and Mauritius benefitted from the English protectionist system and Reunion Island off the coast of Africa reaped the rewards of French bounties.²⁴ In 1870 Cuba exported to Europe (excluding the Spanish home market) approximately 260,000 tons of sugar, amounting to 37% of total exports. In 1880 the figure had fallen to 50,000 tons some 8.54% of total exports and by 1890 exports to Europe were a mere 4,702 tons or 0.72% of total Cuban sugar exports. As Cuban historian Manuel Moreno Fraginals sardonically writes: "This minimal breach in the protectionist barrier, irregular, unstable and residual, was to receive, in the twentieth century, the imposing name of 'free market.'"²⁵ Lacking a protected market to sell their sugar, Cuba would have little option but to turn to the United States.

In addition to international competition, significant technological changes to the processing of cane sugar (which were imported from abroad) radically limited the flexibility that Caribbean sugar producers had previously enjoyed. First, a new commercial process would make possible the storing of large surpluses of sugars from successive crops. It became feasible to store processed sugar indefinitely. As a result, sugar packaging changed dramatically. From large hogsheads which were difficult and heavy to handle and costly to transport, sugar now came as one standardized product. Where the hogshead spoiled easily, was hard to handle, and differed widely in quality, packaging now was cheap, easy to handle, light and could be stacked and stored for a much longer period of time. Before 1860 stocks on hand rarely were as much as 10 percent of estimated annual consumption; by the 1890s it was common for stocks to run over 30% of estimated consumption, and the trend after that was constantly upwards. The bigger the stocks sugar importers had on hand in their warehouses, the more pressure they could bring to bear on producers to lower their prices. Finally, the introduction of steamers for the sugar trade after 1871

lowered freight rates; this new means of transport could carry five times the cargo of a sailing ship of the same displacement. As a result, freight rates fell twenty-five percent between 1860 and 1880. All these new conditions--a uniform product, packing in bags, world-wide standards, large on-hand stocks, reduced transaction costs--contributed to a Revolution of the Sugar Trade.

Until the 1860s the Havana sugar market had played a key role in fixing world sugar prices and the Colleges of Brokers of Havana and Puerto Rico quoted prices for up to fourteen different types of sugar daily. Sugar manufacturers used primitive and highly variable equipment; the quality of sugar depended on natural factors--the degree of ripeness of the cane, the purity of the cane juice obtained by manual operations, the intensity of the fire which heated the boilers, and, in the end, by the know-how of the sugar master who was guided by his senses and experience and by an orally transmitted tradition.

Local sugar traders became simple intermediaries for great international firms. It is instructive that price quotations on the sugar market shifted from Havana to Hamburg after 1884. Previously sugar trader's calculations had been done with elementary arithmetic. This type of trading and this type of trader were swept away by the new firms, using new methods, in the last thirty years of the nineteenth century. Old trading organizations could no longer cope with the multiple factors that now went into the making of a sugar sales agreement, or the dealing in futures on the exchanges of New York, Paris, London or Hamburg. Radically new techniques for handling information, the application of mathematics to business (especially sampling surveys, the concept of indexes, the improvement of economic statistics), modern data processing (the decimal classification system, methods of transmitting information (the telegraph, telegraphic codes, the telephone, the Atlantic cable, and the stock ticket); the concept of marketing; new methods for evaluating the efficacy of management and for influencing public opinion; the use of sociological

and anthropological studies to help the incipient international trusts achieve market control--all of this is part and parcel of the large- scale sugar speculation of this era. Moreover, the international sugar trade was one of the first sectors of the international economy to incorporate many of these new techniques, strategies and infrastructures. Specialized knowledge became a powerful tool for market researchers, trade publishers and brokers and agents.

To add insult to injury for Cuban producers, the competition in the United States sugar market was unbelievably fierce and cutthroat during the Gilded Age. Consolidations took place because of the coexistence of large scale enterprise requiring substantial fixed investment and because a regime of perfect competition within the sugar manufacturing sector had led to results that businessmen found intolerable. The formation of price agreements, pools, and finally trusts was an attempt by businessmen to rationalize unpredictable costs and establish some degree of control over prices and output. After an initial shakeout period, the sugar industry was restructured as firms learned to behave in the interdependent manner typical of oligopolistic firms. This does not mean that they could dictate prices unilaterally--the price of raw sugar, the size of the beet crop, and the current season's demand for granulated sugar were all constraints that had to be taken into consideration. But control did mean that sugar companies, like the American Sugar Refining Company (ASRC), which was consolidated from twenty-one refining companies in seven U.S. cities, could set a price, which was then adopted as its own by virtually every other producer of refined cane and processed beet sugar in North America. The American's price became in effect the industry price. ASRC finally came under attack from federal trust busters, but only after the case dragged on for fifteen years, and although they came out of the litigation impaired, the objective of the original consolidation, the elimination of price competition or at least its confinement within certain narrow limits--had not been lost. The American continued to

dominate the industry. By the early 1880s, Cuba, Puerto Rico and the Dominican Republic were not only selling virtually all of their sugar to the United States, they dealt with one firm, the American, their sugar was shipped in North American ships and sugar prices were fixed at the New York Produce Exchange.²⁶ The key strategy was to create a price-fixing mechanism which, while appearing to observe the rules of supply and demand, would make it possible to take over the market. Here commodity exchanges would play a fundamental role, opening a new era in the trade of staple products.

Exchanges were of ancient origin; direct descendants of medieval bourses. The similarity was, however, only skin deep. Commodity exchanges had been organizations made up jointly of buyers and sellers, a kind of organized market where the forces of supply and demand would meet to carry out commercial transactions. New exchanges, however, were different; products were not really sold directly, and the transactions were exclusively speculative. Now commodity operations were signed sale contracts in which one party undertook to supply a certain amount of sugar on a certain date: that is, a sale was made at the price of the day for future delivery. When the date of delivery arrived, no sugar was delivered, but the price of the sugar in the contract was then re-calculated on the basis of the price in effect on the delivery date, and the difference between the two prices was paid by one party to the other in cash, less a commission paid to the exchange for its services. In effect, the exchange provided the means for settling the transaction-- it acted as a clearing house. Sugar actually changed hands in less than 1% of the deals. Thus, the exchange did not replace the physical market in which real sugar was bought and sold; it simply dominated it, imposing prices and terms.

Exchanges were not only places to gamble in commodity prices, but they were also invented to broaden and consolidate control of the market. Moreover, they were totally

unregulated in the last decade of the nineteenth century. Data gathering and handling were new phenomena at that time, and there were no regulations affecting relations between different exchanges, so it was possible (thanks to the international telegraph, which was itself poorly regulated and furthermore, controlled by a group of speculators) to take advantage of the five-hour time difference between England and America's East Coast to learn London's closing prices before the New York Exchange opened. United States sales of sugar futures would lack any regulatory legislation until 1921.

In the last thirty years of the nineteenth century, the world sugar market fell into the hands of a small group of refiners and bankers, who used the most up-to-date methods to win control of raw sugar production. In a sense, these changes in the international sugar trade altered all the rules of the game. Such dramatic changes necessitated a significant response from Cuban sugar producers.

Cuban Sugar Interests Respond to the International Sugar Market

Faced with these constraints, Cuban producers had little choice but to radically transform the means and factors of sugar production. A technical revolution of sorts came during the last two decades of the nineteenth century as major innovations in mass production technology were introduced throughout the Cuban countryside. As mills became more highly mechanized, there was a remarkable increase in the scale of the production unit. The number of mills in operation fell from 1,190 in 1877 to 850 in 1891. By 1929, the number of mills astonishingly had fallen to only 163. At the same time, the size of the annual sugar crop increased from a half a million tons to more than five million tons during the same period. The output of the sugar mill increased fourteen times from 1877 to 1891; from 1891 to 1929 output per mill increased another five fold.

Again, these statistics indicate that these changes in mass production technology cut across the period from 1880 until 1930.²⁷

By World War I, the sugar mill failed to resemble the 1860 *ingenio*. The earlier mill, driven by a steam mill or a team of oxen, produced a few hundred tons of sugar annually. The turn of the century mill was a massive factory, dependent on a power plant consisting of steam, gasoline and electric power, that produced thousands and even tens of thousands of sugar annually. Whereas earlier mills were completely self-contained, the new mills enlisted outside cane growers or *colonos* to cultivate cane under contract. As mills grew larger, they contracted out to obtain the additional supplies of cane needed to keep them running at capacity. The number of *colonos* grew until they supplied over 80% of the industry's raw material. Up to 1878, the largest *ingenios* typically owned 3000 acres or more. But the largest sugar *centrales* of the 1920s controlled (owned or leased) 100,000 to 200,000 acres of land.²⁸

A fundamental restructuring of the sugar complex required greater capital outlays and resulted in a reorganization of ownership. More and more mills adopted a corporate structure and sold shares to nationals and foreigners to cover the higher capital requirements. Mills now had much larger cane requirements, and vast quantities of land were needed to satisfy them. Former landowners (or *colonos*) now either became managers of vast cane fields or contractors, set up by mutual agreement, to manage cane fields. This brief overview cannot do justice to the striking changes which transformed the Cuban countryside from the 1880s to the 1920s. Suffice to say that only the actual cultivation of cane escaped the revolutionary changes in the processing, transport and marketing of Cuban cane sugar.

Towards A Reassessment of the North American Occupation of Cuba

What then did occur after 1898? What can we attribute to the North American occupation of the island? As mentioned at the outset, there is little doubt that the new technical requirements of the industry demanded that Cuban producers seek out capital and technology from away. So, too, did the devastation of the war, which unlike the Ten Years War, did destroy canefields throughout the island. Moreno Friginals estimates that overall the sugar sector experienced a twenty- to twenty-five percent loss of productive capacity. Yet by 1901, the industry would recoup as sugar production reached almost a million tons. Over the next twenty years Cuban sugar production grew at a robust 14.2% a year.²⁹

In 1903 the U.S. Congress passed the Reciprocity Treaty which granted Cuba preferential access to the domestic market. Cuba would, henceforth, receive a twenty percent discount off the full U.S. duty on sugar imports. Although Cuba still had to compete unequally with U.S. mainland and beet sugar producers and with Hawaii, Puerto Rico and the Philippines, all of which enjoyed duty-free status, Cuba's sugar sector was better positioned to take advantage of the new playing field.

Cuba's protectorate status after 1903 did create additional problems for sugar producers. Protectionists in the U.S. Congress were worried that Cuban sugar would overwhelm domestic producers. North American beet sugar growers and refiners attacked Cuban imports indirectly by railing against the monopolistic ASRC. After all, it was Henry O. Havemeyer's American Sugar Refining Company which controlled almost 90% of the U.S. market for refined sugar and much of that was Cuban cane. Protectionists had an easy target when they attacked the "sugar trust." East coast sugar refiners, on the other hand, were interested in high tariffs on refined sugar, but low tariffs on raw sugar; in other words, refiners wanted inexpensive raw material, but obviously benefitted from expensive refined sugar.³⁰ Congressional committees were under constant

pressure from beet-sugar growing and refining interests in the midwest and the west. These committees set the level of the sugar tariff. As Jules Benjamin notes, "The clash between these two economic interest groups highlighted one of the most frustrating aspects of Cuba's economic dependency." Full cooperation with the sugar trust did not guarantee the Cubans success. In these pitched battles between the eastern sugar trust and the midwest and western beet interests, as Benjamin relates, "the Cubans were mere spectators." Thus, Cuban producers were not only dependent upon North American sugar companies and banks, "but upon the unpredictable, politically-charged outcome of tariff contests in the U.S. Congress between representatives of farmers and sugar refiners."³¹ These tariff battles had important political ramifications for Cuba's protectorate status. Refiners, for instance, opposed annexation of Cuba because once annexed, Cuba's raw sugar would not be subject to duties. This, refiners believed, would only encourage Cuban growers to become competitors by developing their own refining capabilities. As Ayala notes, "...the full annexation of Cuba threatened the refiners as much as it did the domestic (U.S.) cane and beet producers."³²

Another factor that complicates our understanding of this time period was the ebb and flow of worldwide beet sugar production and what that meant for Cuban cane producers. Prior to 1898, Cuban cane sugar met fierce competition from European and North American beet growers. Beet sugar overtook cane on the world market during the three decades prior to 1898. By 1900 beet accounted for 65% of the world market. But as Ayala points out, after 1900, this trend was reversed. World War I devastated European beet production; beet sugar production dropped from 8.9 million tons at the outbreak of the war to 3.9 million tons in 1918. Even though beet production gradually recovered after the first World War and continued to benefit from subventions, it was unable to overtake cane sugar production through the Great Depression.

There is little question that the beet market's volatility encouraged North American investment in Cuban cane sugar after 1898.³³

That helps explain why after the U.S. military occupation of Cuba, North American investors wasted no time in expanding into Cuba's eastern provinces, especially Camaguey and Oriente. Land was quickly absorbed and placed under cultivation. Private railway companies were extended throughout the surrounding cane zones for hauling cane. The contribution of the eastern provinces to the total sugar crop went from less than ten percent in 1900 to about sixty percent three decades later. North American capitalists built some of the most advanced sugar mills and corporations known to date in the eastern portion of the island. The United Fruit Company was a major contributor to this process. Eastern *centrales* established themselves on lands previously unoccupied by the planter class by purchasing vast tracts of land in relatively remote areas of the country. Large portions of these lands were contracted out to tenant *colonos*, who would supply the main part of the mill's cane needs. By 1913 the Cuban Secretaría de Agricultura, Comercio y Trabajo identified 39 of the 172 active mills as U.S.-owned. Another 12 were classified as British or French.³⁴ Ownership, in reality, was difficult to sort out; some corporations had people of different nationalities; some Cubans had become naturalized U.S. citizens. As Dye relates, it is more useful to think of three categories of ownership on the island: those financed by domestic capital; those financed principally by foreign capital and a third group composed of businessmen and capital from both sources. This third category was the most common. Not surprisingly, cane yields per acre were on average higher in the eastern provinces. Access to North American capital or to managerial or technical services helps explain that outcome.³⁵ The Cuban economic historian Ramiro Guerra y Sánchez has argued that the greater capitalization of foreign investors and the growth of railways in the east led to the demise of the

rural middle class of *colonos*. This then displaced Cuban control of sugar and led Cuba to intensify monoculture and increase its dependence on the U.S. market.³⁶ Others contend that economies of scale and the new mass production technologies were critical to understanding the dominance of North American capital.³⁷

Another characteristic feature of the sugar industry after the North American intervention was its extreme volatility. Sugar enjoyed extraordinary prosperity during and immediately after World War I. Sugar production expanded and prices increased steadily during the war years--1.9 cents per pound in 1914, 3.3 cents in 1915, 4.4 cents in 1916 and 4.6 in 1917--and soared afterwards to 9.2 cents per pound in 1918. In 1920, the year of the “dance of the millions” the increase in prices was astonishing, reaching the exalted height of 22.5 cents per pound in May. At the peak of the boom, the value of sugar was more than double the previous year, rising from \$455 million to 1 billion. But the bubble burst and by December the price plunged to 3.8 cents a pound. Trade and commerce stagnated and planters and mills found themselves with too much sugar on their hands and debts that could not be repaid. North American banks and sugar companies stepped into the breach and bought up the bankrupt properties.³⁸ The devastating sugar slump that occurred in the early 1920s hit Cuban sugar producers harder than U.S. sugar companies. By the Great Depression, U.S. corporate sugar interests had for all intents purposes replaced the Cuban landowning class. Worldwide overproduction of sugar coupled with an increase in U.S. and European protectionism for their respective beet sugar producers undercut Cuban cane sugar interests. Between 1926 and 1940, Cuban sugar production declined by more than fifty percent, But Cuba was unable to overcome its reliance on the monocrop; during the same period, sugar accounted for four-fifths of Cuba’s exports.³⁹

Epilogue and Conclusions:

If we take a step back and compare what went on in Cuba to other parts of Latin America during the same time period, we realize that Cuba's predicament was not that much different from other monocultural societies in the region. Between 1850 and 1913, Latin American exports grew 1,000 percent. Entirely primary goods, they took advantage of Europe's and North America's hunger for raw materials and exotic foods. Although Latin America's share of world commerce was relatively small--between 5 and 8 percent during this period--it constituted about a third of all tropical exports and most of the exports from the underdeveloped, noncolonial world. And since its population represented only 3 to 4 percent of the world's its per capita exports were about seven times those of Africa and Asia. European and North American demand for Latin American raw materials and consumer goods, like sugar, during the second phase of the Industrial Revolution was the engine that propelled the late-nineteenth- and early twentieth-century export boom. Both foreign investment and liberal ideology sustained this export-led model as Latin American governments not only sought to promote economic development during this era but also encouraged sweeping changes in state building and social engineering. It was clear to nineteenth-century intellectuals and politicians that economic prosperity would pave the road to the creation of a strong nation. The goal of the liberal export regime was to overthrow the previous statist colonial heritage and integrate their countries' far-flung and heterogeneous inhabitants into a citizenry linked not by custom and religion but by the market. Throughout the New World, an emphasis on efficiency, productivity, and international competitiveness, replaced protectionism and self-sufficiency as the hemisphere's guiding principles. This era, which Steve Topik and I have labeled with some ambivalence, "The Second Conquest" was, after all is said and written, much more a protracted series of negotiated encounters between Latin American

elites than an outright economic victory by foreign entrepreneurs. The variegated character of the export boom, the inconsistent application of the liberal model, Latin America's diverse environmental landscape, and its distinctive cultural and political heritage all ensured that the impact of this encounter would vary greatly throughout Latin America. If we think about the changes that Cuba's sugar monoculture underwent during the Second Conquest, we will recognize, that despite its colonial and neocolonial status and its proximity to the United States, that its economic development is consistent with the rest of Latin America.⁴⁰

And after decades of viewing their economic world in a certain way, of focusing on an export-led model rather than gearing production to the domestic market, of consolidating their collective energies in the production of one or two commodities, of emphasizing agricultural or extractive pursuits at the expense of manufacturing, few Latin American elites and politicians were unwilling to chart bold new paths after 1900. Even though World War I would turn commodity markets upside down, provoking considerable price and earnings instability, most observers came to the not-so-unreasonable conclusion that such a sudden shift in the demand curve, which had played havoc with prices, would right itself soon after the war, just as it had during prior cycles. Contemporaries could be excused from drawing the wrong lesson from the worldwide recession of 1920-1921, when prices of sugar and other commodities dropped precipitously. Most merchants and farmers reasoned that the relaxation of wartime price controls by Western Europe and the United States after the war had contributed to a rapid surge in commodity prices. Such price increases triggered an increase in production, which eventually contributed to a glut and a collapse of commodity prices during the recession.

The 1920s were very much a roller coaster for all Latin American export commodities. After the decade began in recession, commodity prices recouped by 1925, only to falter again in

1928. What this particular short-run cycle hid, however, was a secular decline of European and North American demand for primary products, induced by Europe's determination to protect its agricultural sectors and a progressive worsening of the terms of trade for commodity producers. Only three of the twenty-two commodities that dominated Latin American exports--oil, cacao and rubber--grew at annual rates above five percent between 1913 and 1928. It is instructive that only four countries achieved satisfactory growth rates, and all four produced oil and other "strategic" minerals. Unfortunately, Latin Americans also found that markets, especially in Europe, were not as open as they had been prior to the Great War. By protecting their home agricultural sectors and by making it abundantly clear that they would give preference to commodities from their colonies, Western European nations constructed irksome barriers to trade with Latin America, foreshadowing similar measures that would be adopted during the depression. For its part, the United States continued its protectionist policies, a strategy dating to the Civil War.

Just as in Cuba, North American investment flooded into much of Latin America after World War I. In fact, as economic historian Rosemary Thorp has noted, the war years and the ensuing decade saw a bonanza of North American private foreign lending; investment rose from 3.5 billion to 6.4 billion from 1914 to 1919 alone, as the United States eclipsed the British as the preeminent capital exporter to the region. By 1919 the same National City Bank which had such a prominent role in Cuba had established forty-two branches in nine Latin American countries.⁴¹

What this brief overview of commodity markets in Latin America between 1900 and 1930 suggests is that Cuba went through similar adjustments that other Latin American countries did. The influx of North American capital, the extreme volatility of the export-led model, the aggravating booms and busts, and the worsening terms of trade for primary goods, characterized the entire region. Protectorate status and the military occupation made Cuba an inviting target for

these changes, but without diminishing the significance of the degree of North American penetration into Cuba, it did not make the island unusual in comparison with other Latin American nations. 1898 and the birth of the American century may have had significant symbolic meaning to Cubans, Latin Americans, Spaniards and North Americans, but longer run factors-- changes in mass production technologies, the revamping of the sugar trade, international competition, **and** the overwhelming influx of North American capital, all taken together from 1880 to 1930, better explain sugar's transformation than the Spanish American War. In a sense the Cuban sugar industry was very much a part of the maturation of the international capitalist order during the export boom of 1850-1930; North American intervention accelerated that process but it was not the deciding factor in the transformation of the sugar sector.

Endnotes

¹ E.g, see the retrospective issue of the *Hispanic American Historical Review* (hereafter cited as *HAHR*), 78:4 (November 1998), devoted to a reappraisal of 1898's significance for Cuba, the United States, Spain and the rest of Latin America.

² Frederick B. Pike, *Spanish America 1900-1970: Tradition and Social Innovation* (New York: Norton, 1973), especially 20-22.

³ Arcadio Díaz-Quiñones, "1898," *HAHR* 78:4 (November 1998), 579.

⁴ See Jorge Mañach, *La crisis de la alta cultura en Cuba* (Havana: Sociedad Económica de Amigos del País, 1925); Herminio Portell Vilá, *Historia de Cuba en sus relaciones con los Estados Unidos y España* 3 vols. (Havana, 1938); and Emilio Roig de Leuchsenring, *Cuba no se debe su independencia a los Estados Unidos* 3rd ed. (Havana: Ediciones La Tertulia, 1960).

⁵ For an introduction and thoughtful overview of the historical scholarship on 1898 see Louis A. Pérez, Jr., *The War of 1898: The United States and Cuba in History and Historiography* (Chapel Hill: University of North Carolina Press, 1998).

⁶ Quoted in Lars Schoultz, *Beneath the United States: A History of U.S. Policy Toward Latin America* (Cambridge, MA: Harvard University Press, 1998), 90.

⁷ Research on the history of the Cuban sugar economy has been prodigious. In addition to the works cited throughout this paper, see Manuel Moreno Fraginals, *El ingenio: El complejo económico social cubano del azúcar*. 3 vols. (Havana: Ed. de Ciencias Sociales, 1978); Raúl Cepero Bonilla, *Azúcar y abolición: Apuntes para una historia crítica del abolicionismo* (Havana: Ed. Cenit, 1948); Ramiro Guerra y Sánchez, *La industria azucarera: Su importancia, su organización, sus mercados, su situación actual* (Havana, 1940); Arnaldo Silva León, *Cuba y el mercado internacional azucarero* (Havana: Editorial de Ciencias Sociales, 1975); Rebecca J. Scott, *Slave Emancipation in Cuba; The Transition to Free Labor, 1860-1899* (Princeton: Princeton University Press, 1985); Oscar Zanetti Lecuona and Alejandro García Álvarez, *Sugar and Railroads: A Cuban History, 1837-1959*. Translated by Franklin W. Knight and Mary Todd (Chapel Hill, NC: University of North Carolina Press, 1998); Fe Iglesias García, *Del ingenio al central* (San Juan, Puerto Rico: Editorial de la Universidad de Puerto Rico, 1998); idem, "The Development of Capitalism in Cuban Sugar Production, 1860-1900," in Moreno Fraginals, Frank Moya Pons and Stanley Engarmen, eds. *Between Slavery and Free Labor: The Spanish-Speaking Caribbean in the Nineteenth Century* (Baltimore: Johns Hopkins University Press, 1985), 54-76; César J. Ayala, "Social and Economic Aspects of Sugar Production in Cuba, 1880-1930," *Latin American Research Review* 30 (1995): 95-124; Henry C. Wallich, *Monetary Problems of an Export Economy: The Cuban Experience* (Cambridge, MA: Harvard University Press, 1950). and Robert Hoernel, "Sugar and Social Change in Oriente, Cuba, 1898-1946," *Journal of Latin American Studies* 8 (1976): 215-249.

⁸ Alan Dye, *Cuban Sugar in the Age of Mass Production: Technology and the Economics of the Sugar Central, 1899-1929* (Stanford: Stanford University Press, 1998), 9.

⁹ Pérez, *Cuba: Between Reform and Revolution*. 2nd ed., (New York: Oxford University Press), 197.

¹⁰ Leland H. Jenks, *Our Cuban Colony* (New York: Vanguard Press, 1928).

¹¹ Pérez, *Cuba Under the Platt Amendment, 1902-1934* (Pittsburgh: University of Pittsburgh Press), 1986.

¹² Victor Bulmer-Thomas, *The Economic History of Latin America Since Independence* (New York: Cambridge University Press, 1994), 59, 74.

¹³ Pérez, *Cuba, Between Reform and Revolution*, 197.

¹⁴ Fernando Ortiz, *Cuban Counterpoint: Tobacco and Sugar*. Translated by Harriet de Onís. (Durham, NC: Duke University Press, 1995 [1947]), 64.

¹⁵ Pérez, *Cuba and the United States: Ties of Singular Intimacy* (Athens, GA: University of Georgia Press, 1990), 118.

¹⁶ *Ibid.*

¹⁷ See Jules Benjamin, *The United States and Cuba: Hegemony and Dependent Development, 1880-1934* (Pittsburgh: University of Pittsburgh Press, 1974); and Oscar Pino Santos, *El asalto a Cuba por la oligarquía financiera yanqui* (Havana: Casa de las Américas, 1973). Dye's offers a thoughtful critique of this literature in the introduction to *Cuban Sugar*. For a North American critic's views of the damage done by North American economic penetration, see William A. Williams, "Cuba: Issues and Alternatives," *Annals of the American Academy of Political and Social Science* 351(January 1964), 73-78.

¹⁸ Pérez, *Cuba Under the Platt Amendment*, 188.

¹⁹ Eric Williams, *From Columbus to Castro: The History of the Caribbean* (New York: Vintage, 1984); and Ayala, *American Sugar Kingdom: The Plantation Economy of the Spanish Caribbean, 1898-1934* (Chapel Hill, NC: University of North Carolina Press, 1999), 19, 21, and 26.

²⁰ Here I would part ways with Dye who contends that technology was the principal driver of the island's sugar economy. Although Dye has caused us to rethink some of our fundamental assumptions about this era by arguing persuasively for the importance of technological changes in the island's sugar economy during the first decades of the twentieth century, the author dismisses the predatory actions of heavily capitalized North American sugar companies and fails to consider political factors and power relations on the island and in Washington. For Dye it was technically-driven economies of scale which fostered a quintessential Schumpeterian process of creative destruction that best characterizes the evolution of the sugar economy after 1898. He underestimates the critical importance of securing credit from abroad, and argues perhaps too stridently that innovation and mass production techniques overshadowed all other factors in the cane equation. *Cuban Sugar*'s argument ultimately paints sugar entrepreneurs, bankers, growers (*colonos*), railway executives and politicians with a broad brush, they appear as rational actors doggedly following the dictates of the market.

²¹ Moreno Friginals, "Plantation Economies and Societies in the Spanish Caribbean, 1860-1930." In Leslie Bethell, ed., *The Cambridge History of Latin America*, (Cambridge, Eng.: Cambridge University Press, 1986), IV:200-201.

²² Dye, 4.

²³ This section draws on the superb overview of the sugar trade by Moreno Friginals, 194-207.

²⁴ On the global sugar trade see the essays in Bill Albert and Adrian Graves, eds., *Crisis and Change in the International Sugar Economy, 1860-1914* (Norwich, Eng.: ISC Press, 1984) and its sequel, idem, *The World Sugar Economy in War and Depression* (London: Routledge, 1988).

²⁵ *Ibid.*, 195.

²⁶ See Alfred S. Eichner, *The Emergence of Oligopoly: Sugar Refining as a Case Study* (Baltimore: Johns Hopkins University Press, 1969).

²⁷ Dye, 11-12.

²⁸ *Ibid.*, 13, 19.

²⁹ Moreno Friginals, 210.

³⁰ Ayala, *American Sugar Kingdom*, provides an excellent overview of the pitched battles over the sugar tariff. See Chapter 3.

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- ³¹ Benjamin *The United States and the Origins of the Cuban Revolution* (Princeton: Princeton University Press, 1990), 66-67.
- ³² Ayala, *American Sugar Kingdom*, 63.
- ³³ *Ibid.*, 27-28.
- ³⁴ Dye, 15-16.
- ³⁵ *Ibid.*, 60.
- ³⁶ Guerra y Sánchez, *Azúcar y población en las Antillas*, 3rd ed. (Havana: Cultural, 1944).
- ³⁷ Dye, 17.
- ³⁸ Pérez, *Cuba, Between Reform and Revolution*, 224.
- ³⁹ Marifeli Pérez-Stable, *The Cuban Revolution: Origins, Course, and Legacy* (New York: Oxford University Press, 1993), 19-20.
- ⁴⁰ Steven C. Topik and Allen Wells, *The Second Conquest of Latin America: Coffee, Henequen and Oil during the Export Boom, 1850-1930* (Austin: University of Texas Press, 1998).
- ⁴¹ Rosemary Thorp, "Latin America and the International Economy from the First World War to the World Depression." In Bethell, *Cambridge History*, (New York: Cambridge University Press, 1994), VI, pt 1:59.