

# The Sugar-Coated Path to Economic Inequality

A Comparative Study of Guyana and Suriname, ca. 1600-present

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## **LIST OF ABBREVIATIONS**

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TNA – The National Archives, London

- CO – Records of the Colonial Office, Commonwealth and Foreign and Commonwealth Offices, Empire Marketing Board, and related bodies

GBS – General Bureau of Statistics Suriname

CARICOM Stats. – Caribbean Community Secretariat, Statistics Sub-Program

UNSD – United Nations Statistics Division

- FAOSTAT – United Nations Food and Agriculture Organization Statistics Database
  
- UN Comtrade – United Nations Commodity Trade Statistics Database

## INTRODUCTION

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Colonial expansion since the sixteenth century has brought Europeans and their institutions all over the world. The beforehand predominantly European commercial system branched out and a new worldwide system of trade emerged. But the long-run effects of colonialism have varied greatly between regions. The unparalleled global income disparities that characterize the modern world, both between and within nations, are among the major concerns of our time. Since some of the larger economies in Asia and Latin America (e.g. China, India and Brazil) are now growing fast, global inequality seems to have passed its high-point. According to Milanovic, high growth rates of average incomes in rural areas in China and India have “*subtracted a full Gini point from overall inequality*” between 1993 and 1998.<sup>1</sup> Nevertheless, while modern economic growth has facilitated rising standards of living and increased prosperity for many, unfortunately it has not yet done so for a great many others. Whereas issues of growth and inequality have provided a puzzle for economic historians interested in explaining the current state of affairs, future-minded concerns pertain to development policies aimed at narrowing the gap between rich and poor.

Latin America and the Caribbean is a region that is often looked at when development issues are being considered. On the whole as a developing region it is doing well. For the countries classified by the World Bank as developing countries, the weighted average per capita GDP of the region in 2009 was 7,260 current US dollars.<sup>2</sup> Much higher than in most other developing regions of the world: people in South Asia and Sub-Saharan Africa make averages of only just over 1,000 US\$, and in East Asia and the Pacific, and the Middle East and North Africa the averages are around 3,250 US\$. Only the developing countries of Europe and Central Asia come near that of Latin America and the Caribbean, with an estimated average of 6,412 US\$ per capita.<sup>3</sup> However, Latin American income inequality levels are among the world’s highest,<sup>4</sup> and figure 1 shows that this is true not only within, but also very much between Latin American countries – especially within the Caribbean.

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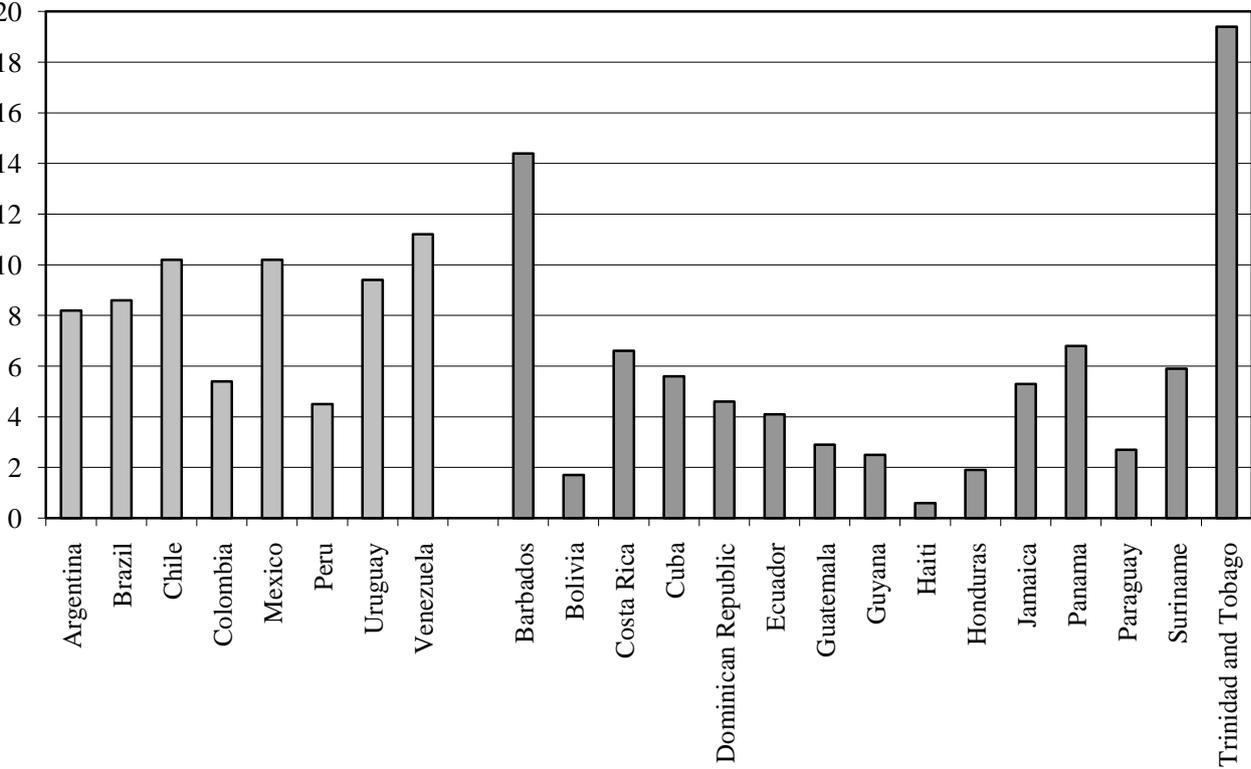
<sup>1</sup> Dropping from a Gini coefficient of 0.65 to a coefficient of 0.64: Branko Milanovic, *Worlds Apart. Measuring International and Global Inequality* (Princeton 2005) p.114.

<sup>2</sup> Thirty countries in all, including: Antigua and Barbuda, Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Uruguay, and Venezuela.

<sup>3</sup> Statistics on international GDP figures from the World Bank, *World Development Report*.

<sup>4</sup> Ewout H.P. Frankema, *Has Latin America Always Been Unequal? A Comparative Study of Asset and Income Inequality in the Long Twentieth Century* (Leiden 2009) pp. 1-4.

**Figure 1: GDP per capita in thousands of current US\$ for 23 selected Latin American and Caribbean countries in 2008**



Note: Barbados and Trinidad and Tobago are not classified by the World Bank as developing countries. Source: statistics from the World Bank, *World Development Report*.

The first eight listed countries from figure 1 are the core countries of the South American mainland and Mexico; the other fifteen are smaller nations from the mainland, Central America and the Caribbean. It is clear that there is already some variation between the core countries: Colombia and Peru are clearly worst off, whereas oil-rich Venezuela is performing well above average. But doing a lot less well, and with much more variation between them, are the minor countries – most range between lower middle income to upper middle income economies, but we also find some high income economies and even one of the poorest countries in the world, Haiti.

Because the populations of these countries are much smaller, their impact on the weighted average for Latin America and the Caribbean is minor. Their ramifications as particular cases, however, are significant. Up to now, the area of the Caribbean has received too little attention as a region for comparison in issues of economic development. The reasons are understandable: the sheer amount of small states and the multitude of nationalities of

former colonizers, in contrast to the relative coherence of Latin and North America, was simply too great to draw on for a debate that was mostly a discussion of North vs. South. But it should be clear by now, that the region deserves analysis in its own right. This thesis is aimed to add to that project.

A recent and rapidly growing body of work has started to move beyond the greater international comparisons to look at variations within countries and regions, which in some instances has led to surprising new results.<sup>5</sup> In light of that research, this study too will be a case-oriented investigation, namely a comparison of Guyana and Suriname. Figure 1 gave us some initial insight in the divergent levels of economic development of both countries: with 5,900 US\$, per capita GDP in Suriname in 2008 was more than twice that of Guyana, where per capita GDP measured 2,500 US\$. Like on the island of Hispaniola, where the Spanish and French established the today economically highly diverged Dominican Republic and Haiti, Guyana and Suriname too are separated only by a border drawn arbitrarily across the common landscape. Situations like these make for cases that are particularly suited for analysis of divergent paths of economic development, as they make out what has been named ‘natural experiments of borders’: studies, or experiments, that seek to identify the effects of human institutions on history by studying the creation of a border drawn across a landscape without it coinciding with major environmental boundaries of sorts.<sup>6</sup> According to figures from the 2009 annual report of the French Issuing Institute of the Overseas Departments, GDP per capita in French Guiana in 2008 was even over three times that of Suriname, but for reasons that will be explained further on, French Guiana will be left out of the analysis of this thesis.<sup>7</sup> Though the study of Guyana and Suriname will present us with just a part of the bigger picture of the Caribbean, the results will be more comprehensive and more precise than they would otherwise have been – and hopefully others will help to draw up more of the picture.

Guyana and Suriname are located in the middle of a large, primeval and relatively homogeneous geographical region in north-eastern South America that furthermore encompasses French Guiana, the entire states of Amapá and Roraima, and the northern

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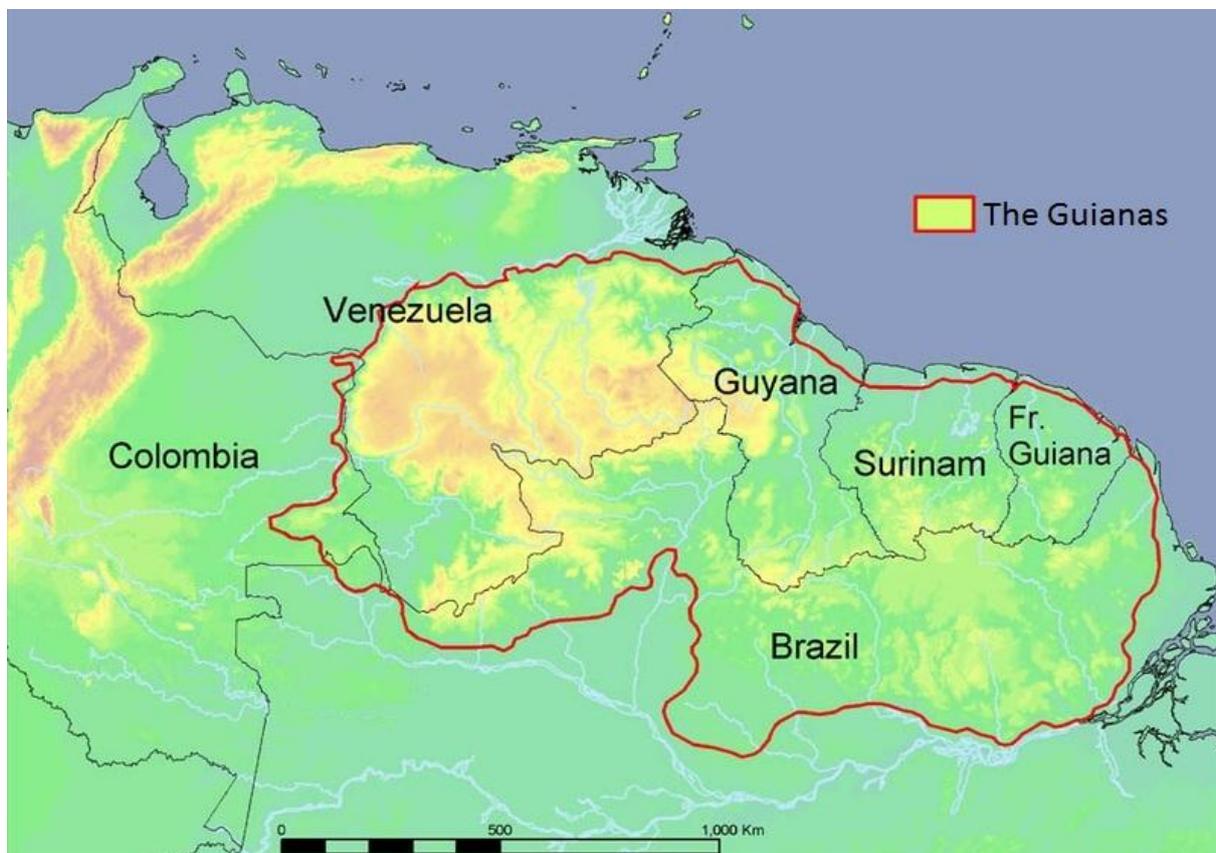
<sup>5</sup> See for example: Miriam Bruhn and Francisco A. Gallego, ‘Good, Bad, and Ugly Colonial Activities: Studying Development Across the Americas,’ *Policy Research Working Paper*, no. 4641, The World Bank (2008); and William Summerhill, ‘Colonial Institutions, Slavery, Inequality, and Development: Evidence From São Paulo, Brazil,’ *MPRA Working Papers*, no. 22162 (2010).

<sup>6</sup> Jared Diamond, ‘Intra-Island and Inter-Island Comparisons’, in: Jared Diamond and James A. Robinson, *Natural Experiments of History* (Cambridge 2010) p. 120.

<sup>7</sup> GDP per capita was 14,100 Euros (approximately 20,000 US\$): Institut d’Émission des Départements d’Outre-mer, *Rapport Annuel 2009*.

marches of the states of Pará and Amazonas in Brazil, and the eastern part of Venezuela known as Guayana region. Roughly the boundaries of the area are the Caribbean sea and the Atlantic Ocean on the north, the river Amazon on the east and south, the Rio Negro on the south and west, and the river Orinoco on the west and northwest. The name Guianas, as originally used for the whole of this area, is of Amerindian origin and is reputed to mean ‘lands of water’, either or both in reference to the year-round heavy rainfall and the many great rivers that flow through the Guianas towards the sea. Approximately 80 to 90 percent of the region is covered by dense tropical forests.

**Figure 2: map of geographical region of the Guianas**



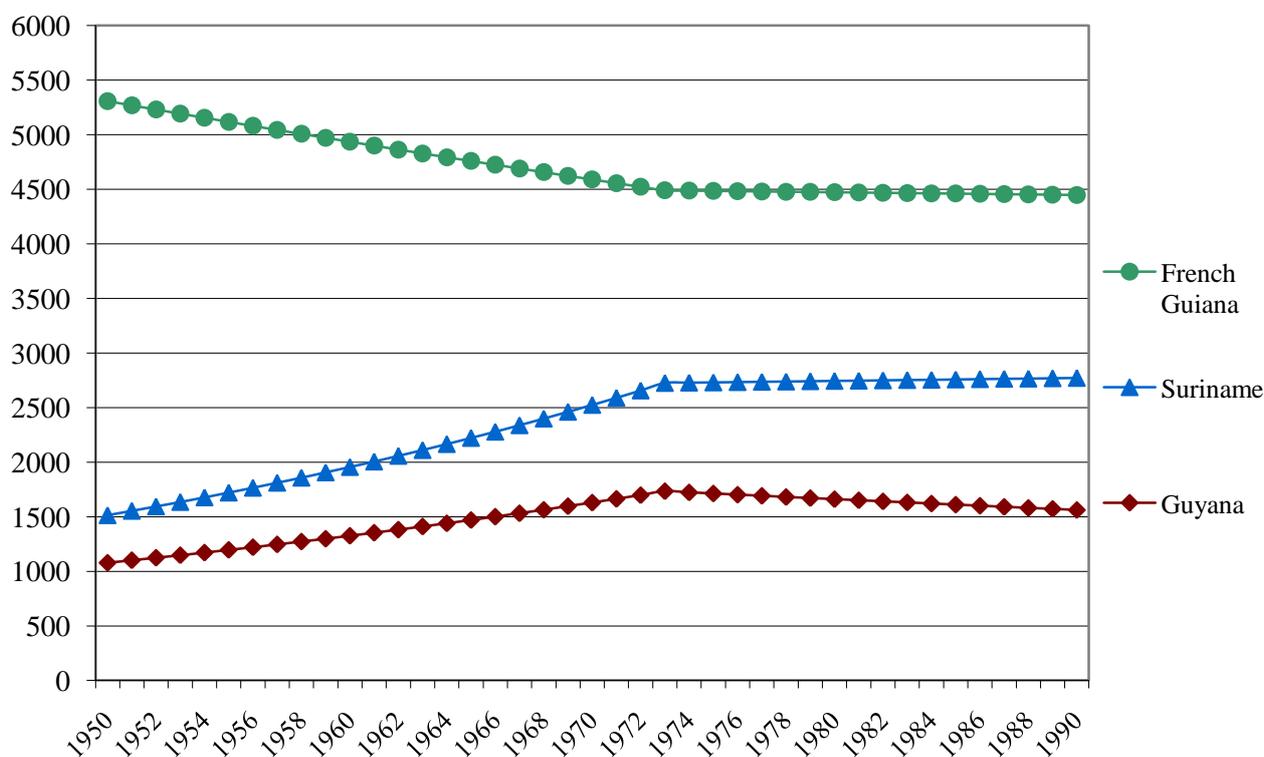
Source: Smithsonian Institution, National Museum of Natural History: Biological Diversity of the Guiana Shield Program website: <http://botany.si.edu/bdg/program.html>

By the standards of the West Indies, Guyana and Suriname are large countries, and even measured on a world scale, their sizes are not very small: its 214,969 square kilometers make Guyana almost the size of Great Britain, and with 163,820 square kilometers Suriname makes up four times the size of the Netherlands. Many times the sizes of other former West Indian colonies like Jamaica (10,991 sq km), Barbados (430 sq km), and Curaçao (444 sq km), they

are even considerably larger than the areas of the islands of Hispaniola (76,420 sq km) and Cuba (110,860 sq km).<sup>8</sup> In both Guyana and Suriname, it is only the coastal strip that is of social and economic importance however: this is where over ninety percent of the population lives and the population density of this area is comparable with that of most West Indian islands.<sup>9</sup>

Statistics on levels of economic development of the Guianas are limited. Early figures on GDPs and population are available for only three distinct years: 1950, 1973 and 1990. The per capita GDP development trajectories in figure 2 have been derived through interpolation of trend rates of growth between these three years. Clearly there is need for more evidence on these countries. But the figures that are available present us with a remarkable picture.

**Figure 3: per capita GDP in the three Guianas, 1950-1990 (in 1990 international dollars)**



Source: Angus Maddison, *The World Economy: Historical Statistics* (Paris 2003) p. 119.

For one, it is of course notable that Guyana and Suriname profited from the economic boom in the post-WWII era, with rising per capita incomes between 1950 and 1973, while French

<sup>8</sup> *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/fields/2147.html>

<sup>9</sup> Jean-Claude Giacottino, *Les Guyanes (Guyana, Surinam, Guyane Française)* (Paris 1984) pp. 5-24 and 61-69. Peter Newman, *British Guiana. Problems of Cohesion in an Immigrant Society* (London 1964) pp. 2-3.

Guiana at the same time experienced a recession. What is more striking, however, is the general disparity between the three. In 1950, per capita income in Suriname was 1.4 times that in Guyana, and in French Guiana it was a staggering 3.5 times that in Suriname. The relative prosperity of French Guiana, nevertheless, is easily explained.

Before its *départementalisation*, the colony of French Guiana was better known as a penal colony than as a source of wealth: at the end of the eighteenth century, a convoy of prisoners was shipped to French Guiana, to be imprisoned in penal settlements on the mainland and Devil's Island. The practice would continue until the middle of the twentieth century, giving the colony a bad reputation. The few that did settle in French Guiana enjoyed a modest prosperity, thanks to a few sugar plantations, and small quantities of spices, cacao, coffee, annatto and cotton. A gold rush at the end of the nineteenth century brought the colony some wealth, but it lasted only for a short time, and when the gold boom declined, the colony fell back into its former state of a small and underdeveloped settlement with a tarnished reputation.<sup>10</sup> But when in 1946 the colony became a *département d'Outre-mer* (DOM), an overseas department of France, the situation changed drastically. The former colony truly became a part of France: the law that established Guiana as a French department specified that legislation in the DOM was to be the same as that of metropolitan departments, and French Guiana would be represented in various government bodies in France. Moreover, the *Fonds d'Investissement des DOM* was created in France to finance operations of development in its overseas departments.<sup>11</sup>

In the following years, French Guiana was developed into what has been called an 'artificial economy', as almost nothing remained of its traditional economy and the DOM was effectively turned into a consumer society. By 1984, agriculture made up less than 5 percent of GDP, two thirds of the population were employed in the service sector, and it could be said that "*l'Etat est en réalité le plus important investisseur en Guyane et le principal animateur des activités.*"<sup>12</sup> The famous example is, of course, the Centre Spatial Guyanais, where the European Space Agency launches its Ariane rockets from. As a subject for closer analysis therefore, French Guiana is not of much interest, and the failure to profit from the economic boom in the early post-WWII era, causing average per capita GDP to decline in those decades, was likely simply due to the DOM not producing for the world market.

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<sup>10</sup> Robert Aldrich and John Connell, *France's Overseas Frontiers: Départements et Territoires d'Outre-mer* (Cambridge 1992) pp. 25-26, 57-59 ; and Serge Mam-Lam-Fouck, *Histoire de la Société Guyanaise. Les Années Cruciales: 1848-1946* (Paris 1987) pp. 13-27, 85-124, 125-161.

<sup>11</sup> Giacottino, *Les Guyanes*, pp. 51-53.

<sup>12</sup> Alrich and Connell, *Overseas Frontiers*, pp. 154-55; and Giacottino, *Les Guyanes*, pp. 51-53, 112, 113-15.

Guyana and Suriname, consequently, are more interesting for comparison in this historical study of divergent paths of economic development. Their present-day situations, as well as their histories are, at least at first sight, much more alike: in the first centuries after colonization both developed into relatively successful slave-based sugar plantation colonies, they encountered many of the same challenges during colonial times, and both have been autonomous (and eventually independent) from their mother countries since the second half of the twentieth century. Yet from a ratio of 1.4 in 1950, at the end of the period shown in figure 2 average per capita income in Suriname had risen to a ratio of 1.77 compared to Guyana, and by 2008 this ratio was more than double. To compare the economic performance of Guyana and Suriname, the aim of this thesis will be threefold: **1)** first, to establish whether existing figures on levels of economic development are accurate. Research presented in chapter 2 will show that *grosso modo* Maddison's figures are indeed correct. This leads to the second aim of this study: **2)** to answer the central research question of this thesis: *how can the divergence in levels of economic development between Guyana and Suriname be explained?* The political, social and economic history of the two former colonies will be studied closely for causes that explain the divergent paths of Guyana and Suriname. As much work has already been done on economic growth and inequality, and many theories have been developed in order to explain economic divergences, the third aim is: **3)** to examine previous literature on the matter and to find out whether any of these theories can help explain differences in economic performance between Guyana and Suriname. We will start here with the latter.

#### *The literature: different approaches, different explanations*

The literature that is concerned with explaining unequal growth achievements is extensive. In order to lay down a framework for the central analysis of this thesis, the most important strands of this literature will now first be discussed briefly.

A main strain of explanation within the literature accounts for differences in economic performance in terms of geographical endowments. Daron Acemoglu, Simon Johnson and James Robinson (henceforth: AJR), subdivided the geography school of thought into two main branches.<sup>13</sup> The first, simplest version of the geography hypothesis emphasizes the fixed, or 'time-invariant', direct relationship between geographic variables, such as climate and diseases, and economic potential. More sophisticated accounts of the hypothesis focus on

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<sup>13</sup> Daron Acemoglu, Simon Johnson and James A. Robinson, 'Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,' *Quarterly Journal of Economics* 117, 4 (2002) pp. 1232-33.

the ‘time-varying effects’ of geography, recognizing that certain geographical characteristics may have been unfavorable, or even detrimental to successful economic performance at a certain point in history, but could turn out to be beneficial at a later stage. Jeffrey Sachs, for example, used an adaptation of this kind of geographical reasoning, called by AJR the ‘temperate drift hypothesis.’<sup>14</sup> This hypothesis holds that, while areas in the tropics had an early advantage in terms of agricultural output, later on, agricultural technologies were developed – such as the heavy plough and crop rotation systems, as well as use of domesticated animals – that have favored areas in the more temperate zones.

The first model of the geography hypotheses is obviously too rigid: it implies that regions that were relatively rich in earlier times should also be rich today, but numerous examples of nations that are doing well regardless of their geographical location demonstrate otherwise. Even though the more refined strands of the geography hypothesis have provided important insights into the effects of geographical endowments on economic development patterns, they have not been able to bring forth consistent evidence for the alleged causalities either. From data on urbanization levels and population density, AJR have shown that a ‘reversal of fortune’ took place between countries in the past five centuries: those that were relatively rich around 1500, are now relatively poor, and vice versa.<sup>15</sup> The implication of the temperate drift hypothesis is that the reversal must have occurred when the European agricultural technology spread to the colonies. Nevertheless, while the introduction of these technologies, at least in North America, took place earlier, the reversal occurred at the time of industrialization, during the late eighteenth and early nineteenth centuries. More to the point in the context of this thesis, the geography hypothesis is unable to explain differences in development between countries in close proximity of each other and with highly similar geographical endowments, as is the case with the Guianas.

The last twenty years, work on the issue of economic growth has increasingly focused on two historical features of economies: institutions, and inequality. One of the institutional approach’s earliest proponents, Douglass North, defined institutions as sets of rules, moral and ethical behavioral norms and compliance procedures, or in short, the “*humanly devised constraints that structure human interaction.*”<sup>16</sup> According to the institutional perspective, grander, more complex economic structures will not emerge unless institutions reduce the

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<sup>14</sup> Jeffrey Sachs, ‘Tropical Underdevelopment’, NBER Working Paper No. 8119 (2001); AJR, ‘Reversal of Fortune’, p. 1233.

<sup>15</sup> AJR, ‘Reversal of Fortune’, pp. 1231-32.

<sup>16</sup> Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York 1990) p. 3.

uncertainties associated with the new structures. In his seminal *Institutions, Institutional Change, and Economic Performance*, North theorized institutional change as incremental rather than discontinuous, with organizations and increasing returns as ‘essential ingredients’. Organizations are groups of individuals, bound by common objectives, which come into existence and evolve under the influence of the institutional framework, and in their turn influence how the institutional framework evolves.<sup>17</sup> At the occurrence of several alternatives for maximizing profit, choices are made. Once a development path is set on a particular course, the learning process of organizations that participate within the specific institutional framework and the subjective modeling of issues – among other factors – reinforce the course. The choice set, in other words, is narrowed down by the interplay between the institutional framework and the consequent stakeholding organizations. Because of the complexity of the institutional framework, made up of numerous constraints both formal and informal, it is virtually impossible to modify it in its entirety. Changes to increase returns happen at the margins, where immediate issues require solution and the solution will be determined by the relative bargaining power of the organizations that have evolved in the overall institutional context. Adjustments will be marginal and once a certain path is chosen, North argues, the overall direction becomes difficult to reverse. Choices are not per definition the more efficient choices for the whole of the community, and even when they are, because of at best partial information about the consequences of particular courses of action, the outcomes are often uncertain. Short-run efforts at profit maximizing may thus result in the pursuit of persistently inefficient activities because of this path dependence.<sup>18</sup>

The New Institutional Economics (NIE), as this new school of thought is now called, concentrates on questions of which institutions best stimulate economic growth, whether ‘bad’ institutions are persistent, and how exactly institutions affect the economy. Particular emphasis is placed on the impact of well-defined and properly enforced private property rights in attaining long-term economic growth. The key term in Hernando de Soto’s *The Mystery of Capital*, for example, is ‘legal apartheid’. Focusing his attention on property rights, De Soto argues that “*the major stumbling block that keeps the rest of the world from benefitting from capitalism is its inability to produce capital.*”<sup>19</sup> Given that land – immovable and virtually indestructible over the short term – is in principle one of the best collateral assets

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<sup>17</sup> North, *Institutions*, pp. 5, 103.

<sup>18</sup> North, *Institutions*, pp. 92-104.

<sup>19</sup> Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York 2000) p. 5.

available, well-functioning land markets with clear property rights, proper methods of registration and ease of exchange can help increase the segment of society with access to credit and reduce the costs of acquiring it. Because land markets in development countries are often lacking, so the argument goes, potential entrepreneurs are kept from starting up new businesses, and the economy as a whole from growing to its full potential. Other scholars, however, have demonstrated that different kinds of contractual arrangements can benefit the economy, and Steven Chung recently showed that absence of clear private property rights has not been a significant barrier to China's recent economic development.<sup>20</sup>

With regards to former slave-based plantation economies, the discussion has known a strong focus on inequality. Studies have shown how inequality can harm the prospects for growth, by promoting political institutions and policies that greatly advantage members of narrow elites (and disadvantage the bulk of the population), facilitating demands for efficiency-undermining redistribution, reducing the provision of public goods, and curbing the formation of human capital. In a series of influential papers, Stanley Engerman and Kenneth Sokoloff put forth their view that among former colonies a nation's past dependence on slave labor was important for its subsequent economic development, because reliance on slavery resulted in extreme inequality. In an early analysis, they proposed that differing resource and other factor endowments at the start of the colonial era, such as soil, climate and the size and density of the native population, led to different growth paths in following centuries, and that these explained current patterns of underdevelopment in the Americas.<sup>21</sup> Douglas North, William Summerhill and Barry Weingast then argued that over a period of several centuries factor endowments were effectively endogenous, that colonists were able to adapt the rules of the political and economic game to the new environment, and therefore argued for an independent role for political institutions in the late colonial era and the nineteenth century in determining long-term economic outcomes.<sup>22</sup> In a seminal paper titled 'The Colonial Origins of Comparative Development', AJR focused on institutional mechanisms originating in the early colonial era to explain for differences in long-term development, distinguishing settler

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<sup>20</sup> See for example: Elinor Ostrom, *Governing the Commons: the Evolution of Institutions for Collective Action* (Cambridge 1990); Steven N.S. Chueng, 'The Economic System of China', Paper for the Coase Conference in Chicago, July 2008.

<sup>21</sup> Stanley L. Engerman and Kenneth L. Sokoloff, 'Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View From Economic Historians of the United States,' in: Stephen Haber (ed.), *How Latin America Fell Behind* (Stanford 1997) pp. 260-304.

<sup>22</sup> Douglass C. North, William Summerhill and Barry R. Weingast. 'Order, Disorder, and Economic Change, Latin America vs. North America,' in: Bruce Bueno de Mesquita and Hilton L. Root, *Governing for Prosperity* (New Haven 2000) pp. 17-58.

institutions from extractive institutions. They maintained that the former were more prone to higher levels of development, as they were more favorable for investment because of their institutions that enforced the rule of law – specifically property rights.<sup>23</sup> In answer to these NIE type arguments, Engerman and Sokoloff refocused attention on institutions that impacted both inequality and growth, while adhering to the argument that early factor endowments were the key determinant of long-term outcomes: where soil and climate were suitable for the production of lucrative commodities like sugar, production of these crops would be organized in large plantations worked by slave labor, creating, in the long run, large inequalities in wealth and political power. Where the soil was suitable for grains rather than the lucrative crops of the West Indies, large plantations did not emerge and most laborers would be of European descent; conditions that encouraged the shaping of more egalitarian institutions, creating less inequality of wealth and political power over time.<sup>24</sup>

Nathan Nunn recently further substantiated the argument: he found that the share of the population comprised by slaves in the various states of the US in 1860 was correlated with income in 2000 in a significant negative relationship.<sup>25</sup> Looking into variations within countries across the Americas, Miriam Bruhn and Francisco Gallego too supported Engerman and Sokoloff's argument that the type of colonial activity performed in a region mattered greatly for long-run levels of economic development. Their paper offers evidence that areas that were suitable for plantation agriculture have lower levels of current economic development.<sup>26</sup> However, neither Nunn, nor Bruhn and Gallego found evidence that this relationship works through slavery's effect on inequality. Moreover, in a current working paper, William Summerhill finds that the intensity of slavery in the state of São Paulo in Brazil, measured near its peak in 1872, fails to account for variations in long-term income across the state, running counter to the Engerman-Sokoloff thesis entirely.<sup>27</sup>

So even though most of the grand theories do include some level of empirical examination, more thoroughgoing case-studies can lead to different, more refined results. Not without good reason have AJR been criticized for 'inconsistent measurements', and what

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<sup>23</sup> AJR, 'The Colonial Origins of Comparative Development: An Empirical Investigation,' *American Economic Review* 91, 5 (2001) pp. 1369-1401, specifically 1375.

<sup>24</sup> Stanley L. Engerman and Kenneth L. Sokoloff, 'Factor Endowments, Inequality, and Paths of Development Among New World Economies,' *Economía* 3, 1 (2002) pp. 41-109.

<sup>25</sup> Nathan Nunn, 'Slavery, Inequality, and Economic Development in the Americas: an Examination of the Engerman-Sokoloff Hypothesis,' in: Elhanan Helpman (ed.), *Institutions and Economic Performance* (Cambridge 2008) pp. 148-180.

<sup>26</sup> Bruhn and Gallego, 'Good, Bad, and Ugly'.

<sup>27</sup> Summerhill, 'Evidence from São Paulo, Brazil', pp. 11-13.

another scholar called ‘guesstimates’.<sup>28</sup> The addition of more case-studies to the analysis will therefore be useful in the improvement of theory on economic growth and inequality.

In this light, this brief discussion of the literature, as well as the analysis of this thesis in the following chapters, will benefit from discussion of one more work: *The Sugar Industry in Pernambuco: Modernization Without Change, 1840-1910* by Peter Eisenberg. While the book in itself is not a theoretical work on differences in economic performance between societies, the concluding chapter of this socio-economic study of the sugar industry in the tropical forests of Pernambuco and Bahia on the Northeast coast of Brazil, makes it of great interest to the topic at hand: it compares the stagnating sugar industry of Pernambuco to the flourishing sugar industry of Cuba and shows how the two are correlated.<sup>29</sup> Eisenberg explains how Cuba entered large-scale sugar production in the early nineteenth century, as a consequence of Haiti’s withdrawal from the world market, and through investments in technological innovations gained a much stronger competitive position than Pernambuco. In preceding centuries Cuba had exported tobacco, but never as much as to cause massive importation of African slaves. As a result, when Cubans began to produce sugar, labor was scarce and expensive. Brazil of course had been exporting sugar since the sixteenth century and labor abounded. Even when Brazil converted from slave labor to free labor, the number of workers more than met the industry’s demand, and wages were depressed. In Cuba, furthermore, Spanish, Spanish-American, Cuban and United States capitalists, attracted by the island’s fertile lands, its proximity to large consumer markets and its economic prospects, were more than willing to invest in financing the early sugar plantations. The combination of scarce labor and available capital allowed Cuba to lead the world in modernizing the cane sugar industry, while in Brazil modernization came much more hesitantly and Pernambuco increasingly fell behind on the competitive market. Therefore, while the grand theories by AJR, Engerman and Sokoloff, and others maintain – albeit implicitly – that the nineteenth and twentieth century are of little interest other than as outcomes of earlier institutional designs or given factor endowments, the work of Eisenberg shows that the economic development of Northeast Brazil and Cuba was connected to modernization and international commercial

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<sup>28</sup> See: David Albouy, ‘The Colonial Origins of Comparative Development: An Investigation of the Settler Mortality Data’, NBER Working Paper No. 14130 (2008) p. 1; and Gareth Austen, ‘The ‘Reversal of Fortune’ Thesis and the Compression of History: Perspectives from African and Comparative Economic History’, *Journal of International Development* 20, (2008) pp. 998-1003.

<sup>29</sup> Peter L. Eisenberg, *The Sugar Industry in Pernambuco: Modernization Without Change, 1840-1910* (Berkeley 1974) pp. 215-224.

competition during the nineteenth century and that these later centuries should therefore not be neglected when considering levels of development of former colonial territories.

Several theories aimed at explaining divergent growth achievements have been discussed, all of which have added to our understanding of international income disparities. None of the theories have gone uncontested, however; all have their flaws, and their empirical groundings are often still scant. The final analysis of the development paths of Guyana and Suriname in chapter 3 of this thesis unquestionably benefits from the ongoing debate, as it serves as good starting point and framework for analysis. However, because the analysis is based on an in-depth study of two still oft-disregarded countries and on new data that has been researched for this thesis, the analysis will also contribute to the debate by bringing these novel findings to the discussion.

Chapter 2 will present the results of research that has been carried out in order to get better insight in the economic differences between Guyana and Suriname. The estimated GDP per capita trajectories of the Guianas raised some important issues, but national income accounting for developing countries and for older than recent decades often requires input of ‘constructed data’ to accommodate the gaps in historical sources, which can cause for possible flaws. To test the Maddison figures, real wages have been calculated for Guyana and Suriname from which more may be said about the validity of their GDP per capita series as they were presented in this introduction.

But first, chapter 1 will give an account of the political, social and economic histories of Guyana and Suriname, in order to make an informed analysis possible.

## CHAPTER ONE. THE GUIANAS: FROM COLONIZATION TO PRESENT

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The first expeditions into the region of the Guianas were undertaken by the Spaniards and the Portuguese at the end of the fifteenth and in the sixteenth century. Animated by the hopes of finding El Dorado, they explored the region coming from the Antilles and the Portuguese settlements in Brazil. It was not until the seventeenth century that permanent colonies were created in the area, first by the Dutch, and soon followed by the English and the French.<sup>30</sup> The following account of the history of the Guianas since colonial times will be divided into three phases: the first encompasses roughly the seventeenth and eighteenth centuries, marked by continuous rivalry between the European powers, but also prosperity, despite the challenges that the colonies were faced with. The second phase runs from the nineteenth century until the Second World War, when the conflicts over the territories of the Guianas finally settled down, but the plantation economies were faced with the issue of the abolition of slavery. The final phase, that of the recent history, has known two kinds of development in the Guianas: one, as we have seen, was the scenario of French Guiana, towards complete integration of the colony into the mother country, and the other, which was the case for Guyana and Suriname, a movement towards political and economic independence from the mother country.

### *1.1 Early European settlement: disputed borders, population heterogeneity and cash crops*

Repeated attempts in the early seventeenth century led to the establishment of permanent settlements on the coasts of the Guianas, or the Wild Coast as it was also referred to, by the Dutch, French and the British, and in the east by the Portuguese coming from Brazil trying to push beyond the borders of the Treaty of Tordesillas.<sup>31</sup> The French were interested in the area roughly between the rivers the Maroni and the Amazon, and as a result were mostly in conflict with the Portuguese. The Dutch and the British were interested mainly in the region of the Guianas ranging approximately between the rivers the Essequibo and the Maroni. Until the end of the Napoleonic wars, conflicts between them were numerous.

Dutch presence in the area of the Essequibo is recorded as early as 1596, but the first permanent colonies were created between 1616 and 1621, by Dutch and British settlers under Dutch leadership; first on the initiative of merchants, and soon on that of the Dutch West

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<sup>30</sup> Jan Rogoziński, *A Brief History of the Caribbean. From the Arawak and the Carib to the Present* (New York 1992) pp. 43, 58-59; Jonathan Israel, *The Dutch Republic. It's Rise, Greatness, and Fall, 1477-1806* (Oxford 1995) pp. 325-326; and Giacottino, *Les Guyanes*, pp. 30-32.

<sup>31</sup> James Lockhart and Stuart B. Schwartz, *Early Latin America. A History of Colonial Spanish America and Brazil* (New York 1984) p. 388.

India Company (WIC) that was founded in 1621. Following these first settlements on the estuary of the Essequibo, the regions of the Demerara and the Berbice shortly after were also colonized by the Dutch.<sup>32</sup> At the same time that the Dutch were the first to settle in present-day Guyana, conversely, the British were the first to settle in Suriname, in 1630 near the river Suriname.<sup>33</sup> A few decennia later in the 1650s, the colony really started to flourish under the leadership of the governor of Barbados, Lord Willoughby. Joined by experienced planters from Barbados and Sephardic Jewish planters who had fled Brazil after the Portuguese had conquered back the area surrounding Pernambuco from the Dutch in 1654, Suriname was turned into a prosperous sugar plantation colony.<sup>34</sup> Development of the settlements of Essequibo, Demerara and Berbice was slower, but from the eighteenth century they too would experience prosperous times.<sup>35</sup>

Since the beginning of the seventeenth century, the rising maritime power of both the Dutch and the British had caused continuous competition for control of the colonial trade, and neither hesitated to use military force. During one of the conflicts, between 1665 and 1667, the British attacked colonies of the WIC in the West Indies, where the Dutch had settled on Curaçao in 1634. This led the Dutch to send a fleet financed by the States of Zeeland to seize the British colony of Suriname. In 1667 the Peace of Breda was signed, in which it was decided that the Netherlands would keep their conquest, in exchange for New Amsterdam, the colony founded by the Dutch in 1626 on the peninsula of what is now known as Manhattan (New York).<sup>36</sup> The interest of the Dutch for the Guianas is explained by the relative weakness of their foothold in the Antilles compared to the British and the French, both of which had been very quick to gain control of the islands that were forsaken or only sparsely colonized by the Spanish, and the profitability and value of this region to the economy of the homeland. Control of the entire area between the Essequibo to the west and the Maroni to the east would remain in Dutch hands until the end of the eighteenth century, when in the upshot of the revolutionary turmoil in North America and Europe a period of confusion and a lot of

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<sup>32</sup> Cornelis C. Goslinga, *A Short History of the Netherlands Antilles and Suriname* (Den Haag 1979) pp. 88-89.

<sup>33</sup> Newman, *British Guiana*, p. 17.

<sup>34</sup> Rosemarijn Hoeffte, 'The Development of a Multiethnic Plantation Economy. An Introduction to the History of Suriname from circa 1650 to 1900', in: Rosemarijn Hoeffte and Peter Meel (eds.), *20<sup>th</sup> Century Suriname. Continuities and Discontinuities in a New World Society* (Leiden 2001) p. 1; and Alex A. Stipriaan Luïscius, *Surinaams Contrast. Roofbouw en Overleven in een Caribische Plantagekolonie, 1750-1863* (Leiden 1993) pp. 22-23.

<sup>35</sup> Allen H. Adamson, *Sugar Without Slaves: The Political Economy of British Guiana, 1838-1904* (New Haven 1972) pp. 19-22.

<sup>36</sup> Gerard W. van der Meiden, *Betwist Bestuur: Een Eeuw Strijd om de Macht in Suriname, 1651-1753* (Amsterdam 1987) pp. 17-21.

switching hands of the colonies between the British, French and the Dutch finally result in the British gaining control of the colonies of Essequibo, Demerara and Berbice.<sup>37</sup> Already before then, as the Dutch weren't many, they had welcomed Sephardic Jews from Brazil and the Netherlands to settle in the colonies, and had even allowed the French and the British (and other Europeans as well). As a result, even though the whole area was under Dutch sovereignty, there had been an increasing flow of other colonists into the region, many of them coming from the West Indian islands, and especially many British. The influence of the British as a result became increasingly important even before they took control of the colony, and by 1760 the British were already more numerous than the Dutch in Demerara.<sup>38</sup>

Suriname became the Dutch center of power on the Wild Coast, and its ties with the mother country were stronger than those of the other colonies. Suriname was first governed by the States of Zeeland. Yet they were unable to take on the huge expenses of government and defense on their own, and in 1682 the WIC, together with the city of Amsterdam and a family from the Dutch aristocracy, the family Van Aerssen-Sommeldijck, bought the colony from Zeeland. In 1683 the 'Chartered Society of Suriname' was proclaimed, with equal shares in the costs and the benefits of the colony for each of the three partners.<sup>39</sup> In 1770 Amsterdam bought out the Van Aerssen-Sommeldijcks and the business of the Dutch in Suriname became primarily the business of the town of Amsterdam, thus ultimately of its merchant aristocracy. The WIC administered things in the colony, but only based on a charter that determined how the company should go about it. Suriname, in effect, was a privately owned commercial enterprise. Only in 1791, when the WIC had gone bankrupt, did the Dutch government take full control and responsibility of the colony, and did it become a 'normal' colony.<sup>40</sup>

In the course of the seventeenth and the eighteenth century, because of the poor quality of the soil in the higher situated inland areas along the rivers, the settlers moved to the low-lying lands of the coast, where they started organizing the coastal strip and the flood plains of the four river mouths into polders: they built dams against the high tides, drained the area, and irrigated it with water from the many rivers and rainwater. It made the area fertile and very suited for agriculture, both commercial and for local provisioning.<sup>41</sup> The production of sugarcane, coffee, tobacco, cacao, indigo and cotton on plantations soon became almost the single form of commercial activity in the four settlements, although a gradual shift took place

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<sup>37</sup> Adamson, *Sugar Without Slaves*, p. 22.

<sup>38</sup> Newman, *British Guiana*, p. 18; and Adamson, *Sugar Without Slaves*, p. 22.

<sup>39</sup> Goslinga, *Short History*, pp. 94-96.

<sup>40</sup> Stipriaan, *Surinaams Contrast*, p. 26.

<sup>41</sup> Giacottino, *Les Guyanes*, pp. 36-37; and Newman, *British Guiana*, p. 19.

away from several of these crops, as they could be produced more easily and cheaper in other areas of the world, like tobacco and cotton in the southern parts of North America.<sup>42</sup>

Sugarcane became the most important crop in the area, especially in the colonies of Essequibo, Demerara and Berbice, where other crops were increasingly abandoned. Well before the end of the eighteenth century the soils of many of the West Indian sugar islands had begun to wear out. A flow of British colonists from the islands came to Guyana because it possessed a soil so rich that little more was required than “*to plant in the rainy and to reap in the dry season and the Earth gave her increase without manure, the plough or the harrow.*”<sup>43</sup> Guyana was also free from hurricanes, had the ability to supply ample provisions for consumption and knew cheaper means of transportation (by water) than the islands.<sup>44</sup> Particularly after the British occupation in 1803, the emphasis on sugar was completed, and British Guiana began to be a significant exporter on world scale. Because the Guianese plantations entered the world sugar market at a relatively late stage compared to most islands, they were able to install the latest and most costly milling equipment, putting them at a competitive advantage compared to such places as Barbados. But the capital intensity did come with considerable dependence on creditors of all kinds.<sup>45</sup>

In Suriname too, sugar became the most important export crop, though cotton, cocoa, tobacco and indigo would continue to be produced,<sup>46</sup> and for a long time even, coffee was much more important.<sup>47</sup> Because of mercantilist policies, moreover, Suriname was to produce exclusively for the Netherlands, and the produce had to be semi-finished products, which could be refined and finished in the mother country. Conversely, all commodities that were needed on the plantations had to be imported from the Netherlands. The colony was thus very closely entwined with the Dutch economy, and the capital that was needed in these first centuries also came from the Netherlands, especially Amsterdam merchant-bankers.<sup>48</sup>

Because the plantations needed to be worked, the colonies relied heavily on slave labor and almost from the very beginning black slaves made up the largest share of the population. Participation in the transatlantic trade provided a constant flow of slaves from Africa: first exclusively through the WIC, but as it chronically failed to supply with enough

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<sup>42</sup> Newman, *British Guiana*, pp. 18-19.

<sup>43</sup> Adamson, *Sugar Without Slaves*, p. 21.

<sup>44</sup> Adamson, *Sugar Without Slaves*, pp. 21-22.

<sup>45</sup> Newman, *British Guiana*, p. 21.

<sup>46</sup> Ulrich W. Heilbron, *Colonial Transformations and the Decomposition of Plantation Slavery in Suriname* (Amsterdam 1992), p. 2.

<sup>47</sup> Stipriaan, *Surinaams Contrast*, pp. 16 (footnote 17), 146-150.

<sup>48</sup> Hoefte, ‘Multiethnic Plantation Economy’, p. 4.

labor from the 1680s onwards, its monopoly was revoked in 1730 so that British and French companies too could provide slaves to the colonies.<sup>49</sup>

Domination by the small white population over the large black slave population and the general atrocious circumstances of slavery led to the running away of many slaves, the so-called maroons, into the Guianese inlands. Revolts on the plantations were few, as they were retaliated by the authorities with bloody repression. But rebellions were undertaken by groups of maroons, and though punitive expeditions were undertaken during the eighteenth century, they were costly and never very successful.<sup>50</sup> As a result, over the years treaties were signed with the tribes of runaway slaves, the final treaty in 1783 with the *Aluku*, by which the Dutch recognized autonomy of all maroon tribes that had taken refuge in the forests. They are at the origin of the communities of Guiana Maroons in present-day Suriname and French Guiana. In the other colonies, maroons were more limited, but some big slave revolts did take place, like in 1763 in Berbice: rebels numbered about 3000 and the uprising lasted for over a year, being defeated eventually with the help of troops from neighboring French and British colonies. It led to the flight of many white Europeans and abandonment of Fort-Nassau.<sup>51</sup>

### *1.2 British Guiana and Suriname: continuities, discontinuities and the abolition of slavery*

The British regained a hold in the Guiana territory at the end of the eighteenth century, when back in Europe the Dutch were preoccupied with the revolution that was going on in their country. In 1796, a British fleet sailed from Barbados and seized the colonies of Essequibo, Demerara and Berbice; in 1799, another fleet seized Suriname. All were restored to the Dutch by the Treaty of Amiens in 1802, only to be occupied by the British again the next year. The Anglo-Dutch Treaty of 1814 restored the situation to as it was before the outbreak of the Napoleonic Wars: the three colonies of Essequibo, Demerara and Berbice remained in the possession of the British, while Suriname was to be reinstated to the Dutch.<sup>52</sup> The British first administered the territories separately, but in 1831 joined the three together as the colony of British Guiana.

The terms of capitulation under which the British took possession of the three colonies in 1803, guaranteed the European settlers of Essequibo and Demerara the upholding of the laws and practices that had evolved under the Dutch. The agreement formed the basis of

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<sup>49</sup> Israel, *The Dutch Republic*, pp. 945-946.

<sup>50</sup> Cornelis C. Goslinga, *The Dutch in the Caribbean and in the Guianas, 1680-1791* (Assen 1985) pp. 375-387.

<sup>51</sup> Giacottino, *Les Guyanes*, pp. 37-38.

<sup>52</sup> Giacottino, *Les Guyanes*, p. 38.

government and the law in British Guiana, which would be based on the Roman-Dutch law rather than the English common law.<sup>53</sup> This was significant for economic organization in the colony, because the two codes differed among other things on matters of ownership of land: the Roman-Dutch law dealt with allodial, or absolute ownership rather than feudal tenure; all leases were movable property; and the transfer of ownership was notarial, whereby the registration of transfer or deed was taken as evidence of ownership, so that no investigation of title was required as it was under the English common law.<sup>54</sup> Under the Dutch, settlers had been given large tracts of land for the development of plantations, and ownership of these lands became absolute. As a result, in British Guiana, like in Suriname, this sometimes led to good agricultural land remaining unexploited, because it was held by absentee owners: planters that had migrated back to Europe after making their fortune in the West Indies, for example.<sup>55</sup> On the other hand, because Roman-Dutch law permitted groups of individuals to own undivided shares of land, the code also facilitated the accumulation of larger landholdings which could lead to increased productivity.<sup>56</sup> Eventually in the 1950s, in light of the Marxist tendencies in British Guianese politics, modifications were made to the Roman-Dutch code, since it also enabled landlords to exploit tenants when they failed to register leases or failed to demand registered contracts in return for rent. In 1956 an Ordinance of security of tenure was adopted, and in 1959 the Land Registry Ordinance, which was aimed to clarify titles of land.<sup>57</sup>

Before the British took over the colony, a director general represented the government of the Netherlands in a Court of Policy and Justice that was composed of four more members: four indirectly elected colonists, two from Essequibo and two from Demerara, that were chosen by the College of Electors, whose seven members in turn were elected by the colonies' settlers. When the Dutch governor had to leave for home in 1795 because of the revolutionary situation in the Netherlands, the Court of Policy directed a meeting together with six elected financial representatives, three from Essequibo and three from Demerara, to discuss and vote on matters of taxes and revenues. This practice would be continued under British rule as what came to be known as the Combined Court. Because the directly elected members constituted the majority in the Combined Court, the British, by accepting this arrangement, in effect

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<sup>53</sup> Adamson, *Sugar Without Slaves*, p. 22; and Leo A. Despres, *Cultural Pluralism and Nationalist Politics in British Guiana* (Chicago 1967) pp. 33-34.

<sup>54</sup> Despres, *Pluralism and Politics*, pp. 34-35.

<sup>55</sup> Despres, *Pluralism and Politics*, p. 34; Heilbron, *Colonial transformations*, p.51; Goslinga, *Caribbean and the Guianas*, p. 294.

<sup>56</sup> Stipriaan, *Surinaams Contrast*, pp. 120-124; and Despres, *Pluralism and Politics*, p. 35.

<sup>57</sup> Stanhope R. Simpson, *Land Law and Registration* (Cambridge 1976) pp. 201-202.

withheld fiscal control from the Crown.<sup>58</sup> To deal with the new acquired degree of autonomy adequately, the territories were provided with a decentralized system of public administration. As British officials were few, intermediaries and low-level public servants were recruited among Creoles, and later also freed slaves.<sup>59</sup> The qualification for members of the Court of Policy and the Combined Court, as well as that for the College of Electors, was ownership of twenty-five or more slaves; and once slavery was abolished this was changed to the possession of at least eighty acres of land, of which furthermore forty acres had to be in cultivation. They were, in other words, almost exclusively spokesman of the plantocracy. The electorate too was kept exceptionally narrow by high franchise qualifications, and thus British Guiana became what can be characterized as a “*despotism tempered by sugar*.”<sup>60</sup>

This system of government would function without significant alteration until 1928, when several new economic and commercial interest groups, such as the colored professionals (including for instance lawyers, doctors and teachers) and the newly developed bauxite industry, had become dissatisfied with the government whose primary concern was the sugar industry. The Colonial Office, moreover, had noted seven years of negative balances and a significant debt for the colony. As a result, the British government intervened and the colony was given a new constitution. The Court of Policy and the Combined Court were abolished and replaced by a new Legislative Council in which the official members made up a majority over the elected members.<sup>61</sup>

As in all the British colonies, slavery was abolished in two stages between 1833 and 1838: after being freed in 1833 a kind of probationary period, an apprenticeship that was to last five years, went into effect. During these five years they remained in the service of their masters while being free *de jure*: this meant that they worked three-quarters of each day as unpaid apprentices, and the rest of the day they could work for a wage.<sup>62</sup> From 1838, they became entirely free in their actions. The whole basis of sugar production in British Guiana would change, and the very immediate consequence was the exodus of former slaves away from the plantations. They moved to the cities of New Amsterdam and Georgetown, where they sought employment in crafts and services, or, with the money they had earned during the apprenticeship, tried to make it as independent peasants. They bought vacant state owned lands, abandoned estates, or land from nearly ruined planters that wished to ensure continued

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<sup>58</sup> Despres, *Pluralism and Politics*, pp. 35-36; and Adamson, *Sugar Without Slaves*, pp. 22-23.

<sup>59</sup> Giacottino, *Les Guyanes*, p. 39.

<sup>60</sup> Adamson, *Sugar Without Slaves*, p. 23.

<sup>61</sup> Despres, *Pluralism and Politics*, pp. 40-41.

<sup>62</sup> Adamson, *Sugar Without Slaves*, p. 31; Newman, *British Guiana*, p. 21.

supply to their sugar refineries by causing the formation of a new peasantry. When individuals did not have sufficient capital to buy land on their own, they pooled their resources to buy undivided communal land.<sup>63</sup> Before 1838, there were only two villages on the coast of Guyana; ten years later, there were more than a hundred.<sup>64</sup> Moreover, 11,152 small farmers were counted in 1851, almost all of whom must have been freed slaves.<sup>65</sup> The new peasantry was unsuccessful, however, in finding a commercial crop to supply them with sufficient cash income to supplement their subsistence crops for a satisfactory livelihood. Many of the freed slaves, therefore, ended up back in the sugar industry as part-time laborers in the fields and factories.<sup>66</sup> Nevertheless, the decay of the slave-based sugar plantation economy had already set in earlier, because of a labor force that was declining, technology that was outdated and foreign competition, and the abolition of slavery brought it to crisis point. Production dropped drastically, and for many plantations, the decade after 1838 would mean the end. The sugar industry, however, did survive. Indentured labor, most importantly from India, and major injections of public capital into the sugar sector were mainly responsible.<sup>67</sup>

When the labor problem had been regulated, the production of sugar continued on its pre-emancipation course of expansion, as the plantations also profited from the introduction of technological innovations, especially in the manufacturing process, in which for example the new steam refinery was introduced.<sup>68</sup> Production rose from less than 50,000 tons annually in the 1840s, to a level of over 135,000 tons in 1882-84.<sup>69</sup> At the same time a process of concentration of the plantations into the hands of no more than a few British companies and businessmen was underway – by the year 1900 five companies owned two-thirds of the area where sugar was cultivated – and the state was carrying out new polder projects on the coastal area, taking on both the initial costs and the costs of maintenance. The newly reclaimed land allowed for a renewed, more efficient planning of the sugar industry, whereby the sugar plantations where the sugar was cultivated and the sugar refineries were being situated in close proximity, in order to obtain good agro-industrial integration. However, the state also parceled out some of the newly claimed land to the East Indian laborers, at the end of their indentures or during slow periods on the sugar plantations, in order to keep this labor force in

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<sup>63</sup> Giacottino, *Les Guyanes*, pp. 39-40; Adamson, *Sugar Without Slaves*, pp. 35-36; and Despres, *Pluralism and Politics*, pp. 46-47.

<sup>64</sup> Despres, *Pluralism and Politics*, p. 47.

<sup>65</sup> Giacottino, *Les Guyanes*, p. 40.

<sup>66</sup> Newman, *British Guiana*, pp. 23-24.

<sup>67</sup> Adamson, *Sugar Without Slaves*, pp. 31-33; and Despres, *Pluralism and Politics*, pp. 54-62.

<sup>68</sup> Giacottino, *Les Guyanes*, p. 40.

<sup>69</sup> Adamson, *Sugar Without Slaves*, pp. 167 (table 14) and 179 (table 17).

British Guiana. These new type of peasants focused mainly on the production of rice, as the soils were suited for this kind of agriculture, and they remembered the appropriate techniques from home.<sup>70</sup> Though it would never gain the importance of the sugar industry, by 1905 self-sufficiency was attained and export began to other Caribbean countries.<sup>71</sup>

In the twentieth century, concentration and expansion of the sugar industry continued and cultivation of rice too made further progress: 7,380 hectares of land was used to cultivate rice in 1907 and by 1945 this had risen to 42,158 hectares.<sup>72</sup> During the period preceding independence, total cultivated land and the production of sugar and rice increased thanks to sustained investment in innovations and the continuous process of land reclamation. In 1917, furthermore, the Demerara Bauxite Company opened its first mining operations in British Guiana, and from the 1920s onwards the exploitation of bauxite became an increasingly important addition to the economy, producing up to 21 percent of the total value of exports by 1958.<sup>73</sup>

When the colony of Suriname was returned into the possession of the Dutch in 1815, the WIC had already been dissolved, and now the city of Amsterdam too lost all her former privileges in the colony. From 1815 onwards it was effectively a crown colony of the Dutch, and the government aimed to reorganize administration in Suriname: the influence of the plantocracy needed to be reduced, and the legislative and executive powers needed to be separated.<sup>74</sup> A public administration was put in place, for which public servants were recruited chiefly from the Creole community, but from 1816 no representative body, which Suriname had had since 1682, would be in place any longer; supreme executive power would now be concentrated in the hands of a governor who was named by the government in The Hague.<sup>75</sup>

In 1865 a new constitution was introduced that came into force in 1866, which has been considered as the primary basis for constitutional development in Suriname until 1975. Aimed at guaranteeing the colony a large measure of autonomy and participation in the running of its economy,<sup>76</sup> it was the first well-considered constitutional system in Suriname

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<sup>70</sup> Giacottino, *Les Guyanes*, pp. 40-41; and Despres, *Pluralism and Politics*, pp. 54-62.

<sup>71</sup> Newman, *British Guiana*, p. 31.

<sup>72</sup> Giacottino, *Les Guyanes*, p. 41.

<sup>73</sup> Despres, *Pluralism and Politics*, pp. 3, 40-41.

<sup>74</sup> Stipriaan, *Surinaams Contrast*, p. 43 (also: footnote 24); Israel, *The Dutch Republic*, 1115.

<sup>75</sup> Hugo F. Mendes, 'Parliamentary Structures Reconsidered. The Constitutional System of Suriname', in: Rosemarijn Hoefte and Peter Meel (eds.), *20<sup>th</sup> Century Suriname. Continuities and Discontinuities in a New World Society* (Leiden 2001) pp. 112-113; and Giacottino, *Les Guyanes*, p. 41.

<sup>76</sup> Rudolf A.J. van Lier, *Frontier Society: A Social Analysis of the History of Surinam* (The Hague 1971) p. 298.

that allowed the legislative, executive and judicial powers to function with a certain degree of independence from each other.<sup>77</sup> The new constitution reinstated a representative body, in the form of the Colonial States that was created in 1866. Its thirteen members were partly elected via a limited census vote and partly appointed by the governor, and had parliamentary rights such as the right of amendment and the right to draw up a budget. The governor's right of appointment was criticized in Suriname, but defended by the Dutch government, as "*the voice of former slaves would not otherwise be heard in parliament.*"<sup>78</sup> Nevertheless, the practice was put to an end in 1901, from which point on all members were elected.

The first steps toward the emancipation of slaves in Suriname were taken in 1814, when the slave trade was prohibited to all subjects of the Netherlands, after the British had previously done so in 1808. But slavery itself in Suriname was not abolished until 1863, because the planters feared to see their plantations emptied of labor, as they had seen happen in their neighbor colony.<sup>79</sup> In a report on the issue of abolition, the colonial secretary noted that "*the consequences of English emancipation are now generally known, and confirm the rule that men will not carry out continuous and tiring work unless compelled by force or necessity to do so.*"<sup>80</sup> When finally the abolition was enacted, like in British Guiana there was a probationary period in Suriname, in which the former slaves were free in law, but not in practice.<sup>81</sup> After ten years they were free to leave, and as had happened in British Guiana the emancipation of slaves led to a massive migration of freed slaves from the plantations to the city of Paramaribo and the districts,<sup>82</sup> leaving many of the plantations inoperative. An agreement with the British made it possible to recruit labor from India, and Java, which was a possession of Dutch in the East Indies, also offered possibilities, so that the problem of shortage of labor could at least be partly resolved.<sup>83</sup>

It did not prevent the sugar industry from being hard hit by crisis, and contrary to the sugar industry in British Guiana, the industry in Suriname did not manage to surmount the crisis. The dominant position of the industry was gradually replaced by the growing of rice and of various other foodstuffs for local consumption. Old plantations were parceled out

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<sup>77</sup> Coen D. Ooft, *Ontwikkeling van het Constitutionele Recht van Suriname* (Assen 1972) p. 57.

<sup>78</sup> Mendes, 'Parliamentary Structures', p. 114.

<sup>79</sup> Giacottino, *Les Guyanes*, p. 42; and Stipriaan, *Surinaams Contrast*, p. 410.

<sup>80</sup> Quoted from Heilbron, *Colonial Transformations*, p. 93.

<sup>81</sup> Pieter C. Emmer, 'Between Slavery and Freedom: The Period of Apprenticeship in Surinam (Dutch Guiana), 1863-1873', *Slavery & Abolition* 14, 1 (1993).

<sup>82</sup> Van Lier, *Frontier Society*, pp. 181-182.

<sup>83</sup> Pieter C. Emmer, 'The Importation of British Indians into Surinam (Dutch Guiana), 1873-1916', in: Shula Marks (ed.), *International Labour Migration: Historical Perspectives* (Hounslow 1984); and E. Williams, *From Columbus to Castro: the history of the Caribbean, 1492-1969* (New York 1984) pp. 348-349.

between the Indians and the Javanese, and after the abolition of slavery, Creoles too manifested themselves as smallholders, cultivating cocoa and coffee. In 1910, plantations still accounted for 72 percent of agricultural production, while smallholders produced the remaining 28 percent; by 1920, this situation had completely reversed.<sup>84</sup> Sugar production by then had become marginal. World War II marked the end of almost all plantations in Suriname, since the colony was completely isolated from its export markets. At that time, many East Indians had found a living in small farming.<sup>85</sup> In addition, in 1915 an American company had started exploitation of the bauxite layers that had been discovered to the south of Paramaribo.<sup>86</sup> The mining industry became increasingly important to the revenues of the colony, especially when during World War II the need for aluminium in the aircraft industry made Suriname the biggest exporter of bauxite in the world.<sup>87</sup> In 1943, Suriname established its own Geological Mining Service to carry out extensive prospecting programs in the country.<sup>88</sup>

### *1.3 Guyana and Suriname: independence and political instability*

British Guiana and Suriname were engaged in very similar processes of decolonization that included a transitional stage of autonomy. Whereas this stage was rather untroubled and peaceful in Surinam, it was filled with tension and even violence in British Guyana, yet contrary to Guyana, in Suriname the years after independence were marked by political upheaval and violence.

In British Guiana in 1953, a new constitution came into force which granted the colony semi-autonomy and established the right to vote for all over the age of 21. In the elections that followed, the People's Progressive Party (PPP) of the Marxist leader Cheddi Jagan won a landslide victory, as it was backed up by the support of the many Indian farming communities and the united working-class front.<sup>89</sup> The new government was overthrown within the year by the British government however; an event which can only be explained "*in terms of the anti-Communist hysteria of those McCarthy-ridden years.*"<sup>90</sup> The constitution

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<sup>84</sup> Hans Buddingh, 'Failure of a Model of Decolonisation. Dutch-Surinamese Economic Relations', in: Rosemarijn Hoefte and Peter Meel (eds.), *20<sup>th</sup> Century Suriname. Continuities and Discontinuities in a New World Society* (Leiden 2001) p. 74.

<sup>85</sup> Buddingh, 'Failure of a Model', p. 74.

<sup>86</sup> Giacottino, *Les Guyanes*, p. 42.

<sup>87</sup> Buddingh, 'Failures of a Model', p. 77.

<sup>88</sup> Marcello M. Veiga, 'UNIDO Report on Artisanal Mining Activities in Suriname', UNIDO (1997) p. 4.

<sup>89</sup> Giacottino, *Les Guyanes*, p. 47.

<sup>90</sup> Newman, *British Guiana*, p. 80.

was suspended until 1956, and in mean time, instead of thinking about the economic and social problems of the country, the focus was back on problems of independence, and eventually on problems of racial division.<sup>91</sup> Early in 1955, Forbes Burnham, chairman of the PPP and president of the labor union, left the PPP to form the People's National Congress (PNC) and the electorate would be split along ethnic lines: the PPP remained the Indian farmer's party, while the PNC represented primarily the urban black labor force. As a result, in the grassroots campaign for the 1957 and 1961 elections, racial issues became more prominent and closely connected with ideological issues.<sup>92</sup>

The 1957 elections were again won by the PPP. The party then negotiated a new interim constitution with the British, which was introduced in 1961 and gave even greater autonomy: the capacities of the governor were reduced to issues of defense and foreign affairs. The elections of 1961 were also won by the PPP, but with 26 percent of the votes, its electorate had dropped significantly. After this election, the PNC together with the United Force (UF), a new party by Portuguese businessman Peter d'Aguiar founded in 1960 that was supported by business owners and minorities such as the Portuguese and the Chinese, urged the British government to introduce party-proportional representation, which was granted with a new constitution in 1964 that also further reduced the power of the governor by instituting a single legislative Parliament.<sup>93</sup> In the middle of the year, however, a conflict between the two opposing trade unions of the sugar sector broke out into racial violence on the plantations. Before, in 1962, riots of arson, looting and violence, killing five men and injuring many more, had also erupted in Georgetown in protest against the government. The elections of 1964 thus took place in a climate of sharp tension.<sup>94</sup>

The elections resulted in a majority coalition between the PNC and UF with Burnham as prime minister. Because of the pro-Western (rather than pro-Soviet) disposition of this new government the British were finally inclined to move toward full independence, which was proclaimed in May 1966.<sup>95</sup> The following elections of 1968 were a triumph for the PNC, as Burnham had gained the votes of many medium business owners and of the Indian populace, thus breaching the ethnic solidarity on which the PPP's authority had rested. Concerted efforts

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<sup>91</sup> Gert Oostindie and Inge Klinkers, *Decolonising the Caribbean. Dutch Policies in a Comparative Perspective* (Amsterdam 2003) pp. 22, 236 (footnote 14).

<sup>92</sup> Newman, *British Guiana*, pp.79-91.

<sup>93</sup> Giacottino, *Les Guyanes*, p. 48.

<sup>94</sup> Thomas J. Spinner, *A Political and Social History of Guyana, 1945-1983* (Boulder 1984) p. 33.

<sup>95</sup> Giacottino, *Les Guyanes*, p. 48.

had been made by the PNC in this direction since 1964.<sup>96</sup> Despite Burnham's pro-Western position, definite socialist aspects permeated his policies. After independence these became increasingly marked. In February 1970 the Co-operative Republic of Guyana was proclaimed; in the following years the government took control of most important sectors of the economy and strongly encouraged cooperatives.<sup>97</sup> The sugar industry too became largely government-controlled, when in 1976 a number of nationalizations culminated in the nationalization and merging of the British-owned Booker McConnell holdings to form the Guyana Sugar Corporation (Guysuco). Booker had been responsible for 40 percent of the country's exports, mainly sugar, and 25 percent of gross production.<sup>98</sup> Burnham was reelected several times and stayed in power until his death in 1985.

Suriname was guaranteed full autonomy in 1954, by means of the Charter of the Kingdom of the Netherlands. Together with the Netherlands and the Netherlands Antilles, the colony constituted a tripartite kingdom: each state fully self-governing and only committed to the others on a voluntary basis.<sup>99</sup> The new constitution instituted a legislative Parliament elected by universal suffrage, a State Council that would be chaired by a prime minister, and a governor to the Crown whose capacities were now reduced to defense and foreign affairs. In addition, an official ambassador would represent the interests of Suriname in The Hague. The constitution also granted autonomy to the government in Paramaribo in its economic affairs.<sup>100</sup> For example, Suriname already emitted its own currency, the guilder, but the issuing was done by a private bank in the US. In 1957, a law was passed that granted the Central Bank of Suriname permission for the emission of currency; and in 1960, a revision of the law allowed the operation of an independent Surinamese monetary system.<sup>101</sup> In this way, Paramaribo was able to put in place some of the important attributes of a sovereign state. In 1971, moreover, official citizenship was instated in Suriname and a national defense force created.

Independence was negotiated with the Netherlands from the year 1970 onwards. The political landscape at the time was made up by parties based on ethnic and religious profiling,

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<sup>96</sup> Despres, *Pluralism and Politics*, p. 266.

<sup>97</sup> Rajendra Chandisingh, 'The State, the Economy, and Type of Rule in Guyana: An Assessment of Guyana's "Socialist Revolution"', *Latin American Perspectives* 10, 4 (1983) pp. 59-60.

<sup>98</sup> Chandisingh, 'Type of Rule in Guyana', 68-69.

<sup>99</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, pp. 84-85

<sup>100</sup> Gert Oostindie and Inge Klinkers, *Knellende Koninkrijksbanden. Het Nederlandse Dekolonisatiebeleid in de Caraïben, 1940-2000* (Amsterdam 2001) I, pp. 141-144.

<sup>101</sup> Giacottino, *Les Guyanes*, p. 50.

and the elections of 1973 took place in a tense political climate. There was much competition between the parties: with independence in sight, the Indian community, for example, was worried to find itself without guarantees vis-à-vis the other majority communities. The 1973 coalition under leadership of Henk Arron consisted of four parties, two of which predominantly Creole supported, one supported mainly by the Javanese, and one Christian democratic party; the Hindustani party was forced into the opposition. The Arron government led Suriname to independence, and the new constitution granted some guarantees to the Indian community, but not enough as to their satisfaction so that the Hindustani party remained in vigorous opposition.<sup>102</sup>

In 1977, the coalition of Arron again won the elections, but the government was unable to relieve the social crisis and in particular the Indian opposition. Another issue concerned the military, whose soldiers attempted to establish a union, while the government refused to grant this right. It led to their occupying a military base in Paramaribo in January 1980 and eventually to the Surinamese coup d'état of 25 February 1980 that drove out and replaced the government. In August 1980, parliament was dissolved and the constitution suspended, and the military would rule until the 1987. The essence of the regime was "*the monopolization of the means of force and a willingness to use them against civilians.*"<sup>103</sup> In 1987, under the pressure of economic recession and moral decay of Suriname, the military was forced to agree to the adoption of a new constitution, which would return some stability to the country after a decade of severe instability.

In brief, despite much continuity in the colonies of Essequibo, Demerara and Berbice after the British takeover, clear differences can be discerned as well between British Guiana and Suriname from the nineteenth century, in particular in terms of the political economy. The government of British Guiana gained greater autonomy from the mother country at an earlier stage, and was highly involved with the business of its planters. Consequently, public capital was used to maintain the sugar industry's dominant position into the twentieth century. Rice was the only other agricultural product able to gain some significance in the economy of British Guiana, and bauxite mining would complete the trio from the first decades of the twentieth century. For Suriname, a greater degree of autonomy came only in the second half of the nineteenth century, after the colonial government had opposed the disproportionate sway of certain interests groups, those of the plantocracy, in the colony's administration. This

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<sup>102</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, pp. 102-116.

<sup>103</sup> Mendes, 'Parliamentary Structures', p. 120.

led the Surinamese planters to accuse the Dutch government of looting their colony, as it did not invest much in return for the produce that it received from Suriname,<sup>104</sup> but it also led to a changing system of agriculture that towards the second half of the twentieth century would no longer be based on plantation agriculture, but that would be more diversified with respect to both commodity and ownership. The processes of decolonization included a transitional stage of autonomy in both British Guiana and in Suriname. Tensions of ethnical heterogeneity came out in the open and would lead to political upheaval and conflict in both (former) colonies, either sooner or later.

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<sup>104</sup> Stipriaan, *Surinaams Contrast*, pp. 44-45.

## CHAPTER TWO. REAL WAGES IN GUYANA AND SURINAME

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Data on the Guianas has proven to be sparse. From figures provided by Maddison on the GDPs of Guyana and Suriname, we have been able to compile per capita GDP series that give rise to some important issues. According to this data, in 1950 per capita GDP was 1.4 times as high in Suriname as it was in Guyana, by 1973 the difference had reached a ratio of 1.57, and it had risen to a level of 1.77 in 1990. Yet national income accounting for former colonies and developing countries often requires input of ‘constructed data’ to accommodate the gaps in historical sources, which can cause for possible flaws. Moreover, average incomes can be a poor guide to the standards of living of the majority of the population, the ordinary workers, because societies in former colonies are often highly non-egalitarian. Real wages offer a good alternative to historical national accounts data, because they better reflect the material living standards of ordinary workers, and differences between the former colonies can be determined more accurately. Another advantage of the living standard concept is that it incorporates inequality in the distribution of income. This chapter will apply the real wages approach to the cases of Guyana and Suriname, in order to add to our knowledge of these countries and refine the little data that already exists, and to get a better insight in the differences between both countries before commencing the analysis of their assumed divergence.

### *2.1 Consumption patterns, real wages and living standards*

Table 2.1 presents the nominal daily wages for several types of hired male workers in Guyana and Suriname in the years 1960 and 1961 respectively. The figures for Guyana have been gathered from the annual report of the department of labor from the colony’s collected administration reports. The figures for Suriname come from a census of industries and occupations from the ‘Suriname in Figures’ series of the General Bureau of Statistics.<sup>105</sup>

In the case of the Guyanese data, rates of wages were typically given per hour, per day, or per week, as well as the normal hours of work per type of occupation were given per week. Most of the figures that were given are, in other words, case-particular, and daily wages for various types of laborers could therefore be determined quite accurately. For instance, in the building trade a carpenter made 44.5 cents per hour, worked 8 hours a day, and worked 45 hours, or 5.6 days a week. This adds up to 1036.7 Guyanese dollars a year, or \$2.84 a day. The 5.6 day workweek seems to have been the average, and was also used for truckers, as for

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<sup>105</sup> TNA, CO 114/284, Administration Report 1960, part I: Annual Report of the Department of Labour; and GBS, ‘Suriname in Figures’, No. 20 *Census of Industries and Occupations 1961* (1962).

them no weekly hours of work were stated. In the cases that weekly wages were given, these have been multiplied by 52 (number of weeks in a year), from which then the daily income was calculated. The field workers in the sugar industry in Guyana worked a total of 2,956,301 man days, 2,183,358 of which by piece workers, and 772,943 by time workers: a ratio of 2.8. With weekly earnings of \$18.78 for piece workers, and of \$13.54 for time workers, taking into account the ratio of 2.8 this means an average of \$17.4 per week for the average field worker in the Guyanese sugar industry. Again times 52, this means \$904.8 per year, or \$2.48 a day. When in a line of work there were different grades of workers earning different wages, like in the case of mechanics and servicemen in motor transport whose wages varied between 49 and 31 cents an hour for workers graded I to VI, averages were used.

For Suriname, the statistics that were given are numbers of laborers in particular lines of work and specific companies, and the total of wages paid to these particular types of laborers over the period of one year. Dividing the latter by the observed amount of workers, averages of yearly incomes per person could be established, and from these daily wages were determined. For some types of workers, exact equivalents were found for Guyana and Suriname: this was the case with truckers (275 observations), carpenters (983 observations), masons (220 observations), mechanics and servicemen (14 observations), and sugar factory workers (491 observations). For painters in the building industry, in Suriname building painters, construction painters and ship painters were taken together (254 observations); to match the category of commercial clerk in Guyana, shop assistants in small retail businesses, stock clerks, and storage clerks were drawn on for Suriname (800 observations); for skilled workers in metal workshops, in Suriname manufacturers of plates of copper, tin, and other types of metal were taken (14 observations); and lastly, to match the field workers in Guyana, unskilled laborers in handwork and industry were drawn on for Suriname, including laborers on rice estates (11.521 observations).

For Suriname, these are unfortunately the only figures on wages available for the period before independence. The Dutch seem to have been less systematic in gathering annual statistical reports on the economic and social circumstances of their colony Suriname than the British were for Guyana. This may have been a general tendency, given that the British had a much bigger colonial empire than did the Dutch, and a more bureaucratized way of approaching that empire, but is likely to have been due to the relative minor significance of Suriname compared to the larger importance of their colonies in the Dutch East Indies.<sup>106</sup> For

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<sup>106</sup> Oostindie and Klinkers, *Knellende Koninkrijksbanden*, I, pp. 13-15.

this thesis, it poses no problem, because the focus here is the comparison between Guyana and Suriname, and the available data is useful and constructive to this end. Nevertheless, for Guyana wage series can be compiled over a period of decades, even centuries, from the administration reports from the sessional papers of the Colonial Office from the 1880s onward, and from the Blue Books before that. In the light of current ongoing research on real wages in global comparative perspective this would be very valuable data.<sup>107</sup>

**Table 2.1: nominal wages of hired male laborers in local currency per day 1960-61**

	Guyana (\$)	Suriname (fl.)
<b>(Sugar) industry</b>		
Factory worker	2.69	4.58
Field worker	2.48	4.34
<b>Waterfront</b>		
Trucker	3.05	5.64
<b>Building trade</b>		
Carpenter	2.84	4.72
Mason	3.03	5.09
Painter	2.71	4.48
<b>Commercial</b>		
Clerk	2.05	3.87
<b>Motor transport</b>		
Mechanic / servicemen	3.03	5.07
<b>Metal workshops</b>		
Skilled worker	4.02	6.82
<b>Average</b>	<b>2.88</b>	<b>4.96</b>

Notes: the wages for carpenters and painters in Suriname may be on the modest side, because the General Bureau of Statistics included all laborers, but left out the wages that were not known exactly.

The nominal wages from table 2.1 tell us nothing yet about the differences in standards of living in Guyana and Suriname. They do give us some first insight in the unequal distribution of income in both countries, by showing us the differences in nominal incomes: the highest earning laborer in Guyana makes almost double of what the littlest earning laborer makes, whereas in Suriname this is about 75 percent. But of course skilled workers do better everywhere, and we cannot yet say what this means in terms of real wage. More importantly, these figures can help us to compare living standards in Guyana and Suriname. Within the living standard framework this chapter will focus primarily on the relationship between household income, commodity prices, consumption patterns, and nutritional intake.

<sup>107</sup> The systematic collection of wage and price data goes back to the nineteenth century, but methods for global comparison have been developed in the past decade. Living standard studies for areas in Asia, Latin America and Africa are growing as we speak.

In order to deflate the nominal wage rates in Guyana and Suriname we have to adjust the monetary value of household incomes for differences in price levels of a specific consumption basket. We use Allen's concept of the 'bare-bones subsistence basket'<sup>108</sup> to compare prices of key consumption commodities. This subsistence basket, in which different diets can be specified for different regions, is customized to be cheap, and yield a bit over 1,900 calories a day, and in meeting with modern nutritional norms, a minimum of 44 grams of protein.

In putting together a food basket for this thesis that both meets the requirements of Allen's subsistence basket, and reflects the consumption patterns in Guyana and Suriname, we used food balance sheets from the United Nations Food and Agricultural Organization (FAO), published since the 1960s to judge the world's food supply, and a volume on development of retail prices in Suriname from the 'Suriname in Figures' series; the volume specifies and enumerates in absolute and relative figures, the average weekly expenses of Creole, Hindustani, and Indonesian families in Suriname (who together made up 95.4 percent of the population in Suriname in 1960<sup>109</sup>) for a number of months in 1952.<sup>110</sup> There is a disparity of almost a decade between the data on wages and the data on families' weekly expenses, but for the argument here we will assume that there have been no big shifts in consumption patterns between these years. Table 2.3 presents the contents of the basket.

According to the food balance sheets for the year 1961, average calorie intake per head in Guyana was 2.272 and 1.910 in Suriname. Vegetal products made up just around 87 percent of the intake in both countries, and two staple crops, rice and wheat, together made up over half of this intake: 54 percent in Guyana and 53.4 percent in Suriname. Calorie intake from rice in Guyana was only slightly more than that from bread, by 4.5 percent, but in Suriname this was almost 12 percent more; figures that correspond with the figures on family expenses: 6.9 percent of income was spent on average on rice, whereas 4.6 percent was spent on water bread.<sup>111</sup> For this reason, and because retail prices for rice were considerably lower than those for bread (by a ratio of just over two, see table 2.2), rice makes up the larger share in the basket. But because both crops made up a considerable amount of family spending, both are included in the basket.

The accounted 30 kilograms of sugar may seem high, especially relative to other subsistence baskets. However, since sugar was for a long time one of the main cash crops of

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<sup>108</sup> Robert C. Allen, *The British Industrial Revolution in Global Perspective* (Cambridge 2009) pp. 33-42.

<sup>109</sup> GBS, 'Suriname in Figures', No. 34, *Statistical Yearbook of Suriname 1958-1962* (1965), table 8: Creoles made up 43.5 percent, Hindustani 35.8 percent, and Indonesians 16.1 percent.

<sup>110</sup> GBS, 'Suriname in Figures', No. 40, *12.5 Years Price Development* (1966); FAOSTAT: <http://faostat.fao.org/>

<sup>111</sup> Water bread is in principle the easiest, cheapest type bread, needing only flour, water and some yeast product.

these former plantation economies, sugar was in abundant supply (according to the food balance sheets, after extracting exports from total production an average of 38.9 kilograms per capita per year was available in Guyana and an average of 29 kilograms in Suriname) and hence a relatively cheap supplement to advance daily calorie intake (adding 16.9 and 15 percent respectively to average total daily calorie intakes). Moreover, one has only to consider the many uses of sugar – as sweetener to beverages, breads and pastries, as a product to speed up the process of fermentation in baking to make the dough rise, and even as preservative to many food products – to see that 30 kilograms is in fact not that much; to compare, an average of 51.6 kilograms of sugar was consumed per person in the United Kingdom in the year 1961. Finally, sugar did comprise an average of 3.1 percent of families’ weekly spending.

**Table 2.2: average product prices for the years 1959-63**

	Unit	Guyana (\$)	Suriname (fl.)
Rice	kg	0.21	0.23
Water bread	kg	0.42	0.50
Peas	kg	0.54	0.65
Sugar	kg	0.14	0.40
Coconut oil	liter	0.58	0.99
Eggs	piece	0.09	0.13
Milk	kg	0.27	0.31

Notes: in 1962 the Surinam Guilder was 0.53 US\$, the West Indian Dollar in Guyana 0.58 US\$: International Monetary Fund, *Annual Report 1962*. Sources: TNA CO 114/284 and 295, Administration Reports 1960, 1962; and GBS, *Yearbook Suriname 1958-1962* and No. 55, *Statistical Yearbook of Suriname 1960-1965* (1969).

Some meat was consumed in Guyana and Suriname, mostly bovine and poultry. Yet prices for corresponding meat products were not found. To tackle this problem, the average daily nutritional values of both countries have been used, bovine meat adding an average of 42 calories and 4 grams of protein per day, and poultry meat adding an average of 30 calories and 2 grams, and 4 percent was added to the spending on food, close to families’ 2 percent spent on bovine meat, and 1.7 percent on poultry. With respective averages of 10.7 kilograms and 7.7 kilograms available per head of the population, however, this did little for the needed grams of protein each day. To compensate, the amounts of peas and eggs consumed were increased; both products rich in protein. The amount of peas consumed is brought up from an average for Guyana and Suriname of 2.6 kilograms per capita to 10 kilograms, bringing the grams of protein per day from this product from 1.6 grams to 6.3 grams. The amount of eggs consumed is brought up from an average of 2.25 kilograms to 15 kilograms (about 270 pieces,

reckoning an egg at about 55 grams), bringing the grams of protein from 0.6 grams to 4 grams. Both are relatively expensive products, but had the protein value been made up by meat products, prices would have been higher still.

Lastly, coconut oil and milk were added: an average of 4.2 percent of families' weekly spending was spent on coconut oil, 2 percent on milk, and both added significantly to calorie intake: coconut oil added 5.7 percent in Guyana and 9.6 percent in Suriname, while milk added a little under 5 percent in both. The products from the subsistence basket make out 78.7 percent of total calorie intake in Guyana, and even 80.5 percent of total intake in Suriname.

**Table 2.3: subsistence basket for Guyana and Suriname**

	Unit	Quantity per person per year	Nutrients per kg		Nutrients per person per day	
			Calories	Protein (gr.)	Calories	Protein (gr.)
Rice	kg	90	3,406	68	840	17
Water bread	kg	60	2,669	74	439	12
Peas	kg	10	3,443	231	94	6
Sugar	kg	30	3,592	0	295	0
Coconut oil	liter	5	8,803	0	121	0
Eggs	piece	270	1,304	97	54	4
Milk	liter	20	589	35	32	2
Meat (bovine and poultry)	4% of spending				72	6
<b>Total</b>					<b>1,947</b>	<b>47</b>

Note: for a comparison of this basket with European, Asian or African subsistence baskets see Allen, *Industrial Revolution*, pp. 35-38; E. Frankema and M. van Waijenburg, 'Structural impediments to African growth? Countervailing evidence from real wages in British Africa, 1880-1965', working paper.

Together the products from the basket make up over half of a family's weekly spending on food and drinks, and food and drinks made up over half of a family's total weekly spending (53.8 percent). Other products that take up significant parts of weekly spending are: fresh vegetables, tomatoes, bell peppers, and cucumbers (6.7 percent), fresh fruits (2 percent), spices (3.3 percent), fresh, dried, and salted fish (5 percent), tea, coffee, and cocoa (3.3 percent), and beer, alcoholic beverages, and soft drinks (8.6 percent). These products are worth mentioning as part of the average diet of a person living in the Guianas, but have not been taken into account for the subsistence basket, as they would make more sense in a 'respectability basket'; a basket for which calorie intake is boosted to 2,500 per day.<sup>112</sup>

<sup>112</sup> Allen, *Industrial Revolution*, pp. 35-36.

No comparable prices for soap, and fabrics like cotton or linen could be found for Guyana and Suriname. Since these are included in subsistence baskets for other regions, however, this would leave a hiatus in our dataset. As a solution, staying close to the average family's weekly spending, 4 percent of spending was reckoned for clothing per person, and another 1 percent for personal hygiene. Spending on clothing as such includes a percentage for tailored clothes, a percentage for fabrics to hand make clothes from, and a percentage for footwear; personal hygiene may include soap and some other products like cream and powder.

In line with Allen, 5 percent is calculated for renting housing, as this percentage is also borne out by the figures on family's weekly spending: costs of housing and water use together average at 5.2 percent. Also in line with Allen's work and other research into real wages, we assume that the average family including a husband, wife and two to three children, requires three subsistence baskets to survive, because the recommended calorie intake of a woman is less than that of a man, and children need even fewer calories. It should be noted, however, that this may be slightly reserved for Guyana and Suriname, because Creole families on average consisted of 6.3 persons per family, Hindustani families of 7.4 persons, and Indonesian families of 5.0 persons.<sup>113</sup>

Table 2.4 shows the results of what is referred to as the 'family subsistence basket'. First the prices of the subsistence basket from table 3 have been calculated. The subtotal including 4 percent for meat is the subtotal of the other food products times 1.04. Then, with housing, clothing, and personal hygiene in mind, we can estimate the cost of supporting a family as 3.3 (= 3 x 1.10) times the cost of the subsistence basket.

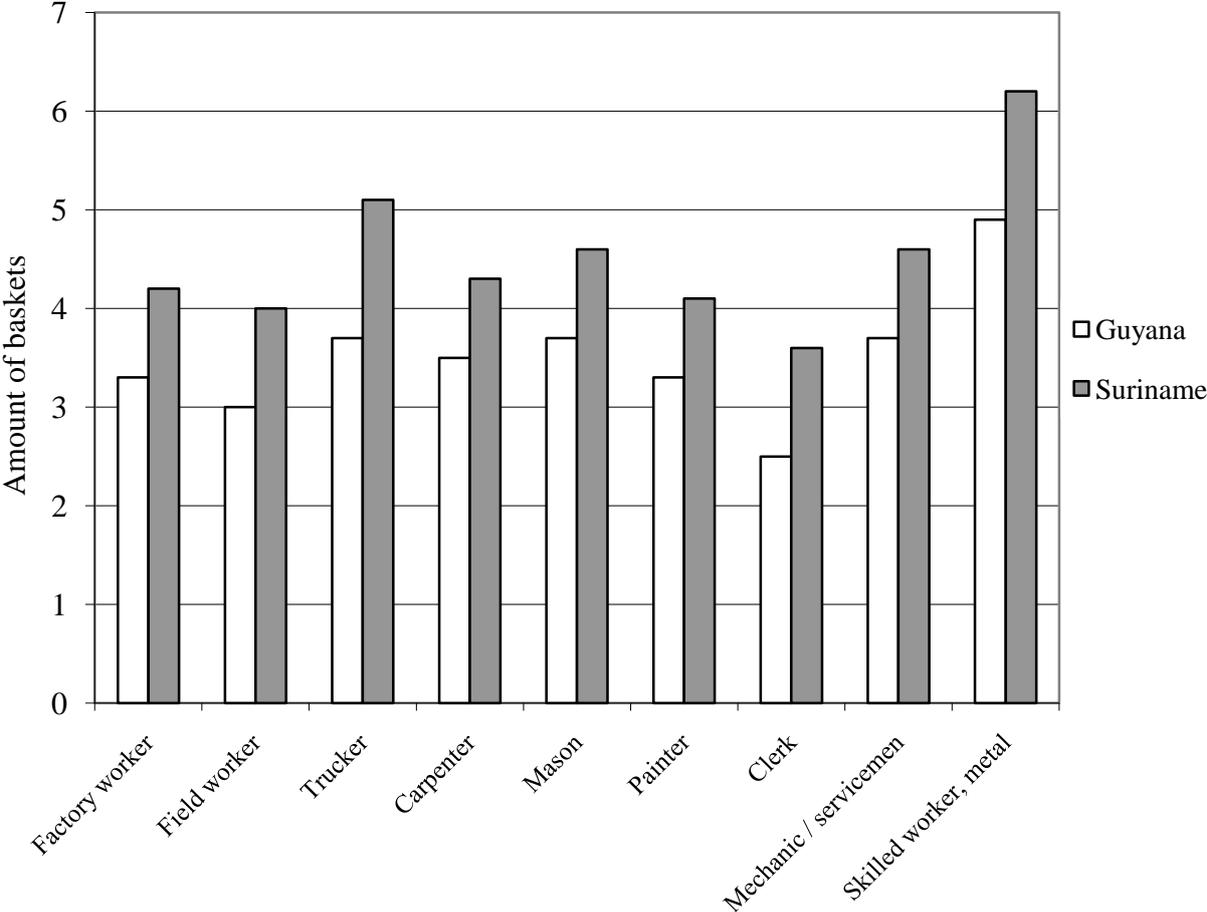
**Table 2.4: price of a family subsistence basket per day in local currency**

	Guyana (\$)	Suriname (fl.)
Rice	0.053	0.058
Water bread	0.069	0.082
Peas	0.015	0.018
Sugar	0.012	0.033
Coconut oil	0.008	0.014
Eggs	0.067	0.099
Milk	0.015	0.017
Subtotal	0.237	0.319
Subsistence basket, incl. meat	0.247	0.332
<b>Family basket, including housing, clothing, and personal hygiene</b>	<b>0.81</b>	<b>1.10</b>

<sup>113</sup> GBS, *12.5 Years Price Development*.

By applying the family subsistence basket price from table 2.4 to the nominal wages from table 2.1, we have been able to approximate the welfare ratios for nine different types of hired laborers in Guyana and Suriname: the graph from figure 2.1 shows the results. It becomes clear that male adult wage income in both countries sufficed to buy at least two family subsistence baskets per day. Even the lowest earning hired laborer, the clerk, was able to buy 2.5 family subsistence baskets in Guyana, and 3.5 baskets in Suriname. The rest of the hired laborers were all able to buy at least three family subsistence baskets a day.

**Figure 2.1: subsistence ratio's for hired laborers 1960-61**



Note: the types of laborers correspond to the workers from table 2.1.

Because the figures from this table are consistent over the whole, with significantly higher welfare ratios in Suriname for each of the nine types of laborers, it can be concluded with confidence that living standards in Suriname were higher. The average welfare ratio of the nine different types of hired laborers was 3.5 family subsistence baskets per day in Guyana,

compared to 4.5 baskets in Suriname: a ratio of 1.29 in favor of Suriname. However, of the total 14,565 observations that were made of hired laborers in Suriname, 88 percent (12,812 observations) were laborers from the categories of factory workers, field workers and clerks. These categories together comprise the unskilled laborers in our dataset. The other six categories (that together comprise the remaining 12 percent of the total observations) concern semi-skilled and skilled laborers. Similar numbers hold true for Guyana, as is borne out by tables on numbers employed in certain industries from the annual reports of the department of labor: about 25,000 hired workers were employed in the sugar industry each week in the year 1957, almost three times as many as in the other industries together; by 1959 this number was 21,531 and by 1960 the number of hired workers employed was still well over 20,000.<sup>114</sup>

Table 2.5 shows the average welfare ratio, as well as the welfare ratios for unskilled, semi-skilled and skilled laborers in Guyana and Suriname. It shows that the majority of the observed laborers were not able to afford the respective unweighted averages of 3.5 and 4.5 family subsistence baskets per day. The semi-skilled and skilled laborers in Guyana were able to buy 3.5 and 4.3 baskets per day, compared to 4.5 and 5.4 baskets per day in Suriname. But the unskilled laborer in Guyana was only able to buy an average of 2.9 baskets and the unskilled laborer in Suriname could buy an average of 3.9 baskets. The ratio between the real wages of the unskilled laborers of both countries is 1.34: higher, albeit only slightly, than the 1.29 ratio for all hired laborers.

**Table 2.5: average subsistence ratios hired laborers 1960-61**

	Guyana	Suriname	ratio Suriname / Guyana
Average total	3.5	4.5	1.29
Unskilled laborer	2.9	3.9	1.34
Semi-skilled laborer	3.5	4.5	1.29
Skilled laborer	4.3	5.4	1.26

Notes: average total is the average of the subsistence ratios of the nine different types of hired laborers (figure 1). The average for semi-skilled laborers includes truckers, carpenters, masons, and painters. The average for skilled workers includes mechanics and servicemen, and skilled workers from the metal workshops.

The real wage ratio of 1.34 that has been calculated in this chapter as the comparative relation of Guyana and Suriname in favor of Suriname, is somewhat lower than the ratio between per

<sup>114</sup> TNA, CO 114/278, Administration Report 1957, part I; and CO 114/295, Administration Report 1962, part I: Annual Reports of the Department of Labour.

capita GDPs calculated from Maddison’s data: the ratio for the GDP series was already 1.4 in 1950; if steady annual growth rates of both nation’s GDPs and populations are presumed between 1950 and 1973, the ratio would have been at 1.47 by 1960. Yet despite that Maddison’s GDP estimates seem to have been slightly too high, also in terms of material living standards the divergence between Guyana and Suriname turns out substantial. Maddison’s figures thus presented us with a fairly accurate picture of economic divergence between both countries, and the issues that his figures raised remain.

To conclude this section of chapter 2, we will present a few alternative measures of living standards to further substantiate our claim of higher living standards in Suriname and which will link to the next topic that will be treated. Table 2.6 presents average life expectancy at birth for males in Guyana and Suriname from 1970 to 2005; table 2.7 presents mortality of infants less than one year of age per 1000 live births in five year averages from 1920 to 1960. These biological indicators are a useful supplement to our real wages, because whereas the latter can only measure the means available to a population to achieve good health and nutrition, the former directly measure the actual well-being of a population.

**Table 2.6 Life expectancy at birth of males in years, 1970-2005**

	1970-75	1975-80	1980-85	1985-90	1990-95	1995-00	2000-05
<b>Guyana</b>	65.3	64.1	65.8	59.3	59.8	61.1	58
<b>Suriname</b>	63.3	63.8	67	66.4	67.8	67.5	68.5

Note: females are consistently better off by about five years. Sources: United Nations Demographic Yearbooks 1973, 1980, 1985, 1996 and 2000, special topic: mortality statistics.

**Table 2.7 Infant mortality per 1000 live births, 1920-1960**

	1920-24	1930-34	1950-54	1955-59	1960
<b>Guyana</b>	173.8	149.1	79.36	64.82	61.5
<b>Suriname</b>	104.5	75.8	42.86	37.8	40.7

Sources: United Nations Demographic Yearbooks 1955, 1957 and 1966, special topic: mortality statistics.

In line with the per capita GDP trends of Guyana and Suriname that we presented in the introduction of this thesis, life expectancy in Suriname has increased nearly uninterrupted since the 1970s, while in Guyana life expectancy stagnated in the 1970s and dropped since the 1980s. The relative higher life expectancy in Guyana in the 1970s compared to Suriname is surprising, though scattered figures suggest that this relation was the other way around until

the early 1960s: life expectancy in Guyana in 1959-61 was 59 years, whereas in Suriname life expectancy in 1963 was higher with 62.5 years. A possible explanation may therefore be that the socialist policies of Forbes Burnham and his PNC from the moment of independence significantly improved living standards over a period of one or two decades, but these proved impossible to maintain because of the economic course that the country was on. Infant mortality rates too suggest higher living standards in Suriname, even further back in time than we have GDP or wage data for. Since the 1930s, however, the ratio to Suriname has been on the decline. More will be said on levels of inequality in Guyana and Suriname in the next section of this chapter and especially in the next chapter, but a possible explanation for this decline may be declining levels of inequality in Guyana since the twentieth century, because a relationship between social and economic inequality and population health is often suggested. Richard Wilkinson asserted, “*it is not the richest countries which have the best health, but the most egalitarian.*”<sup>115</sup> Conversely, of course, the figures from table 2.7 may thus also indicate lower levels of inequality in Suriname.

## 2.2 Some observations on levels of inequality

The statistics from table 2.5 are also significant with regard to the inequality in distribution of income in Guyana and Suriname. Since income inequality is per definition impossible to know from statistics on GDP per capita, and because measurements of inequality, like a Gini coefficient, are often not available for developing countries, this is a great additional advantage to the real wage approach. In terms of real wage, semi-skilled laborers in Suriname made 15 percent more than unskilled laborers did; in Guyana this was 21 percent more. Skilled laborers in Suriname made 20 percent more than semi-skilled laborers, and 38 percent more than unskilled laborers; in Guyana, skilled laborers made 23 percent more than semi-skilled laborers, and even 48 percent more than unskilled laborers did. It appears then that the skill premium and consequently the inequality of wage income were higher in Guyana than in Suriname.

Wages that have not been included in the dataset of this thesis, because they could not be matched closely enough for the two countries to be compared, can nevertheless be useful to this additional end, and they too confirm the picture: an unskilled quarry mine laborer in the Demerara Bauxite Company Ltd. or the Reynolds Metals Company made \$5.13 a day, when he worked 8 hours per day, 5 days a week. A well paid skilled laborer in the same

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<sup>115</sup> Richard G. Wilkinson, *Unhealthy Societies: The Afflictions of Inequality* (London 1996) p. 3.

company, a journeyman class electrician, made \$7.44 a day. With these figures, an unskilled laborer in the bauxite industry in Guyana was able to afford 6.3 family subsistence baskets per day, and a skilled laborer up to 9.1 baskets. Compared to the general unskilled laborer in Guyana, this makes for ratios of 2.17 and 3.14 respectively. For Suriname, we found average wages for unspecified mine and quarry laborers (964 observations), and for mechanics of mining machinery (29 observations). The daily pay of the mine and quarry laborers in Suriname averaged fl.6.64 per day, enabling them to afford 6.1 family baskets each day. Weighed against the general unskilled laborer in Suriname, we calculate a ratio of 1.56: considerably lower than the ratio of 2.17 in Guyana. Moreover, since the 964 laborers are not further specified, they may yet include semi-skilled or skilled laborers, so the daily wage and the ratio are possibly even too high. The mechanic of mining machinery in Suriname made fl.9.01 per day, and could buy 8.2 family subsistence baskets per day. A ratio of 2.10 compared to the general unskilled laborer; a ratio that is quite a lot lower than that of the electrician in Guyana. It must be noted, however, that figures are also available for the entire body of employees of two bauxite companies in Suriname, and an average pay of fl.9.68 per day for all employed is calculated. The shares of unskilled, semi-skilled, and skilled laborers in the whole are impossible to make out, but others must have made more than the mechanic's fl.9.01 a day.<sup>116</sup> Nevertheless, on the whole it is clear that relative to general laborers in their respective countries, mine and quarry workers were maintaining a significantly higher ratio of income in Guyana than in Suriname.

As was stated at the beginning of this chapter, the aim here was to analyze the living standards of the ordinary workers, because they make up the majority of the population. The occupations that have been considered are therefore mostly from the primary and secondary sectors of the economy, and some lower tier jobs from the service sector. To get a more comprehensive picture of income inequality in Guyana and Suriname, the higher income classes would also (or especially) have to be brought into the equation. But from the data presented here, it seems warranted to state that at least wage income of the working class was more unevenly divided in Guyana than it was in Suriname.

In the next chapter, we will analyze the issue of Suriname's better economic performance and the additional point of Suriname's apparent greater equality.

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<sup>116</sup> Having left out the wages from this paragraph from the dataset makes no difference to the welfare ratios for hired unskilled laborers in Guyana and Suriname, who are the main focus of this thesis, because the laborers that made these wages would not have been included in this category.

## CHAPTER THREE. DIVERGENT PATHS OF DEVELOPMENT EXPLAINED

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By compiling and comparing the real wages of those that make up the largest share of society, the unskilled laborers, we have been able to establish the reliability of the existing figures on levels of economic development in Guyana and Suriname. Though in the grand scheme neither is doing exceedingly well, by 2008 Suriname was an upper middle income economy, while Guyana was still in the lower ranges of middle income economies. The discrepancy between the two can be observed since 1950, the first year for which comparable figures are available, when the divergence seems to have been already well in effect. Over the years, the divergence has only become more significant. How can we explain the different levels of economic development of these two countries that are each other's direct neighbors on the north-central end of the South American continent? The following section of this chapter introduces and explains the hypothesis we adopt in the framework of the literature concerned with economic growth and inequality, which was discussed in short in the introduction.

### *3.1 Factor endowments and political institutional designs*

As Engerman and Sokoloff have argued in a broader context for the Americas, for the former colonial territories of Guyana and Suriname too factor endowments played a critical role in their initial development. Endowments were clearly at the basis of the pattern of colonization in the area: they were what caused the colonists to settle on the coastal strips, what caused them to start growing cash crops such as sugar, and what caused them to import slaves from Africa in order to work the plantations. But they cannot explain the different levels of economic development of Guyana and Suriname in the second half of the twentieth century, as for the two countries goes that their initial endowments were pretty much identical and that the endowments were by and large constant during colonial times and into the twentieth century. Even the exploitation of 'new' endowments occurred simultaneously, as was illustrated by the bauxite industry: after the use of bauxite had become known to the world in the nineteenth century, the discovery of the ore in the interiors and the first ventures for mining it occurred around the same time in Guyana and Suriname in the 1910s.

As discussed in the introduction of this thesis, Engerman and Sokoloff further developed their original argument and in follow-up papers also included institutions into the equation. In their seminal paper 'Factor Endowments, Inequality, and Paths of Development' they argue for the impact of initial degrees of inequality on long-term economic development, because of the impact different levels of inequality have on the development of institutions of

for instance suffrage, schooling and finance. In societies that began with extreme inequality, the elites were “*inclined and able*” to establish a political structure that would allow them to maintain their privileged position; it would also contribute to the persistence of inequality and impede economic development in the long run, for instance by failing to invest sufficiently in human capital.<sup>117</sup> The point that they made about inequality is an important one and we will argue for this further on in this chapter. But when we first consider Engerman and Sokoloff’s argument in the light of Guyana and Suriname, and include inequality in the notion of endowments, we see that factor endowments alone remain insufficient to explain the variance between the two countries, as also in this respect development of the two countries was very much alike. Similarly, AJR’s theory of development that distinguishes extractive institutions from settler institutions, either of which was chosen during early settlement and the choice of which was based on the environment that was encountered, will not be able to be maintained. In the former colonies that today make up Guyana as well as in the colony of Suriname, production of cash crops on plantations was rapidly developed into almost the single form of commercial activity because the soil of the polders was particularly suited for this purpose. To work the plantations slaves were imported from Africa and though they easily outnumbered the Europeans, the slaves were dominated by this elite. Hence initially a high degree of inequality characterized the societies of British Guiana and Suriname, exactly as Engerman and Sokoloff described how it would be. But clearly Suriname’s higher level of economic development in the twentieth century is then not explained when initial levels of inequality are stressed as defining for long-term economic outcomes, because following that reasoning no divergence should have taken place between the two. We can therefore reasonably say that while on a more general level of explanation, where the distinguishing line between rich and poor is more sharply drawn, Engerman and Sokoloff’s approach has its advantages, it cannot consistently account for variations *among* rich or *among* poor countries or regions.

To explain the divergence of Guyana and Suriname we adopt an argument put forward by North, Summerhill and Weingast in their paper that presents political disorder in Latin America as a crucial reason for lagging levels of economic development compared to the United States. Their argument asserts an independent role for political institutions in the late colonial era and the nineteenth century in determining long-run economic outcomes and holds that although endowments were critical for economic and political behavior during colonial times and after independence, “*there is no automatic mechanism, or deus ex machina, that*

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<sup>117</sup> Engerman and Sokoloff, ‘Paths of Development’ (2002) pp. 64, 75-80.

*translates these endowments into political order and political choice.*”<sup>118</sup> The argument is different from other institutional arguments like that of AJR on the crucial point that it stresses late colonial institutional designs rather than institutional mechanisms that originated in the early colonial era, because it is people, or organizations, just as much as endowments that affect the development of institutions. As North had argued before, “*ideas, organized ideologies, and even religious zealotry play major roles in shaping societies and economies.*”<sup>119</sup>

Independence and the political upheaval that in Guyana surrounded it and in Suriname followed afterwards, occurred when the paths of economic development of the two countries had already begun to diverge. It is not the political disorder therefore that can explain their divergent paths. But as in the next sections will be argued, it is nevertheless the political institutional set-ups of both colonies, which were organized separately and in different ways since the nineteenth century, and the series of political and economic choices that resulted from the different set-ups that can. In so arguing, the value of Engerman and Sokoloff’s hypothesis will once more be demonstrated, as the following will show that even today Guyana’s economy is to a large extent still the product of its initial endowments, including inequality, through the institutional mechanism of path dependence postulated so meticulously by Douglass North. On the other hand, Suriname shows a different kind of development: one that is not solely a function of its endowments, but that was shaped by a deliberately chosen institutional design that was aimed to restrict their effects.

What follows next is a section which recounts briefly from chapter 1 the key political institutional developments in Guyana and Suriname in comparative perspective to explicate what we believe was the crucial difference between the two. The final two sections of this chapter will then relate our case to the political economic developments in the two colonies from the nineteenth century and to their condition in recent years.

### *3.2 The political institutional divergence of Guyana and Suriname*

After the territorial disputes between the British and the Dutch in the earliest decades of the colonization of the areas that are now Guyana and Suriname, the history of the colonies up until the end of the eighteenth century came to bear the organizational imprint of above all the Dutch. Europeans of many nationalities settled in the area, but colonial administration was in the hands of the WIC that acted on the orders back from the mother country. The

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<sup>118</sup> North, Summerhill and Weingast, ‘Order, Disorder’, p. 48.

<sup>119</sup> North, *Institutions*, p. 44.

mechanisms of law and governance were kept in common and development of the colonies progressed largely parallel to one another: the coastal areas were occupied and land was reclaimed into fertile polders; the economies were organized on the basis of predominantly commercial agriculture that was carried out on plantations where African slaves constituted the labor force; land markets functioned on the basis of what would be perceived today as a neo-liberal conception of property ownership, thus facilitating the formation of large landholdings; and sugarcane especially became the pivot of the economies of the two Guianas. At this point the two colonies were very much heading down the same path: one that was pointed out to them by their initial geographical endowments and which was treaded for them by their institutions.

It was several occurrences around the turn of the nineteenth century that caused the political institutional reforms, and continuities, which would prove decisive for the long-term economic development of the two colonies: these were the liquidation of the WIC in 1791 and the subsequent reversion of all its colonial possessions to the rule of the States-General of the Netherlands; the general conflict over possession of the colonies between the British and the Dutch that lasted two decades; the full-fledged British takeover in 1803 of the colonies of Essequibo, Demerara and Berbice, resulting in the eventual formation of British Guiana in 1831; and finally, the conversion of the colony of Suriname into a Dutch crown colony after its return by the British into Dutch possession in 1815.

As was described in chapter 1, after the takeover of Essequibo, Demerara and Berbice, because of the terms that were agreed upon on surrender, the British left their new colony a great deal of autonomy in matters of governance, including public fiscal administration. It was a continuation of the measure of autonomy that the colonial government had attained during the chaotic period free from Dutch control, between the first British seizure in 1796 and the final takeover in 1803. Because of the qualifications requisite for both elected offices and the franchise, political power ended up almost exclusively in the hands of the plantocracy. In light of this state of affairs, in his work on the political economy of British Guiana Alan Adamson noted that the famous words of the former governor of Trinidad, Lord Harris, from 1848, also closely represented the situation of British Guiana in the century after the abolition of slavery in the colony: “*as the question now stands a race has been freed but a society has not been formed.*”<sup>120</sup> Lord Harris’ concern when he wrote these words was with the creation of a new society out of a population consisting of recently freed African slaves, a white elite and an in-

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<sup>120</sup> Adamson, *Sugar Without Slaves*, p. 239.

between group of colored people from the increasing number of unions between white men and black women.<sup>121</sup> What Adamson thus meant to emphasize was how little emancipation had altered the structure and distribution of power in the colony of British Guiana.

In Suriname, on the contrary, the disproportionate sway of the plantocracy was effectively reduced in the decennia after Suriname's conversion into a crown colony. The dissolution of the WIC made the initial changes to the manner in which the Dutch dealt with Suriname from mainly commercial focused to more state-building orientated and from 1815 extensive reorganization was begun: first, for half a century political power in Suriname was entirely in the hands of the Dutch governor; and when a representative body was reinstated in 1866, because franchise was still limited it was determined that several of the members of the new governing body were to be appointed by the governor to insure that other voices than those representing the planters elite would also be heard. Administration in Suriname thus became a supervising colonial state. Though Suriname was by no means an equal society and the influence of the plantocracy was not entirely ruled out, the influence of the planters in political decision making was nowhere near as embracive as that of their neighboring counterparts. The political institutional design of Suriname and the political arrangement of British Guiana would be carried on into the twentieth century without much alteration and their impact on the long-run development of the economies of the two colonies would be critical, as we will now go on to show in the next and final section of this chapter.

### *3.3 Guyana's path dependence and Suriname's change of course*

The elite that was in control of the state apparatus in British Guiana in the nineteenth century was a uniform group with vested interests in the sugar industry and there was little constraint to their political authority. Compared to Suriname, where political and economic choices were not aimed at the gain of a single economic interest group, inequality was more extensive; and as Engerman and Sokoloff argued, persistent inequality may be bad for economic performance. Yet we will show that the disparity between the degrees of inequality of British Guiana and Suriname is not so significant as to be able to explain the long-run economic divergence of the two. We will demonstrate that the long-term consequences of the political set-up in British Guiana are best explained in the framework of North's institutional theory of incremental change and path dependence: as a result of the political power of the planters, in the nineteenth century fiscal policy and government spending in British Guiana in

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<sup>121</sup> Raymond T. Smith, 'Culture and Social Structure in the Caribbean: Some Recent Work on Family and Kinship Studies', *Comparative Studies in Society and History* 6, 1 (1963) p. 24.

nearly all its appearances was aimed either directly or indirectly at increasing returns from the sugar industry. This kept the colony on its path of a sugar economy, which to the present-day it has been unable to effectively sidetrack. But as we will show the path is unsuited for sustained economic development, because of among other reasons the volatility of the sugar market. In Suriname the government did not involve its spending in the sugar industry in the same manner as in British Guiana, which in the long-run provided the colony with better chances for economic development through the greater diversification of its economy.

### *3.3.1 Levels of social and economic inequality*

In the previous chapter we made some initial observations on levels of inequality in Guyana and Suriname. Based on the distribution of calculated real wages we concluded that wage income distribution around 1960 was more uneven in Guyana, while statistics on mortality and longevity seemed to substantiate the claim of greater inequality in Guyana: mortality rates of infants were significantly lower in Suriname than in Guyana, while life expectancy for male adults was significantly higher. Because it has been argued that inequality may have negative impact on economic performance, we will first explore varying degrees of inequality in Guyana and Suriname, with particular attention for education, as levels of schooling have been related theoretically and empirically to growth inducing socioeconomic changes such as higher labor productivity, more speedy technological change and higher rates of commercial and political participation.<sup>122</sup>

Engerman, Sokoloff and Elisa Mariscal argued that high levels of inequality have hampered long-run economic development, because the redistributive investments necessary to finance mass education were not undertaken by the elites that wished to maintain their privileged positions.<sup>123</sup> Ewout Frankema in a paper on mass education in Latin America in the twentieth century agreed that such investments were indeed unlikely, stating that education of the lower classes could also lead to “*a growing demand for a political voice undermining the monopolies, privileges and interests of those in power.*”<sup>124</sup> Moreover, landlords needed to keep the labor cheap. So what was the situation of education in British Guiana and Suriname? Did plantocracy-rule give rise to significant differences compared to supervised colonialism?

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<sup>122</sup> Richard A. Easterlin, ‘Why Isn’t the Whole World Developed?’, *Journal of Economic History* 41, 1 (1981) pp. 4-10.

<sup>123</sup> Elisa V. Mariscal and Kenneth L. Sokoloff, ‘Schooling, Suffrage, and the Persistence of Inequality in the Americas, 1800-1945’, in: Stephen Haber (ed.), *Political Institutions and Economic Growth in Latin America* (Stanford 2000) pp. 159-217.

<sup>124</sup> Ewout H.P. Frankema, ‘The Expansion of Mass Education in Twentieth Century Latin America: A Global Comparative Perspective’, *Revista de Historia Económica* 27, 3 (2009) pp. 360-361.

Aside from voluntary mission schools, primary education in British Guiana did not exist prior to the abolition of slavery. After 1838 the number of schools increased, though if they were paid for by the government, they were managed by missionary societies and Christian churches.<sup>125</sup> Indeed in Suriname educational organization was different, as it became a direct responsibility of the colonial state. For instance, the increase in free but poor townspeople in the early nineteenth century, mainly mulattos, led the government to open up free schools to keep their children from idling about and make them useful to society. By the middle of the century, the government paid for about one third of all school children.<sup>126</sup> Moreover, from the early nineteenth century onwards a Commission of Education was assigned the task to see to it that quality of education was maintained and minimum requirements for teachers were instated in 1834; something that did not happen in British Guiana until 1852.<sup>127</sup> Nevertheless, table 3.1 shows the expenditure on education as a percentage of total government spending for British Guiana and Suriname for six years in the nineteenth century and while they are consistently higher in Suriname, they are really only significantly so in the first half of the century.

**Table 3.1 Public spending on education as percentage of total expenditure, 1849-1900**

	<b>1849</b>	<b>1861</b>	<b>1872</b>	<b>1882</b>	<b>1890</b>	<b>1900</b>
<b>Guyana</b>	0.9	3.9	5	7.5	6.8	5.9
<b>Suriname</b>	3	4	6	8	8	8

Note: the figures for British Guiana are triennial averages. Sources: Adamson, *Sugar Without Slaves*, p. 243: table 32, the data for which was collected from the Colonial Office Blue Books; and Stipriaan, 'Building a Nation', p. 32: table 5, the data for which was collected from the annual Colonial Reports 1849-1950.

In 1876 ordinances were passed in both colonies that made education compulsory for all children, which we can see was accompanied by rising expenditure. In Suriname in the second half of the nineteenth century, East Indians, Javanese and Chinese children posed a problem for education policy because they did not speak Dutch. Nevertheless, with mixed success, the government of Suriname tried to provide ample educational opportunities for everyone: by opening up 'coolie schools' in the 1890s, for example, where the East Indians were taught in their own language, and in the early twentieth century by embedding education

<sup>125</sup> Despres, *Pluralism and Politics*, pp. 51-52.

<sup>126</sup> Alex A. van Stipriaan Luiscius, 'Building a Nation Through Education? Suriname 1850-1950', *Revista Mexicana del Caribe* 3, 6 (1998) pp. 13-14.

<sup>127</sup> Stipriaan, 'Building a Nation', p. 13; and Despres, *Pluralism and Politics*, p. 51.

in Asian languages in the Dutch based educational system, arranged by means of co-teachers that taught in for example Chinese.<sup>128</sup> In British Guiana, on the other hand, the children of East Indians living on the sugar estates were encouraged “to maintain their own customs,” and they were exempted from the compulsory education ordinance. This exemption meant that often these children did not go to school at all, as there were no Hindu or Muslim schools.<sup>129</sup> This cannot have been inconvenient to the planters, as to them this clearly just meant extra labor. Because moreover, on the contrary in Suriname effort was in fact made to include these groups, it may not be too far-fetched to argue that this was possibly a deliberate construction by those in government that had something to gain.

To appraise the effects of the different approaches to education of British Guiana and Suriname, table 3.2 presents gross primary school enrollment rates for Guyana and Suriname for the years 1899-1903 and 1958-1963. The figures refer to the total enrollment in primary level education expressed as a percentage of the eligible official school-age population for this level of education (5-14 years). For the five-year period 1899-1903 population figures were only given for the populations whole; the school-age population for these years has therefore been estimated using the percentage averages of this population group for other years.

**Table 3.2 Gross enrollment rates in primary schooling, 1899-1903 and 1958-1963**

	<u>1899</u>	<u>1900</u>	<u>1901</u>	<u>1902</u>	<u>1903</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
<b>Guyana</b>	42.7	40.7	38.7	39.1	40.4	82.2	83.3	79.6	82.9	82.5	86.6
<b>Suriname</b>	44.2	43.2	42.2	40.5	40.1	87.0	91.8	95.8	97.3	94.2	98.6

Note: Amerindians and maroons are excluded for both British Guiana and Suriname. Sources: absolute numbers enrolled for Guyana: Brian R. Mitchell, *International Historical Statistics. The Americas, 1750-1993* (London 1998, fourth edition); for Suriname: *Suriname Colonial Reports 1899-1903* (The Hague 1900-1904); GBS, ‘Suriname in Figures’, No. 22 *Statistics on Education 1960* (1962) and No. 28 *Statistics on Education 1962* (1963). Figures on children of school-going age: TNA, CO 114/282, Administration Report 1959, part II: Annual Report of the Registrar General; GBS, ‘Suriname in Figures’, No. 34 *Statistical Yearbook of Suriname 1958-1962* (1965) and No. 55 *Statistical Yearbook of Suriname 1960-1965* (1969); and United Nations Demographic Yearbooks 1960, 1964 and 1970, special topic: population censuses.

Differences between British Guiana and Suriname did have some effect on enrollment rates, with overall higher rates for Suriname. The attempts to include at an earlier stage Hindustani and Chinese children in the education system in Suriname may have been responsible for the slightly higher rates in the early years; more investment in education – as the sources will also

<sup>128</sup> Stipriaan, ‘Building a Nation’, pp. 26-35.

<sup>129</sup> Despres, *Pluralism and Politics*, pp. 52, 122-131.

show for instance, that in the period 1958-63 in British Guiana 2.6 teachers were counted for every 100 pupils, whereas in Suriname three teachers were counted – may account for the higher rates in the later years. By 1963, however, British Guiana was already at the level of enrollment where Suriname had been at only six years earlier. We conclude therefore, keeping in mind also wage income distribution, infant mortality rates and life expectancy, that there was a difference in levels of economic and social inequality in Guyana and Suriname, but that the difference does not seem significant enough as to find in it a viable explanation on its own for the divergent paths of economic development that have been noted for the two.

### *3.3.2 Fiscal policy and sugar economy*

Now follows a discussion of the political choices that were made in both colonies with more direct economic impact and we will demonstrate how above all fiscal policy in the nineteenth century has been responsible for long-run economic development paths. First we go into a detailed discussion of fiscal policy in British Guiana, with some comparative side notes on Suriname, followed by a discussion of Suriname. Then we will show that the crucial moment of divergence between the two was in the late nineteenth century, when British Guiana was better equipped to cope with the sugar crisis than Suriname. We conclude the chapter with the present state of both economies, showing how they are the result of the path taken in the nineteenth and early twentieth century and why Suriname's economy since 1950 has been better able to generate sustained economic growth.

After the abolition of slavery in British Guiana, government expenditure increased significantly as the functions of government became more complex and diversified.<sup>130</sup> In the first year after emancipation, public spending amounted to 130,017 British Pound Sterling; in 1841 this was up to £214,043; by 1847 it was nearly £250,000; and by 1860 it was over £300,000. A steady increase would continue from 1860 onwards, up to about £550,000 in the years around the turn of the century. Most expenses before 1838, which totaled a modest £54,759 in 1833, had consisted of salaries for civil and ecclesiastical officials. After emancipation, other expenditure items would gain in importance, both in relative weight and absolute figures: the cost of police and the judiciary, for instance, had been no more than 3 percent of total expenditure in 1833, but in 1838 made up 19.1 percent and would average at 17 percent between 1838 and 1855. This increase was necessary because of tensions between

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<sup>130</sup> The following paragraph will be based on a table of public expenditure between 1838 and 1903 with total expenses and percentages of major expenditure items on the budget, from Adamson, *Sugar Without Slaves*, p. 243. Adamson collected the data from the Colonial Office Blue Books.

the plantocracy and the new free peasantry. Another growing expense was that for colonial hospitals, averaging at 12 percent during the entire nineteenth century; much more, as we have seen, than was spent on education. The reason was the care for indentured workers, who could not be properly treated in the somewhat archaic hospitals of the estates.<sup>131</sup>

The most important item of expenditure, however, a new item, became the public subsidy of immigration of indentured laborers since 1841. The Combined Court, controlled by the planter elite, had used a stoppage of supplies to win permission from the Colonial Office to use public funds for this purpose.<sup>132</sup> Averaging at almost 19 percent in the early years, it would peak at 22.6 percent in 1853-1855, after which point it steadily declined throughout the rest of the century. This is a clear example of a fiscal policy in favor of the planter elite. Especially so since it was for a large part financed by raising import duties on articles of mass consumption, just as in 1838, mere days before the emancipation of the slaves, excises on rum had been introduced to increase public revenue. Adamson notes: “*these high indirect taxes were in effect a subsidy to the working capital of the planters by the nonplanting part of the community. They were [...] a kind of levy on the peasantry for refusing to orient its labor exclusively toward the plantations.*”<sup>133</sup> In Suriname, import of indentured laborers was also to some extent subsidized by the government, but it was not primarily from the purses of its laboring class. In 1890, for example, in Suriname 9.6 percent of total government revenue was made up from excises on locally distilled spirits, whereas in British Guiana in the same year this was over 25 percent of total revenue. Conversely, 8.6 percent of revenue in Suriname was made up from export duties, whereas in British Guiana export duties amounted to exactly nil percent of public revenue.<sup>134</sup> Produce taxes, which in effect made up the export duties on sugar and by-products in British Guiana, had first gradually been reduced and had been ceased altogether in 1856.<sup>135</sup>

A final important item on the expense account of British Guiana were the public debt charges. Adamson distinguished two phases of public debt: the first ended in the late 1870s, when the debt that in 1864 had amounted to £593,616 had been almost entirely liquidated. Of this debt, almost £500,000 had been borrowed to pay for the immigration of indentured laborers. It may thus very well be regarded as a direct subsidy to the sugar plantations. The second phase of public debt began immediately after the debts of the first loans had been paid

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<sup>131</sup> Adamson, *Sugar Without Slaves*, p. 245.

<sup>132</sup> Cecil Clementi, *A Constitutional History of British Guiana* (London 1937) p. 115.

<sup>133</sup> Adamson, *Sugar Without Slaves*, p. 244.

<sup>134</sup> *Suriname Colonial Report*, 1900, pp. 11-12; and Adamson, *Sugar Without Slaves*, p.240: table 31.

<sup>135</sup> Adamson, *Sugar Without Slaves*, p. 242.

off: funds were borrowed mostly in the 1880s and 1890s and were used for various kinds of public works. Even in these works, however, the greatest direct benefits were for the sugar industry: work on sea defenses and fresh water works, adding up to 589,386 Guyanese dollars, were all mainly concerned with the protection of and the water supply to the great sugar estates. To contrast, Adamson noted that for instance only \$31,271 had been spent on village water supply systems.<sup>136</sup>

In brief, through their prominent position in the government of British Guiana the planter aristocracy was not only able to arrange for themselves direct benefits such as tax cuts, they even managed to get the public administration to in effect finance their business with money from the community. The sugar interest in the government would not go uncontested throughout the century into the twentieth century, but it managed to retain ultimate political control through its economic weight in the colony and the support of the official section of the legislature. Only minor changes were made, leaving the structure “*essentially unchanged*,” until the British government introduced the new constitution of 1928.<sup>137</sup>

The fiscal policy of British Guiana in the nineteenth and early twentieth century, highly geared towards its sugar economy, facilitated the endurance of the sugar industry through the crisis of the late nineteenth century. Increasing competition from subsidized beet sugar produced in Europe, rising from 10 percent of world sugar production in 1855, to 40 percent twenty years later and to almost two thirds of world production at the turn of the century, led Britain to adopt of a free trade policy in sugar in 1874 which would inaugurate the crisis in British Guiana: sugar production had grown during most of the nineteenth century to a high point of 130,000 tons in 1887, but it would not exceed this level for about half a century. Instead it would fluctuate down to a low level of 80,000 tons.<sup>138</sup> British Guiana turned its attention to North American markets and found itself in a significant advantage over some other West Indian sugar islands, because of its modern processing equipment. It would take the sugar industry in British Guiana several decennia to recover from the crisis, but it did. And it would come out of the crisis with larger, more efficient plantations than ever before, as the plantations that went bankrupt were bought up by the handful of companies that would come to dominate the Guyanese sugar industry in the twentieth century. The crisis would be the economic deathblow for the sugar industry of Suriname, on the other hand: but a deathblow that would turn out a blessing in disguise.

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<sup>136</sup> Adamson, *Sugar Without Slaves*, pp. 245-246.

<sup>137</sup> See chapter 1. Quote from: Adamson, *Sugar Without Slaves*, pp. 254.

<sup>138</sup> Newman, *British Guiana*, pp. 28-29.

For Suriname, evidence for a lesser degree of involvement of its government in the sugar industry is indirect, but nevertheless clear. Before the middle of the nineteenth century a process began in which many plantations had been “run down,” its “technical equipment obsolete,” and went bankrupt.<sup>139</sup> After the abolition of slavery, organizational and financial aid for the immigration of indentured laborers was hesitantly provided to the planters, but not before 1882, after the Dutch Trading Society had purchased the Mariënborg plantation and set up its own factory. Before that moment, years of pressure on the part of the Suriname planters for an immigration fund had produced no result.<sup>140</sup> Moreover, as was already noted, the government did not increase the indirect tax burden on the laboring class to pay for the immigration, as had been done in British Guiana. With export duties that were continued in Suriname, planters were also themselves indirectly contributing. In 1882 it was also decided that sugar cultivation could only be maintained on a few highly capitalized enterprises which would take over smaller enterprises and use imported contract labor. New machinery would also be introduced in the large enterprises. But the changes were “restricted to a small number of plantations. Except for a few, even these were unable to compete with enterprises in other colonies.”<sup>141</sup> It thus seems that the supervising colonial government was in it halfheartedly and only with a profit for the Netherlands in mind.

The sugar crisis would hit hard in Suriname and most of the sugar industry was unable to survive without the means, infrastructure and modern equipment with which British Guiana was relatively better equipped. Over time all the large plantations would disappear, the last ones during WWII when the colony was isolated from its markets. Small-scale production units, particularly for domestic consumption, would grow in multitude and bauxite would take in the place of sugar as the main export product of the colony. Between 1905 and 1955 the number people employed in agriculture declined from two-thirds to one-third of the working population, while industry, mining and construction increased from one-tenth to one-third.<sup>142</sup>

### 3.4 Present day economies

Figures 3.1 and 3.2 below show the state of the economies of Guyana and Suriname respectively in terms of the percentage contribution of different sectors to the countries’ total GDPs as it was in 2005 (arbitrarily chosen, as it is as representative as any other year of the years surrounding it). Agriculture has been highlighted for both.

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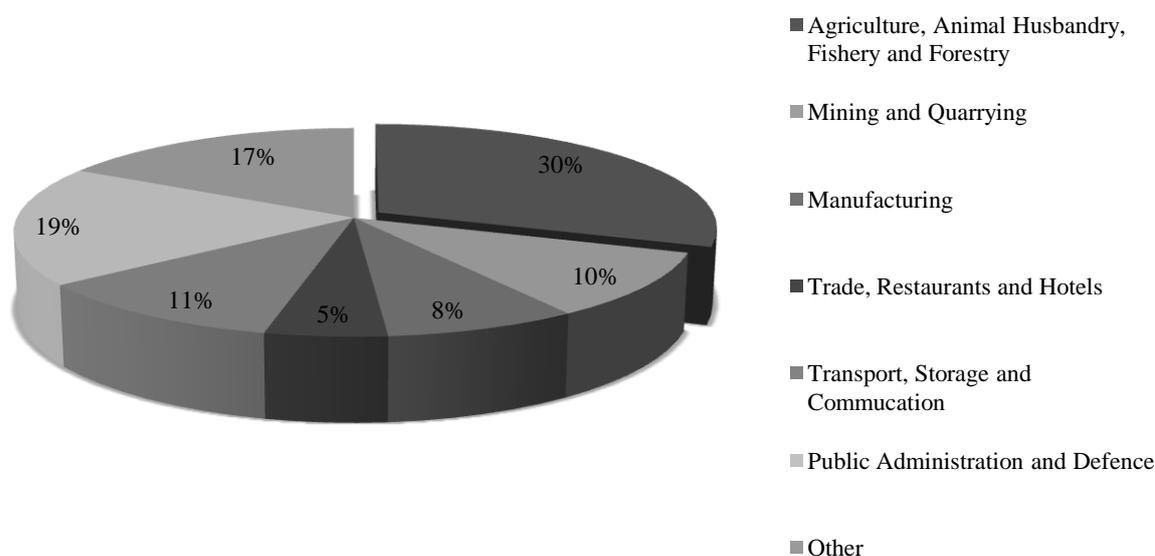
<sup>139</sup> Heilbron, *Colonial Transformations*, pp. 59-60.

<sup>140</sup> Oostindie, Klinkers, *Knellende Koninkrijksbanden*, p. 17; Heilbron, *Colonial Transformation*, pp. 115-116.

<sup>141</sup> Heilbron, *Colonial Transformation*, p. 118.

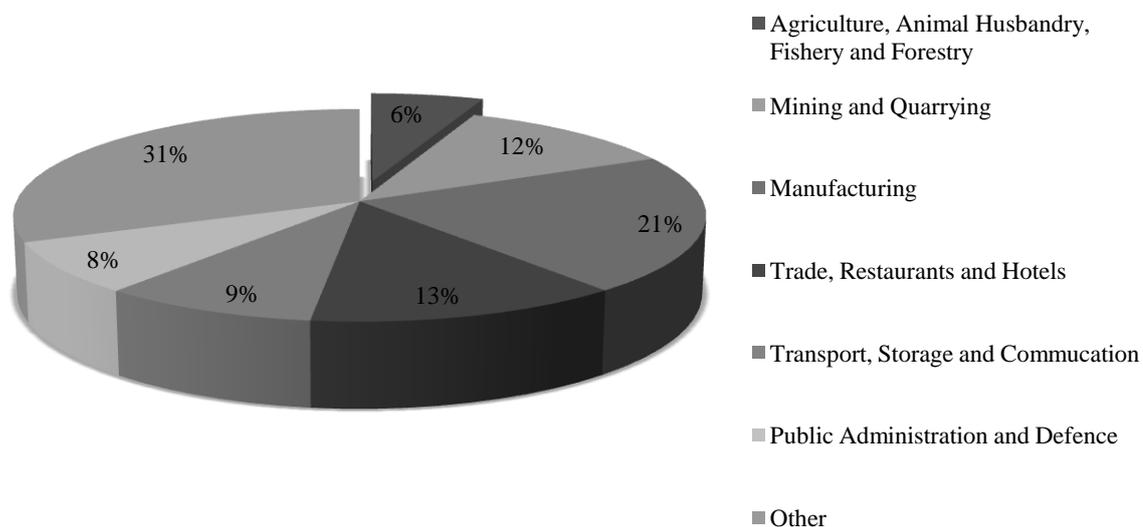
<sup>142</sup> Ruben S. Gowricharn, *Economische Transformatie en de Staat* (The Hague 1990) pp. 122-123.

**Figure 3.1: distribution of GDP by sector for Guyana in current prices, 2005**



Source: CARICOM Stats., *National Accounts Digest 2003-2006*. Note: the segment of the chart for agriculture has been exploded for emphasis. The category 'other' includes the following: construction and engineering (6.1%), financial services and real estate (8.6%), and other services (including gas and electricity) (2.1%).

**Figure 3.2: distribution of GDP by sector for Suriname in current prices, 2005**



Source: CARICOM Stats., *National Accounts Digest 2003-2006*. Note: the segment of the chart for agriculture has been exploded for emphasis. The category 'other' includes the following: construction (3.9 percent), gas, water and electricity (5.8%), financial institutions and real estate (14.7%), and personal, social and other community services (6.7%). A 4.4 percent that was included on the national account of Suriname for indirectly measured financial intermediation services (FISIM) has been subtracted equally for each category.

In 2005, the largest sector of the Guyanese economy was by far agriculture including animal husbandry, fishery and forestry with 30.3 percent, whereas in Suriname this sector contributed merely 6.1 percent. The largest sector in Suriname was manufacturing with 21 percent, followed by the distribution sector with 13.1 percent and the mining sector with 11.8 percent. The manufacturing sector in Suriname consists of a number of small industries: some of the principal products of the foodstuffs industry are for example processed rice, sugar, beer and soft drinks, dairy products, edible oils and cattle fodder. Most important products in the wood products industry are prefabricated houses, plywood and particle board. And other industries produce for instance bricks, cigars, cigarettes, matches, clothing and footwear. Most of these industries are geared primarily to local consumption. The export of Suriname is dominated by bauxite, or rather semi-refined alumina. Agricultural products and manufactures account for only a smaller share.<sup>143</sup> This explains the relative minor importance of transportation in the economy of Suriname, because in Guyana, excluding public administration, the biggest sector after agriculture was transport with 11 percent and this should in part be seen in connection to the agricultural sector, as it provides means for transportation and export of agricultural products. Guyana's exports are mainly from its agricultural sector and the bauxite industry. Manufacturing in Guyana made up 8.1 percent and the distribution sector even a mere 5.1 percent. The economy of Suriname, in other words, is clearly more diversified than that of Guyana, which even today maintains its historical agricultural character.

What the circle graph does not show is that furthermore agricultural production in Guyana is also still dominated by sugarcane: 3,500,800 tons of sugarcane was produced in 2005, while next in line was production of paddy rice was 420,400 tons. In value of production, however, rice has surpassed sugarcane in recent decades: in 2005, paddy rice made up 41.8 percent of the value of agricultural production, while sugarcane made up 27.8 percent. The two products were followed by indigenous chicken meat with 12.8 percent and two more agricultural products, cow milk and coconuts, that made up slightly more than 3 percent; the rest of the agricultural products make up about one percent or less of the value of production. In other words, just as Guyana's economy is largely dependent on its biggest sector, this agricultural sector in turn is largely dependent on the production of two products – and as one of these is sugar, moreover, it is clear that Guyana's economy is still by and large an artifact of its colonial past. In Suriname 45.6 percent of the agricultural production value was made up from rice production. The second and third greatest contributing products,

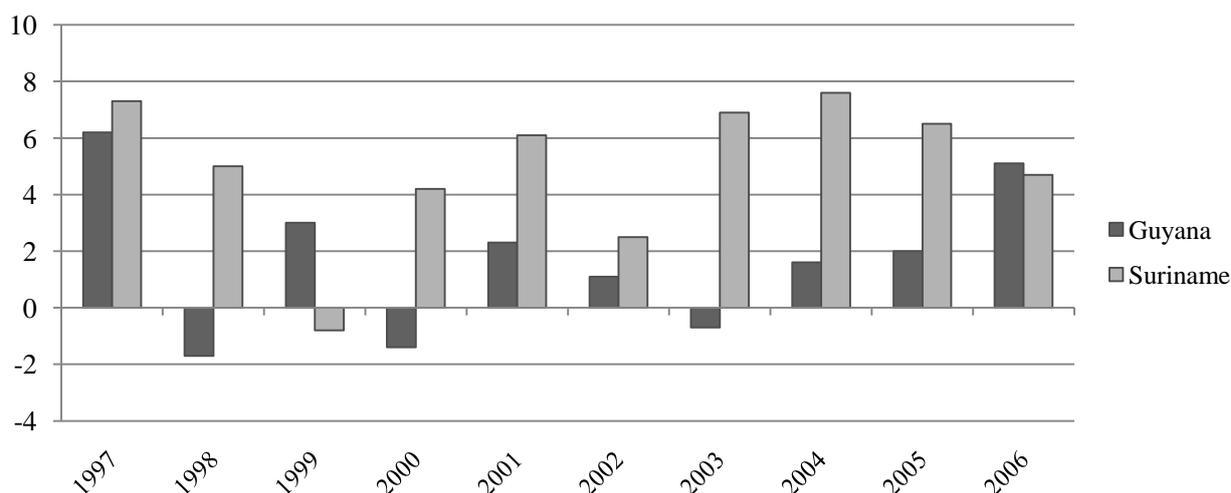
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<sup>143</sup> GBS, 'Suriname in Figures', No. 217, *Statistical Yearbook 2004* (2005) pp. 32-33.

indigenous chicken meat and bananas, made up respectively 11.8 and 10.6 percent; and the next five products all added around 4 percent. Only further down on the list, ranked eleventh place, we find sugarcane, accounting for 1.8 percent.<sup>144</sup> So not only is Suriname's economy more diversified than that of Guyana, to some extent the same can be said for its agricultural sector – though this is actually of lesser importance, as Suriname's economy is not as reliant on this sector and furthermore a large share of rice, about 75 percent, is consumed rather than exported. Mandatory retention quotas were in effect during most of the twentieth century, to restrict exportation in order to prevent a rise in the cost of living.<sup>145</sup> These quotas were eliminated as of 2004, but at the same time the setting of minimum prices for rice exports was also eliminated and as a result, in effect very little changed.<sup>146</sup>

While most of Guyana's sugar is of course exported, contrary to Suriname most of its rice is too. In 2005, the export of husked rice amounted to 230,002 tons, while the production as mentioned was 420,400 tons. Even a modest estimate of the percentage of Guyana's total rice production that was exported, using the high conversion rate of paddy to husked rice of about 70 percent, achieved only by the most efficient mills, would add up to 78 percent exported. As we will now go on to explain, the fact that Guyana is so dependent on its agriculture is wherein the explanation for its poor economic performance lies. Figure 3.3 shows the economic performance of Guyana and Suriname in the last two decades.

**Figure 3.3 Annual percentage growth of GDP in Guyana and Suriname, 1997-2006**



Sources: CARICOM Stats., *National Accounts Digest 1990-1999, 2000-2003 and 2003-2006*.

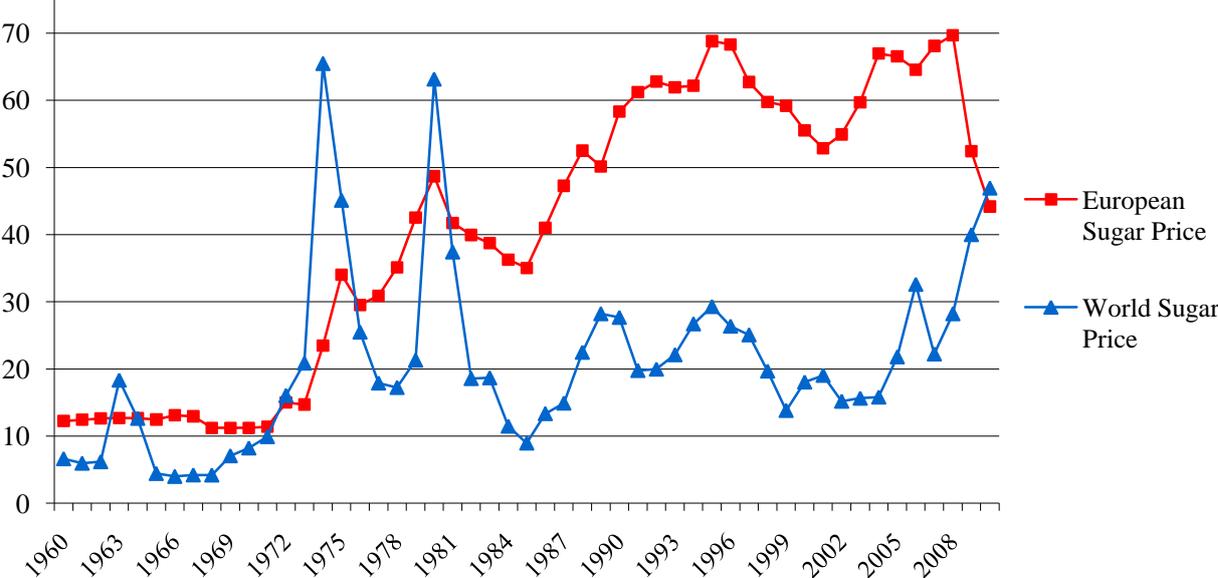
<sup>144</sup> All percentages on agricultural production value for Guyana and Suriname have been calculated from production statistics from FAOSTAT.

<sup>145</sup> Hermann Joseph Dudler, Erhard Fürst, Michiel Hardon and Marie Henriette Lambert, 'The Economy of Suriname', *International Monetary Fund Staff Papers*, 18, 3 (1971) pp 674-676.

<sup>146</sup> World Trade Organization, *Trade Policy Review Suriname. Report by the Secretariat* (2004) p. 56.

As figure 3.3 shows, Guyana’s economy is extremely volatile. Average growth over the ten year period is positive with a rate of 1.75 percent, but a high growth rate of 6.2 percent as in the first year of the period, for example, could be followed by a negative growth rate of -1.7 percent in the next. In contrast, Suriname’s economic performance was more stable. Growth rates varied, but the average growth rate was 5 percent and with the exception of one year, growth rates were positive. A glance at global market prices of sugar and rice will help to explain the difference in the stability of the economies of the two former colonies; and even though the statistics from figure 3.3 go back no further than 1997, after looking at these prices we can also be certain that economic performance in previous years and decades will have been no different. Figure 3.4 shows the world and European market prices for sugar since 1960. European sugar prices are included in the figure, because among the importers of sugar from Guyana are several European countries, including Guyana’s biggest sugar importer the United Kingdom. The export to the UK as a percentage of all sugar exports between 1997 and 2009 varied between as much as 85 percent in 2008 and as little as 28 percent in 2004, but the figure was generally closer to the average of 54 percent.<sup>147</sup> Guyana’s rice on the other hand is exported to over 60 countries, the most important of which are Jamaica, the Netherlands, Portugal and Trinidad and Tobago. Figure 3.5 presents the world market price for rice since 1986.

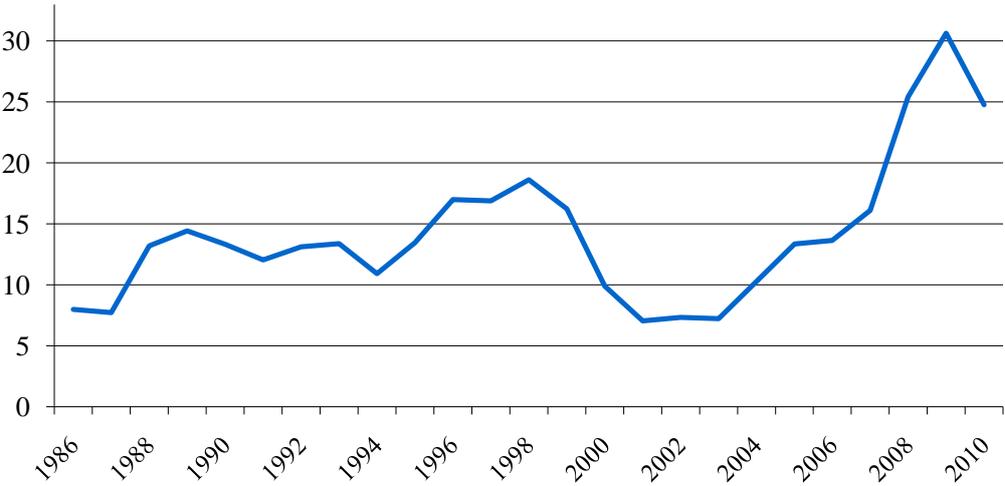
**Figure 3.4 Development of world and European sugar prices in cents/kg, 1960-2010**



Source: World Bank Commodity Price Data (Pink Sheet)

<sup>147</sup> UN Comtrade statistics: <http://comtrade.un.org/db/>

**Figure 3.5 Development of world rice price in cents/kg, 1986-2010**



Source: United States Department of Agriculture, *Rice Yearbook 2010* (2010).

As we can see, both sugar and rice prices are highly volatile. They are for that reason not the most ideal products to be dependent on for a significant part of one’s GDP, as they provide with a severely unstable and unpredictable basis. In Guyana, however, together the two products make up about 70 percent of the value of the country’s agricultural production and with the addition of bauxite they make up the lion share of total exports.

A few figures of recent years will serve to underline the frail foundation that these products offer for sustained economic development: the volume of export of raw centrifugal sugar in 2004 was 361,186 tons and a year later the volume was 248,230 tons; just under a third less. Yet quite the reverse, the revenue in 2005 was 38 percent more than in 2004, with 153,270,842 US\$ compared to 111,151,156 U\$. The average price received per kilogram in 2004 was 31 cents, whereas in 2005 this was double that figure. The fact that the UK, paying European prices, imported only 28 percent of Guyana’s sugar that year will have had much to do with it. Though we cannot go into why the UK imported so little that year, it nevertheless shows how revenue from the sugar industry is governed by the quirks of the market. Then an example from rice exports: 168,155 tons of husked rice was exported in 2006 compared to a nearly similar figure of 172,901 tons in 2007; export revenue in 2006, however, was only 47,476,425 US\$, or 65 percent, compared to 73,625,259 US\$ in 2007.<sup>148</sup> Sustained long-run economic growth seems very hard to achieve with such irregularity in revenue.

<sup>148</sup> Figures on volume and value of both rice and sugar exports from UN Comtrade statistics.

We can conclude that Guyana is still very much a product of its colonial past. Since its era as a sugar plantation colony, rice has become an increasingly important addition to the agricultural sector of the former colony, but Guyana has never moved away from its basis of agricultural export. The only difference now is that instead of one main cash crop, two main cash crops are being cultivated – crops that with regard to economic features, moreover, are virtually interchangeable. The nationalization of the sugar industry in Guyana in the 1970s was a continuation of the process in the late colonial era of concentration of production on increasingly large sugar estates. Now less than 10 percent of sugarcane produce comes from private farmers.<sup>149</sup> Thus while in the nineteenth century it was the plantocracy that through their control of the government used public funds to finance the industry, it is now the government itself that owns the industry. Since the sugar industry is such a large-scale enterprise to the government, investments over the years in real estate and machinery and the great numbers that are employed in the industry make it virtually impossible to go a different direction. Furthermore, to maintain competitiveness more investments are continuously required.<sup>150</sup> Rice production is more a privatized business, but here too the government invests much to increase production and gain a competitive edge. At the beginning of the twentieth century, approximately 18,000 farm families were involved in production and the industry supported over 10 percent of Guyana's population.<sup>151</sup> This is path dependence in the very definition of the word and sugar and rice can consequently be considered inherent contributors to the low level of Guyana's economic development, as they are unable to provide a solid foundation for sustained economic growth.

Though in Suriname in 2004 about 11 percent of the labor force was still employed in the sector, the economy has shed its agricultural character.<sup>152</sup> The influence of the plantocracy in Suriname had been restrained by a supervising colonial state that had been conceived and instated by the government in the Netherlands. The sugar industry in Suriname was therefore not being backed-up by government funding as in British Guiana, while capital was becoming increasingly scarce. As a result, the industry was hard hit by the sugar crisis of the late nineteenth century and its dominant position was gradually replaced by the small-scale growing of rice and various other foodstuffs for local consumption. From the beginning of the twentieth century bauxite became the major export product and it still is today, but Suriname

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<sup>149</sup> Bureau of Statistics, Guyana, *Statistical Bulletin* (2010, second quarter).

<sup>150</sup> CARICOM, *A Review of Agricultural Policies: Case Study of Guyana* (2005) pp. 8-9.

<sup>151</sup> World Trade Organization, *Trade Policy Review Guyana. Report by the Government* (2003) pp. 5-6.

<sup>152</sup> GBS, *Yearbook 2004*, p. 47.

does not seem to have fallen for some kind of resource curse. With a labor force that does not have to work in a big agricultural industry like that of sugar, Suriname has started to develop its other economic sectors and is now on a way of diversification of its economy that seems able to sustain long-run economic growth.

## CONCLUSION

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This thesis set out with three aims, though mostly one simple question: *if existing figures on levels of economic development in the Guianas are accurate, how then can the divergent levels of development between Guyana and Suriname be explained?* Of course an answer is never as simple.

On the basis of original research, we established that existing figures are indeed by and large correct. Real wages for wage laborers in Guyana and Suriname in 1960-61 reflect the figures on GDPs that indicate a substantial divergence between the two former colonies: Suriname is doing significantly and persistently better than Guyana.

Several of the main strands of literature on issues of economic growth and inequality proved unable to explain the divergent long-run paths of economic development of the two former colonies that are each other's direct neighbors on the north-central end of the South American continent. In terms of traditional economic factors such as land, labor and capital, and broader ones such as climate, the distribution of wealth and the heterogeneity of the population, the two colonies are too similar to be explained by hypotheses that stress endowments encountered at first contact upon colonization. That is also why in the introduction of this thesis we noted that the Caribbean deserve analysis in their own right: the historical variation between the economies of the former colonies in this area is substantial and they are not easily explained in all-embracing theories of economic development. Let it nevertheless once more be said that all of these studies on unequal growth achievements have contributed to our understanding of the causes of long-run levels of economic development. Moreover, the hypothesis by Stanley Engerman and Kenneth Sokoloff may for instance not be able to precisely explain the divergence between Guyana and Suriname; it is very much applicable to the development of Guyana seen on its own.

To explain the divergence between Guyana and Suriname, in this thesis we adopted an argument by Douglass North, William Summerhill and Barry Weingast that asserts an independent role for political institutions in the late colonial era and the nineteenth century in determining long-run economic outcomes. We argued that the two colonies were on nearly identical paths until the nineteenth century. But developments in the late eighteenth and early nineteenth century caused for two very dissimilar political institutional designs in the two colonies which would have crucial impact on their long-run economic development.

In British Guiana, Britain gave the government of the colony a high degree of autonomy in all kinds of administrative functions, including fiscal policy. Because of

qualification requisite for elected offices and franchise, control would effectively fall in the hands of the planter elite. And it would remain in their hands into the twentieth century. Suriname on the other hand had recently been made a crown colony of the Dutch king and the Dutch government chose for a design described as a supervising colonial state. In practice this meant that power was ultimately in the hands of the governor and the disproportionate sway of the plantocracy was limited.

Consequently, the fiscal administrative choices that were made in British Guiana during the nineteenth century generally benefitted the planter elite and, more importantly, the sugar industry. Large-scale investments made with public funds in the industry would prepare it for the crisis that was on its way at the end of the nineteenth century. On the contrary, in Suriname investments in the sugar industry were more limited and only halfhearted efforts were undertaken at improving the industry. The sugar industry in Suriname therefore would not be able to overcome the crisis and would gradually disappear until the last plantation went insolvent during WWII. The labor force that no longer needed to work on the plantations would now go on to produce other agricultural products, mainly for local consumption, and to work in other industries. Suriname's society, nor its economy can today any longer be called agricultural. It is diversified and seems better able to achieve sustained economic growth, though only the future can tell whether it is really able to stand on its own two legs once the bauxite reserves are depleted.

British Guiana's sugar industry actually had become more efficient as a result of the crisis, by concentration of the sugar plantations in the hands of just a few. This kept the colony on the sugar-coated path, which up to the present it has been unable to sidetrack and which in the long-run, because of among other reasons the volatility of sugar prices, does not seem able to provide a solid foundation for sustained economic growth. The future of Guyana therefore does not look particularly positive, as it has been on a steady course for over centuries now. But recent statistics on for example education (and even the social statistics we have discussed in this thesis) do look more optimistic, showing a clear upward trend. Maybe, hopefully, this may in time turn around the economic chances of Guyana for the good.

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