INEQUALITY, POVERTY AND THE ORIGINS OF POWER IN THE DOMINICAN REPUBLIC AND HAITI: A COMPARATIVE STUDY

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Signature:
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<th>Description</th>
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<tbody>
<tr>
<td>AIRD</td>
<td>Asociación de Industriales de la República Dominicana (the Industrialists's Association of the Dominican Republic)</td>
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<tr>
<td>CNHE</td>
<td>National Council of Women of Enterprise</td>
</tr>
<tr>
<td>DR</td>
<td>Dominican Republic</td>
</tr>
<tr>
<td>FTZ</td>
<td>Free Trade Zone</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IHDI</td>
<td>Inequality-adjusted human development index</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ISI</td>
<td>Import-Substituting Industrialization</td>
</tr>
<tr>
<td>LAC</td>
<td>Latin America and the Caribbean</td>
</tr>
<tr>
<td>LAO</td>
<td>Limited Access Order</td>
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<td>LAOs</td>
<td>Limited Access Orders</td>
</tr>
<tr>
<td>NWW</td>
<td>North, Wallis and Weingast (theory)</td>
</tr>
<tr>
<td>OAO</td>
<td>Open Access Order</td>
</tr>
<tr>
<td>OAOs</td>
<td>Open Access Orders</td>
</tr>
<tr>
<td>ONAP</td>
<td>Oficina Nacional de Administración y Personal</td>
</tr>
<tr>
<td>PARME</td>
<td>Programa de Apoyo a la Reforma y Modernización del Estado</td>
</tr>
<tr>
<td>PLD</td>
<td>Partido de la Liberación Dominicana</td>
</tr>
<tr>
<td>PRD</td>
<td>Partido Revolucionario Dominicano</td>
</tr>
<tr>
<td>UCN</td>
<td>Union National Civic</td>
</tr>
<tr>
<td>VSN</td>
<td>Volunteers for National Security</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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CHAPTER I:
INTRODUCTION

1. Which finality and which reality?

The Dominican Republic has been one of the fastest growing economies, with a GDP growth averaging around 5.5% annually between 1991 and 2013. Despite this economic growth, poverty is higher today than in 2000. After the 2003 financial and economic crisis, poverty had soared from 32% in 2000 to almost 50% in 2004, before gradually declining again to 41% in 2011. On the other hand though, the Republic of Haiti has lagged behind the rest of the world in terms of technology, political development, and prosperity. It is one of the poorest countries in the world where state has failed to impose order over its territories and create stability to achieve economic progress despite the fact that Haiti was the first independent nation in America, just after the United States. For some periods however, the Dominican Republic has shared this trajectory of instability, lack of State Centralization and of progress. Despite this, the Dominican Republic is today one of the fastest growing economies in Latin America. So why is there a persisting gap in economy and human development between the Dominican Republic and Haiti? Why the Dominican Republic, despite its economic growth, has not improved the quality of life of its inhabitants?

To answer these questions Daron Acemoglu and James A. Robinson, in their book entitled Why nations fail: the origins of power, prosperity and poverty, propose a theory to explain why some nations are prosperous while others are poor. They intend to delineate the factors that create and delay prosperity as well as their historical origins. According to the authors, a successful theory does not faithfully reproduce details, but provides useful and empirically well-grounded explanation for a range of processes while also clarifying the main forces at work. In order to achieve these, their theory has a two-level approach. The first is the difference between extractive and inclusive economic and political institutions, which is an

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3 Ibid.
4 Ibid.
institutional interpretation of history. The second is their explanation on why inclusive institutions emerged in some parts of the world and not in others, describing how history has shaped institutional trajectories of the nations.

Considering what has been expressed hereabove, the general objective of this dissertation is to verify that the persisting disparities on poverty, equality, economic growth and political development between and within the Dominican Republic and Haiti is caused by extractive politics and economic institutions, and wealth is accumulated within a narrow ruling elite which aims to preserve its power.

In addition, we should be asking:

- Who has political and economic power and which economic and political institutions have been chosen by each country?

- How have history and critical junctures shaped the path of economic and political institutions and enable us to have a more complete theory on the origins of the differences in poverty and prosperity between the Republic of Haiti and the Dominican Republic?

- Why economic institutions in the Republic of Haiti or the Dominican Republic fail to harness the potential of inclusive markets, to encourage technological innovation, to invest in people and mobilize the talents and skills of a large number of individuals (create economic growth)?

- Can Extractive Economic Institutions generate and sustain economic growth and equality in the Dominican Republic and Haiti?

With those questions in mind, the subject will have borders of space (one island in the Caribbean which is named the “Hispaniola” and which is split between the Republic of Haiti and the Dominican Republic) and of time (the subject will be delimited by specific institutional trajectories for each country, from colonial time until present day). During these historical trajectories, we will study the interactions between the actors who have political power and how they have influenced the nature of economic and political institutions.

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\(^5\) Ibid.
Consequently, the nature of this dissertation would be qualitative, based on deductive reasoning and analysis, using Critics theories and holistic approach, related to the Heterodox School in the Political field of the Political Economic. I should thus begin by establishing the meaning of political and economic institutions and their characteristics when they are inclusive or extractive. Investigations should also be done using quantitative data proportional to international organizations data size (like the World Bank or the International Monetary Fund for example) and other organizations data that help explaining several statistic facts related to economic growth, prosperity, poverty and human development.

However, I will use this introductory part to define several basic concepts that will be addressed during the dissertation concerning the issues of poverty, inequality and prosperity.

2. Definitions of core concepts

2.1. Gross Domestic Product per capita and Economic Growth

Gross Domestic Product (GDP) per capita is an indicator of the economic development. Levels of GDP per capita are obtained by dividing GDP\(^6\) at current market prices by the population. A variation of the indicator could be the growth in real GDP per capita, which is derived as the percentage of change in real GDP\(^7\) divided by population. It is measured in dollars ($US) and it is an indicator of the economic development or macroeconomic performance\(^8\). Its purpose is to measure the level of total economic output relative to the population of a country. It reflects changes in total well-being of the population which is relevant to the development.

The growth\(^9\) in real GDP per capita indicates the pace of income growth per head of the population. As a single composite indicator, it is a powerful summary indicator of economic

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\(^6\) Gross domestic product measures annual economic output — the total value of new goods and services produced within a country's borders.

\(^7\) Real GDP is the inflation-adjusted value.


\(^9\) Growth in the production of goods and services is a basic determinant of how the economy fares. By allocating total production to each head of population, shows the extent to which the total production of a country can be shared by its population.
development. It does not directly measure sustainable development but it is a very important measure for the economic and development aspects of sustainable development. One of the often-cited limitations of GDP is that it does not account for social and environmental costs of production. Therefore, it is not a good measure of the level of overall well-being.

2.2. Human Development Index

According to the United Nations Development Program, human development is defined as the expansion of people’s freedoms to live long, healthy and creative lives; to advance other goals they have reason to value; and to engage actively in shaping development equitably and sustainably on a shared planet\textsuperscript{10}.

The Human Development Index (HDI) measures the average achievements of a country using three dimensions of human development: (1) a relatively long and healthy life (measured by life expectancy), (2) extent of one’s knowledge (adult literacy rate combined with primary, secondary, and the level of the population ratio of those enrolled in higher education), and (3) the extent of one’s standard of life. The HDI sets a minimum value expressed as 0 and a maximum value expressed as 1 for each dimension and then shows where each country stands in relation to the minimum and maximum values. A score of “1” means a country is developed as possible. A score of “0” means a country has no level of development\textsuperscript{11}.

While the HDI is helpful, it does have its limits. The HDI gives an average of basic human development progress. Inequalities amongst all three human development objectives are ambiguous as the result of the distribution of human development across a country’s total population\textsuperscript{12}.

\textsuperscript{11} Ibid.
\textsuperscript{12} Work of VALERIS Rebb, The Great Leap Backward: Exploring the Differences in Development Paths between the Dominican Republic and Haiti, under the supervision of WILSON Bruce, The Burnett Honors College at the University of Central Florida Orlando, Florida, Summer Term, 2013.
2.3. Inequality and Poverty

Inequality is a complex social fact which is expressed by the existence of differences in opportunities, individually or collectively, for life development, and it should be understood not only as income inequality but as a consequence of different factors. Some of these factors are: high percentage of low income population; high vulnerability of specific groups; unequal access to high standard education and healthcare; socio-spatial segregation.\[13\]

The social inequality in a country or region is related to social exclusion. It is also reflected in the definition of marginalization provided by the National Population Council of Mexico (CONAPO): "Marginalization is a structural phenomenon that is originated in the form, style or pattern of historical development; this is manifested, on one side, by the difficulty to spread the technical progress on whole of the productive structure and all the country regions; and by the other side, on the social groups’ exclusion from development process and the enjoyment of benefits."\[14\]

In general, belonging to a low socio-economic stratus is usually related to other basic deprivations, and therefore income poverty is an influential factor in the complex poverty phenomena. In this sense, Rosa de la Fuente understands that poverty is also a multidimensional phenomenon which is formed by deprivation of the necessary capacities needed to satisfy basics needs.\[15\] Therefore, widening the lens of poverty measurement to include non-monetary indicators allows a more comprehensive characterization of disadvantaged people.\[16\]

2.4. Equity, Prosperity and Mobility

A comprehensive definition of “equity” entails that citizens must have equal access to opportunities to live in dignity and have the autonomy and voice to participate to their

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15 Idem, p. 27.
communities and decide on life plans that they have reason to value. The conceptual framework is based on a tripartite definition of equity, an *equity triangle*. The first dimension of equity, *fairness* — or independence from original circumstances — lies in the notion that initial background characteristics of individuals that are out of their control, such as gender or area of residence, should not limit the set of opportunities available to them and dictate their achievement. The second dimension, the *elimination of absolute poverty*, entails that all members of a society are guaranteed a well-defined minimum standard to live with dignity. All must have sufficient access to goods and services and be able to achieve well-defined outcomes. The third dimension is *process freedom*, which is about strengthening individuals’ capacity to set goals, make choices and transform those choices into desired actions and outcomes (represented by the notion of *agency*). This framework allows a cohesive characterization of intra- and inter-generational economic mobility, chronic and transient poverty, and between-group inequities that potentially prevent certain vulnerable populations from fully participating to and benefiting from the development process.\(^{17}\)

Economic **mobility** means the ability of individuals, families or other groups of people to improve their economic and social status; it is measured either on individuals over time (intra-generational) or on families across generations (inter-generational). For Andrés Castaneda and Alis Sharman, economic mobility is also a key element for economic development.

On the other hand, **prosperity** could be defined as "the Stage in an economic cycle in which conditions of relatively low-unemployment and high total income prevail, leading to high purchasing power (if the inflation rate is kept low)".\(^{19}\) Higher incomes mean increased choices, wealthier lives, an improved quality of life for those who benefit from them. This formula could be understood as an increase in the gross domestic product (GDP) per capita.\(^{20}\) Yet, the World Bank considers that within the framework of shared prosperity, there are four main channels through which growth and equity reinforce each other: (1) equitable, efficient and sustainable fiscal policy, (2) fair, transparent institutions and effective provision of public goods, (3) well-functioning and accessible markets, and (4) comprehensive and efficient risk

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\(^{17}\) Idem, p. 10.

\(^{18}\) Idem, p. 12.

\(^{19}\) http://www.businessdictionary.com/definition/prosperity.html\#ixzz4GlKm9fqz (9 August 2016).

\(^{20}\) JACKSON Tim, *Prosperity without Growth Economics for a Finite Planet*, Earthscan Dunstan House, Virginia, PP. 3
management. On the whole, the gains from economic growth and prosperity are more evenly distributed when there are links between growth and equity. Consequently, equity and growth are mutually reinforced in a virtuous cycle which is constituted by the shared prosperity\textsuperscript{21}. Finally, while economic growth is important to increase welfare, the equity of a society also plays a primary role in progress\textsuperscript{22}.

\textsuperscript{21} CASTANEDA Andrés, SHARMAN Alis, \textit{op. cit.}, p. 16.
\textsuperscript{22} Idem, p. 10.
1. Haiti Configuration

Winter and Derrell\textsuperscript{23} showed that Haiti has suffered a decline in national income and output for the last four decades. Besides, and according to the indicators from the World Bank, United Nations Human Development Report and CIA World Factbook, they had calculated that the real GDP per capita fell by an average of 1\% per year from 1961 to 2000, which resulted in a decline of 45\% on the whole period. These same sources have estimated that between 65\% and 80\% of the population live below the poverty line.

Moreover, Haiti ranks 163 out of 177 countries on the human development index (HDI). At the same time, it is below the average of 0.505 of countries in the low human development group and below the average of 0.748 of countries in Latin America and the Caribbean. Its 2015 Human Development Index was 0.483, a level comparable to those found in Sub-Saharan Africa (cfr. Appendices 1 and 2)\textsuperscript{24}.

Sletten and Egset\textsuperscript{25} report the Gini coefficient at 0.593, making Haiti the most unequal republic in a region that is the most unequal in the world. Moreover, Haiti has a life expectancy of 62.8 years, a 54.8\% literacy rate, and an infant mortality rate of 60 per thousand live births. Even more, Haiti’s HDI for 2014 is 0.483. However, when the value is discounted for inequality, the HDI falls to 0.296, a loss of 38.8\% due to inequality in the distribution of the HDI dimension indices. Honduras and Guatemala show losses due to inequality of 32.1\% and 29.4\% respectively. The average loss due to inequality for low HDI

\begin{thebibliography}{99}
\end{thebibliography}
countries is 32.0% and for Latin America and the Caribbean it is 23.7%. The human inequality coefficient for Haiti is equal to 38.2% (cfr. Appendix 3).26

2. The Dominican Republic configuration

The Dominican Republic has experienced strong economic growth with some improvements in the quality of life since the 1990s. According to Winters and Derrell27, the indicators published by the World Bank, United Nations Human Development Report and CIA World Factbook show that poverty declined modestly from the early 1990s to 1998 and there was important progress in social indicators that put the country on track to reach some of the Millennium Development Goals. Between 1998 and 2002, the Dominican Republic has continued to grow although deceleration began in 2000. The annual rate of GDP growth was 8.1% in 2000, 2% in 2004, 4.5% in 2005 and 5.3% in 2008. While the per capita GNI, which takes into account GDP as well as net factor, flows as US$11,883.28

The DR ranks 101 out of 177 on the human development index, with a life expectancy of 73.5 years, an 91.8% literacy rate, and an infant mortality rate of 25 per thousand live births, significantly improved since 1990 when the rate was 50 per thousand live births (cfr. Appendices 4 and 5).29

It must be emphasized that the Dominican Republic’s HDI for 2014 is 0.715. However, when the value is discounted for inequality, the HDI falls to 0.546, a loss of 23.6% due to inequality in the distribution of the HDI dimension indices. Jamaica and El Salvador show losses due to inequality of 17.5% and 26.7% respectively (cfr. Appendix 6). The average loss due to inequality for high HDI countries is 19.4% and for Latin America and the Caribbean it is 23.7%. The Human inequality coefficient for the Dominican Republic is equal to 23.4%.30

26 Human Development Report 2015, op. cit.
27 WINTERS Cecil Ann and DERRELL Robert, op.cit., p. 608.
29 Ibid.
30 Idem, p. 5.
3. **The Dominican Republic and Haiti as a Comparative Study**

As Jaramillo and Sacak\textsuperscript{31} said, the Dominican Republic and Haiti can be seen as a quasi-natural experiment because the two countries share the island of Hispaniola and they are similar in terms of geography and historical institutions. Yet, their growth performance has diverged remarkably. Accordingly, the Dominican Republic and Haiti have been at opposite ends of the spectrum within Latin America and the Caribbean (LAC) in terms of growth, with the Dominican Republic achieving the average real GDP growth rates with more than 5\% and Haiti the lowest with about 1\% (cfr. Appendix 7).

In terms of gross domestic product (GDP) per capita, Haiti is the poorest country in the Western Hemisphere; on the contrary, a person in the Dominican Republic is around ten times wealthier than the average people in Haiti. Seeing this, Werner concludes that the income in the Dominican Republic has grown more rapidly than Haiti as an effect of the level and evolution of GDP per capita between the two countries\textsuperscript{32} (cfr. Appendix 8).

4. **The Dominican Republic and Latin America**

In 2000, 32\% of the Dominicans were poor, with more than 10 percentage points under the overall LAC. The economic crisis in the Dominican Republic created a rise of 17 percentage points, with a peak at 50\% in 2004 to exceed the LAC average with 41\%. In the years that followed, the Dominican Republic did reduce poverty, but levels failed to decline at the same pace as in LAC and the gap widened. By 2011, poverty in the Dominican Republic was at 40.4\%, dropping 9 of the 17 percentage points that it had gained during the crisis and remaining above the level at the start of the decade. In contrast, poverty fell substantially in

\textsuperscript{31} JARAMILLO Laura, SANCAK Cemile, ‘Why has the grass been greener on one side of Hispaniola?’, IMF Working Papers /07/63, January 2007, IMF, Washington. P. 4

LAC during the 2000s, reaching 27%. Nearly 70 million people emerged from poverty (cfr. Appendix 9)\(^{33}\).

The Dominican Republic is among the less unequal country in the region with a Gini coefficient of 0.472. Nevertheless, others countries in Latin-America reach similar levels but not with the same decreasing tendency as the DR. Effectively, the Gini coefficient decreased from 0.52 in 2004 to 0.472 in 2010. However, this is more a return to earlier levels than a decrease, since in 1986 already, the coefficient was as low as 47.8. The highest degrees of inequality were obtained between 2000 and 2004 (cfr. Appendix 10). In any case, the percentage share is not among the highest of the region, but still shows an upward tendency: income has become more concentrated over the last 20 years\(^{34}\).

On the other hand, and regardless of the progress that the Dominican Republic has made in improving access to a spectrum of basic services, the country has experienced a persistent problem of “transient”\(^{35}\) poverty over the last decade. Even though there were significant drops in the chronic poor above the extreme monetary poverty line and the group that is not income-poor but is deprived, the proportion of people who are classified as transiently poor in the Dominican Republic almost doubled over the past decade, from 15% to 29%\(^{36}\).

In addition to limited poverty reduction, the Dominican Republic has very low economic mobility with less than 2% of the population moving to a higher economic group over the past decade. The situation is aggravated as two thirds of income-poor Dominicans, have the skills and assets needed to generate higher incomes for themselves but have been unable to do so. This results in a reduced 3.2% of Dominicans initially poor in 2000 who had escaped poverty by 2011 with all of them remaining vulnerable to falling back into poverty. As a result of these trends, the share of people in the middle class remained fixed over the long term. By

\(^{33}\) CASTANEDA Andrés, SHARMAN Alis, op. cit., p. 10.

\(^{34}\) Idem, p. 11.

\(^{35}\) ‘Transient poverty’ could be defined as the component of time-mean consumption poverty at household level that is directly attributable to variability in consumption; this can be thought of as a measure of vulnerability to falling consumption. Is transient poverty different? Evidence for rural China Volume 36, Issue 6, 2000 Special Issue: Economic Mobility and Poverty Dynamics in Developing Countries

\(^{36}\) CASTANEDA Andrés, SHARMAN Alis, op. cit., p. 11.
contrast, in LAC, 41% of the people entered a higher economic group between 1995 and 2010, and, almost half of the people initially poor had climbed out by 2010\textsuperscript{17}.

In conclusion, the Dominican Republic has had strong economic growth over the past decade but the country is falling behind the region in a number of equity dimensions. Moderate poverty has fallen by only half of the spike that followed the decade’s only growth setback. Chronic poverty remains high. Of greater concern, almost one third of the population is poor despite having the skills and assets to generate higher income\textsuperscript{38}. So, why is there a persisting economy and human development gap between the Dominican Republic and Haiti? and Why has the Dominican Republic, despite its economic growth, not improved the quality of life of its inhabitants? There are many theoretical approaches that attempt to explain or comprehend the causes of these differences between the Dominican Republic and Haiti, and within each country.

\textsuperscript{17} Idem, p. 5.
\textsuperscript{38} Ibid.
CHAPTER III: THEORETICAL CONSIDERATIONS ABOUT THE DIVERGENCES IN DEVELOPMENT AND POVERTY BETWEEN HAITI AND THE DOMINICAN REPUBLIC

Some studies have compared the growth performance of the Dominican Republic and Haiti providing mostly qualitative discussions. In this chapter, I will develop the different approaches that can be found in the literature. Consequently, this chapter is a literature review considering the conditions that could explain the economic disparity, inequality or poverty between the Dominican Republic and Haiti.

1. **Geographical Approach**

In his book “Collapsed”\(^{39}\), Jared Diamond has compared the economic growth of the Dominican Republic and Haiti and his arguments are that higher population density and lower rainfall have been the main factors behind the rapid deforestation and loss of soil fertility on the Haitian side of the Hispaniola, with unfavorable effects on agricultural production and growth performance. Mr. Diamond explains that the relative location of each country on the island accounts for environmental differences that have had an important impact on development. The Dominican Republic receives more rain than Haiti as it lies on the eastern side of the island. Hispaniola's highest mountains are on the eastern side and the rivers flow east, endowing the Dominican side with some of the richest agricultural soil in the world. The Haitian side is drier and more mountainous, the soils less fertile. It is no fortuitous that the enormous wealth Haiti generated as a French colony came at the expense of its natural capital of forests and soil\(^{40}\).


\(^{40}\) Idem, p. 239.
On the other hand, Mr Diamond\textsuperscript{41} claims that the colonial powers have also served to exacerbate the environmental differences between the nations because the French colony imported a great quantity of slaves while the Spanish colony did not. Thus, the combination of high population pressure and land scarcity was "the main factor behind the more rapid deforestation and loss of soil fertility on the Haitian side. Ecological degradation reached Malthusian proportions: Haiti's poverty forced its people to remain dependent on forest-derived charcoal for fuel, thereby accelerating the destruction of its last remaining forests"\textsuperscript{42}.

Consequently, the 2006 population in the DR was slightly over 9 million and Haiti's 2006 population was about 8 million, even though Haiti had less land than the DR. This leaves Haiti with a higher population density that, together with lower rainfall and France's extraction of most of Haiti's timber by mid-19th century, accounts for the rapid deforestation and loss of soil fertility\textsuperscript{43}. In a similar way, Lundahl\textsuperscript{44} argues that Haiti is the poorest country in the western hemisphere because the interplay between population growth and the destruction of arable land, together with the increase of the rural labor force that has led to an expansion of subsistence food crops at the expense of export crops, in a context of decreasing international food commodity prices.

By the late 1960s, Haiti's environment was still being pillaged from within by peasants that relied on the felling of trees for charcoal for cooking and for processing tools to sell, such as firing furnaces for bakeries in Port-au-Prince\textsuperscript{45}. On the contrary, according to Diamond, in the DR, a sense of eco-political awareness appeared relatively early; the first municipal regulation prohibiting logging and contamination of streams dates back to 1901. Bottom-up lobbying for environmental protection became serious between 1919 and 1930, which was unique in the developing world according to Diamond. It led to the purchase of a first natural reserve in 1927. Then, Joaquín Balaguer (Trujillo's successor), took far reaching environmental measures that shortened logging and charcoal production, subsidized the cost of imported gas

\textsuperscript{41} Idem, p. 340.
\textsuperscript{42} Idem, p. 341.
\textsuperscript{43} Idem, p. 239.
\textsuperscript{44} LUNDAHL Mats, “Poorest in the Caribbean: Haiti in the Twentieth Century”, in Integration and Trade, Vol. 5, No. 15, 2001, p. 177-200 cited in JARAMILLO Laura and SANCAK Cemile, op. cit., p. 5.
\textsuperscript{45} DIAMOND Jared, op. cit., p. 342.
to replace charcoal, preserved and extended the system of national parks and marine life sanctuaries, pressured industries to treat waste, and limited air pollution.\textsuperscript{46}

On the other hand, Cecilia Ann Winters and Robert Derrell\textsuperscript{47} also understand that the legacy of natural resource destruction has also contributed to the poverty within and between the two republics. To prove their argument, they explain that the rate of deforestation from 1979 to 1991 increased by 80% in Haiti, leaving it with roughly 97% of its forest cover destroyed and only 30% of the land suitable for cultivation. The resulting climatic changes and soil erosion induce that Haiti is unable to grow enough food to feed its population. Yet on the Dominican side, the development of large-scale sugar plantations and the incipient urbanization, including the recent development of the tourist industry, have initiated deforestation.

Although Jaramillo and Sancak explained that a 1941 study\textsuperscript{48} had showed that rainfall was comparable in the Dominican Republic and Haiti based on data which was collected for an average of 11 years, their study did not show evidence that Haiti had lower rainfall than the Dominican Republic. Moreover, if lower rainfall had been an issue in Haiti, it was not an obstacle to agricultural production in the 18\textsuperscript{th} century when Haiti was one of the richest colonies in the French Empire.\textsuperscript{49} In addition, the deforestation on the Haitian side could be considered a recent phenomenon as in 1960 the amount of arable land in both countries was of approximately 20 hectares per person.\textsuperscript{50} Consequently, Jaramillo and Sancak\textsuperscript{51} state that there are not substantial geographical differences between the Dominican Republic and Haiti. They infer that geography cannot explain growth divergence between both countries; yet, they think that geography plays an important role in shaping a country’s growth performance because it determines the quality of natural resources, the productivity of land, the public health environment and the extent to which a country has integrated the world market.

\textsuperscript{46} DIAMOND Jared, op. cit., p. 344-346.
\textsuperscript{47} WINTERS Cecil Ann and DERRELL Robert, op. cit, p. 611.
\textsuperscript{49} JARAMILLO Laura and SANCAK Cemile, op. cit., p. 6.
\textsuperscript{50} Ibid.
\textsuperscript{51} Ibid.
In brief, Ewout Frankema and Aline Mase\textsuperscript{52} acknowledge that the Hispaniola geography hypothesis does not explain the economic disparity because there are profitable cultivation of tropical cash crops such as sugar, bananas, coffee, tobacco, cotton, indigo and sisal in both eastern and western parts of the island. At the same time, earthquakes and hurricanes are as common in both west and east of the island. On the other hand, they argue that population pressure started to matter just after the reversal of fortune, not before, as we could see that the Haitian population increased from an estimated 0.4 million people in 1804 to 1.5 million in 1900, 3.1 million in 1950 and 8.9 million just before the earthquake\textsuperscript{53}. Consequently, it is evident that the geography factor can be discarded as an ultimate cause of bifurcation.

2. **Colonial Intitutional History Approach**

Acemoglu, Johnson and Robinson\textsuperscript{54} established that a large number of European colonies, including the colonies from Central America and the Caribbean, set up “extractive institutions. These institutions did not protect private property; neither did they provide checks and balances against the authorities and governments. Besides, its aim was the extraction of resources. In other words, in societies with the worst institutions, property rights of the elites were protected and secured but the vast majority of the population was excluded from these rights, which prevents that these people could participate to most economic activities; indeed, investment by the elite (oligarchy) can generate economic growth for limited periods\textsuperscript{55}.

As a matter of fact, with the European colonization and domination of a great part of the world, which in most part began in the fifteenth century, came the imposition of institutions and social power structures\textsuperscript{56}. In particular, European colonization set the stage for

\textsuperscript{52} FRANKEMA Ewout and MASE Aline, op. cit., p. 12-13;
\textsuperscript{56} ACEMOGLU Daron, ROBINSON James A., op. cit., p. 138.
institutional divergence which emerged in Latin America, where the extractive and political institutions of the Spanish colonization have endured. This could explain why much of the Region is under the effects of poverty and inequality\textsuperscript{57}.

After the independence of many countries with a colonial history, these countries could have had an opportunity to improve their political and economic institutions but the opposite happened: after their independence, many of them created an opportunity for corrupt leaders to take over and intensify extraction that Spanish or French colonialists had presided over. The political incentives and the creation of these colonial structures led to different styles of politics that reproduced the historical patterns of insecure and inefficient post-independence governments, repeating and even intensifying the excess and abuses of their predecessors, narrowing the distribution of political power, dismantling constraints and meager incentives that economic institutions provided for investment and economic progress. Or even worse, they have lacked centralized authority over territories\textsuperscript{58}.

Frankema and Masé acknowledge that the French and Spanish colonies had established extractive colonial institutions and left both nations with an unequal distribution of income and wealth. It seems obvious that the legacy of colonial inequality and human exploitation was more pronounced in Haiti than in the Dominican Republic because of the repressive system of sugar slavery in Saint Domingue\textsuperscript{59}. However, they acknowledge that \textit{Latin America’s growth retardation} could be caused by the persistency of growth-impeding \textit{colonial institutions}, though they keep insisting that it is a problematic approach\textsuperscript{60}.

On the other hand, Jaramillo and Sancak\textsuperscript{61} have taken the counter position since they understand that historical institutions of the Dominican Republic and Haiti were very similar, implying that this cannot explain growth divergence. However, they state that \textit{institutions} are endogenous and evolve with economic performance and institutions are important to start and sustain economic growth.

\textsuperscript{57} ACEMOGLU Daron, ROBINSON James A., op. cit., p. 115.  
\textsuperscript{58} Idem, p. 116.  
\textsuperscript{60} FRANKEMA Ewout and MASE Aline, \textit{op. cit.}, p. 2  
\textsuperscript{61} JARAMILLO Laura and SANCAK Cemile, \textit{op. cit.}, p. 7.
3. **Policy Decisions and Ignorance Theory**

In their working paper “Why has the grass been greener on one side of Hispaniola”\(^{62}\), Jaramillo and Sacak emphasized that *geography* and *historical institutions* cannot explain the *divergence* in income per capita between the Dominican Republic and Haiti. Nevertheless, political decisions do.

Since 1960, political decisions have played a central role, especially in the Dominican Republic which has achieved better results than Haiti in terms of structural measures and stabilization policies, while Haiti has been subject to political shocks that have affected its growth performance. The World Bank\(^{63}\) has argued that the Dominican Republic experienced a better environment for private investments due to *political stability* and stable *macroeconomic conditions* over prolonged periods allowing it to follow an outward oriented growth strategy. Moreover, the International Monetary Fund (IMF)\(^{64}\) argues that growth in the Dominican Republic during the 1990s was promoted by *capital formation* and strong productivity growth, while *trade liberalization* had encouraged *private investment*.

On the whole, Jaramillo and Sancak have stated that structural policies have been the main determinant of growth in both the Dominican Republic and Haiti, in addition of political stability and stabilization policies. In particular, they have stated that the Dominican Republic has outperformed Haiti and LAC in terms of implementation of structural measures, stabilization policies while Haiti has lagged the region in implementing structural policies, being subject to political shocks that have affected its growth performance\(^{65}\).

I do not agree that political decisions in terms of "*structural adjustments*” and stabilization policies alone are the causes of different economic trajectories between Haiti and the Dominican Republic. On one side, this approach is centered on economic growth and it

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62 JARAMILLO Laura and SANCAK Cemile, *op. cit.*, p. 5.
65 JARAMILLO Laura and SANCAK Cemile, *op. cit.*, p. 23.
should take into account history and historical institutions as well as political interactions between different groups. On the other side, it does not explain the causes behind inequality, poverty and prosperity. This is a problem-solving approach focusing on how to engineer prosperity rather than finding the real causes behind inequality, poverty and prosperity.

In this sense, Acemoglu and Robinson explain that the focus on engineering the prosperity comes in two approaches. First, it consists on recommendations by international organizations, as the IMF, focusing on the improvement of macroeconomic stability and microeconomic goals, and also focusing on microeconomic goals. The problem of poverty or lack of economic growth is thus caused by economists or policymakers who do not know how to make decisions and figure out better policies to prevent market failures. Therefore, enlightening and informing policy makers could put an end to the problem, and the prosperity could be engineered providing the right advice to the politicians to determine what is good for economy. However, the principle obstacle to the adoption of policies that would prevent market failures and encourage economic growth is not the ignorance of politicians but the incentives and constraints they face from the political and economic institutions in their society. The second approach acknowledges that there is no easy way for a nation to get out of poverty and start prospering. There are “micro-market failures” and then again, this could be solved with good advice; prosperity will occur if policymakers take advantage of this.

Yet, these market failures are not due to ignorance alone and the problems arise from how a society works with its extractive institutions. In this case, the good intentions of policy makers and bureaucrats, their attempts to rectify these inefficiencies could not go as planned because those in charge are not committed with the institutional changes and fight against poverty. In others words, the institutional structure that creates market failures could also prevent implementation of interventions to improve incentives at the micro level.

67 According to the Washington consensus, reduction of the size of the government sector, flexible exchanges rates.
68 Like Privatization, improvement in the efficiency of public service provision, or anti-corruption measures.
69 ACESMOGLU Daron, ROBINSON James A., op.cit., p. 446.
70 Improve the education system, health care delivery and other public service provision.
71 ACESMOGLU Daron, ROBINSON James A., op.cit., p. 450.
In this sense, Acemoglu and Robinson, realize that this is an incorrect perspective which does not acknowledge the role of political institutions and the constraints they place on policymaking. This means that they do not put in context the reason why bad policies and institutions are there and, as consequence, the policies are not adopted or are badly implemented, and the elites should use other ways to maintain their interests.

4. **Culture Hypothesis**

The culture hypothesis relates prosperity to culture. This hypothesis takes up the idea introduced by Max Weber, who explained that Protestant Ethic and Protestant Reform had induced the rise of modern industrial society. Nevertheless, the cultural approach relies on other elements like beliefs, values and ethics, and not on religion only.

Could the cultural hypothesis be useful to understand the divergent path between the two nations? For Acemoglu and Robinson, the answer is yes and no. They explain that yes, in the sense that social norms, which are related to culture, are important because they could support institutional persistency; and no, because some aspects of culture, like religion, national ethics or national culture, are not important to understand why poverty or inequalities persist. Despite the last explanations, we should be asking if the culture hypothesis could be useful to understand the divergent paths of the Dominican Republic and Haiti, or even to highlight the inequalities within them.

According to Winters and Derrell, the culture hypothesis is responsible for the divergence in economic growth on the island because the self-image of each nation is deeply rooted in their relationship with their colonial past and so are differences in religious valuations, attitudes toward race, class and language as part of national identity. First, cultural barriers proliferate in the linguistic traditions of the two republics. French and Creole are the official languages of Haiti but Creole, a form of French with influences from various African

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72 Idem, p. 57.
73 Ibid.
languages, is spoken by almost all Haitians whereas French is reserved to a limited wealthy elite and diplomatic corps. Dominicans, who are Spanish speakers, are thought to hold Creole language in great contempt and disregard\textsuperscript{75}. For Jaramillo and Sancak\textsuperscript{76}, these approaches show no differences between the Dominican Republic and Haiti since both have low ethno-linguistic fragmentation, apply French Law, and their populations are predominantly of Catholic background.

Another way to consider the culture hypothesis is relate it to a particular national culture. Dominican history glorifies their Spanish colonial ties, which helps create the dichotomy between the Haitian (French, Creole-speaking, African and Catholics) and the Dominican (Spanish, Spanish-speaking, light-skinned and Roman Catholic)\textsuperscript{77}. Haitian society being the only country in the world where slaves actually freed themselves\textsuperscript{78}, it has shaped its identity. Those events are seen through the Haitian imagination and described as a struggle of epic, almost mythical proportions, regarded as the proclamation of highest libertarian ideals in the pursuit of liberty, freedom and unification\textsuperscript{79}.

In addition, the extent to which people trust each other or are able to work together could be influenced by identity background related to the national culture. In this sense, Frankema and Mase\textsuperscript{80} extend their theory by arguing that the compounding hostility between both societies has aggravated the depth and persistence of their unequal development trajectories. The Dominican narrative is steeped in hostility for Haiti and is the foundation for much of the present day “anti-haitianismo”. We could argue that many aspects of the culture between the Dominican Republic and Haiti are similar. However, there are some differences in beliefs and cultural attitudes that have an impact on their practices, norms and values; although these are not causes but outcomes of the two divergent development paths. Even when two countries could be culturally different today, any difference in culture is not a cause of the differences in prosperity but a consequence of the nations’ particular institutions and histories\textsuperscript{81}.

\textsuperscript{75} WINTERS Cecil Ann and DERRELL Robert, op. cit., p. 607.
\textsuperscript{76} JARAMILLO Laura and SANCAK Cemile, op. cit., p. 8.
\textsuperscript{77} WINTERS Cecil Ann and DERRELL Robert, op. cit., p. 611.
\textsuperscript{78} FRANKEMA Ewout and MASE Aline, op. cit., p. 4.
\textsuperscript{80} FRANKEMA Ewout and MASE Aline, op. cit., p. 4.
\textsuperscript{81} ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit., p. 58.
5. **Cumulative causation**

In the paper “Divided Neighbors on a Indivisible Island: Economic Disparity and Cumulative Causation on Hispaniola”\(^{82}\), Cecilia Ann Winters and Robert Derrell use a narrative analysis together with statistical techniques as an investigation of the principle of cumulative causation to explain underdevelopment, relative poverty and spatial disparities on Hispaniola.\(^{83}\) On Hispaniola, due to the interdependence of economic and non economic factors, like the influence of resources allocations, as well as history, political and cultural conditions, foreign influence and the island’s place in the context of international relations have shifted political economy away from a stable equilibrium. This process has been hysteretic and path dependent, magnifying and multiplying the combined impact of the interactions through historical time.

Winters and Derrell\(^{84}\) express clearly that statistical analysis confirms the path of economic events and socio-political relationships as having a cumulative effect on Hispaniola. As a result, economic and spatial disparities as well as environmental destruction have appeared on the island. From this analysis, they conclude that decisions and policies involving resource allocation have been made from corrupt institutions that have not evolved to allow either integration or cooperation. This clearly has had consequences in terms of underdevelopment and perpetuation of poverty, and nothing less than a structural transformation would provide an adequate exogenous shock to change the social systems that have been established. Such a shock, however, will not be forthcoming from the wealthy classes. However, the analysis of Hispaniola remains incomplete unless one considers the role cumulative causation has played by examining history, these include discussion of events that span the colonial period, post-colonial independence, the U.S. Marine occupation and beyond, as well as the predatory style of political resource allocation that has each republic\(^{85}\).


\(^{84}\) WINTERS Cecil Ann and DERRELL Robert, *op. cit.*, p. 611.

\(^{85}\) Ibid.
This approach is similar to the one that is interpreted by Acemoglu and Robinson, which is essentially the root theory of this dissertation and that will be explained in the next chapter.

6. **Violence and Social Order (Political Power)**

This approach was presented by Ewout Frankema and Aline Masé in the paper “An Island Drifting Apart, Why Haiti mires in poverty while the Dominican Republic forges ahead.” It is based on the North, Wallis and Weingast (NWW) theory that aims at explaining why some societies are able to implement the combined transition to a politically more stable and economically more productive order, where other societies fail to do so. Their conceptual framework of **violence and social orders** offers a perspective on the nature of government behavior relative to socio-economic change and focusing on the interactions between political, social, cultural and economic factors. NWW’s theory of violence and social order makes the assumption that human beings tend to live in social orders, as opposed to a permanent state of anarchy, because of a shared preference to contain violence. Social orders differ in the way this objective is achieved. *First, we find the limited access orders (LAOs henceforth) routines which control violence, constraining economic and political access. LAOs are stable because elite members have an interest to live in peace and, therefore, deliberately abstain from using force.*

The most important condition for stability in a LAO is the economical monopoly of power: *politically controlled entry barriers to economic markets generate the rents needed to reward*
elite members for the continuation of their political support (and abstinence from violence). Political access, in turn, has to be restricted in order to secure rent extraction for the benefit of a minority. Social mobility is mediated through the vertical and personal networks of patronage and the stability of the ruling elite depends crucially on its ability to organize its own cohesion. On the other hand, in an open access order (OAO), violence is controlled by an extensive web of public and private institutions and organizations guaranteeing free entry to politics and economic markets to all (adult) members of society, regardless of their social, ethnic, or political background. A government monopoly on the use of violence is secured by legal, administrative and judicial powers weighing the interests of the state and society. Open access is not only secured through formal rules and laws, but also by the empowerment of citizens to engage in public life through investments in public goods such as education, health care, arts and infrastructure. NWW state that OAOs are a relatively new phenomenon in human history.

Following their conceptual framework, the crux is to understand why political elites, at some point, decide differently with regard to the reciprocal access to economic markets and political power. According Winters and Derrell, Haiti is a prototypical fragile natural state, ruled by competing elite factions exclusively preoccupied with the consolidation of their power through monopolization of economic resources. The Dominican Republic, on the other hand, fits NWW’s typology of a mature natural state, where consecutive governments respect certain public and private organizations that are economically active outside their immediate orbit. These organizations are supported and secured by a set of formal institutions that constrain the use of arbitrary power and reduce transaction costs in the economy.

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92 Ibid.
93 See in the next chapter ‘inclusive political and economic institutions and the central government role in prosperity and economic growth’.
94 FRANKEMA Ewout and MASE Aline, op. cit., p. 5.
95 Idem, p. 3.
CHAPTER IV: INSTITUTIONS, POLITICAL POWER AND HISTORY: THE ORIGINS OF POWER, INEQUALITY AND GROWTH AS A THEORETICAL FRAMEWORK

According to Daron Acemoglu and Robinson, geographic, cultural or ignorance-based theories do not provide a satisfactory account for the prominent patterns of world inequality; neither does economic divergence across countries or across regions in the world, nor their transition from stagnation to growth. Understanding why those differences exist and what the fundamental causes are is the focus of the book Why Nations Fail they published. To answer these questions, they argue that institutions are the fundamental causes that generate differences on economic growth and development across countries and that it is possible to understand why and how institutions differ, as well as how they evolve in various countries.

The definition of institutions proposed by Acemoglu and Robinson is Douglas North’s: “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.” Three features of institutions are important in this definition. First, they are “humanly devised”, as opposed to those causes that are outside human control, for example geographic factors. Second, they are the “rules of the game” which “constraints” human behavior. Third, their major effect will be through incentives.

In this sense, the notion of institutions, which are the key determinant of incentives, should have an important effect on economic outcomes, including development, growth, inequality, and poverty. They further ask if institutions are the key determinants of economic outcomes, or if they are secondary arrangements that respond to other, possibly geographic or cultural, determinants of human and economic interactions. First of all, their research of institutions aims at isolating “specific” institutional characteristics that are responsible for economic outcomes in specific situations. The starting point is the impact of the notion of institutions, in

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96 ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit., p. 123.  
97 Idem, p. 530.  
line with North’s conception, on an economic outcome. At the same time, this broader notion incorporates many aspects of economics and political and social organization of society. Moreover, institutions can differ from societies because of their formal methods of collective decision making (democracy, dictatorship, authoritarian, etc) or because of their economic institutions (for example, security for property rights, entry barriers and/or types of contracts available to businessmen). Thus, societies can differ because the distribution of power is shared or divided between different groups or social classes; this defines a given set of institutions.

However, as Acemoglu and Robinson say: “This broad definition of institutions is both an advantage and a curse. It is an advantage because it enables us to get started with theoretical and empirical investigations of the role of the institutions without getting bogged down by taxonomies. It is a curse because unless we can follow it up with a better understanding of the role of specific institutions, we have learned only a little”.

Their theory has a two-level approach. The first level is the difference between extractive and inclusive economic and political institutions, which is an institutional interpretation of history. The second level is their explanation on why inclusive institutions emerged in some parts of the world and not in others, which details how history has shaped institutional trajectories of nations.

1. Inclusive Economic and Political Institutions

Let us start with reflecting on how countries differ in their economic success because of their different institutions, on the rules influencing economy and their incentives to motivate people. Inclusive economic institutions foster economic activity, productivity growth and economic prosperity. In the first place, secure private rights which are central to create economic opportunities, for a broad cross-section of society instead of a small elite group,

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100 Idem, p. 137.
since only those with such rights will be willing to invest and increase productivity. For example, an entrepreneur who fears that his output could be stolen, or he could be expropriated or entirely taxed away, will have little incentive to neither work or make any investment nor design any innovation.\textsuperscript{101}

In the second place, inclusive economic institutions need the state to secure law, public services, and the freedom to contract. In order to function well, society also requires public services like roads and transport networks (goods can be transported), public infrastructure (help economic activity). The state, which is the institution with the coercive capacity to impose order, prevent theft and fraud, and enforce contracts between private parties, is intertwined with economic institutions as the enforcer of the law and order, private property, contracts. Besides, it is a provider of public services. In short, inclusive economic institutions need and use the state.\textsuperscript{102} Eventually, inclusive economic institutions create inclusive markets, which give people freedom to pursue their vocations or occupation in life; furthermore, they provide a positive environment with good opportunities, especially for those who have good ideas to start a business.\textsuperscript{103}

Likewise, inclusive economic institutions improve technology and education, which are considered as “engines of prosperity”. As a matter of fact, sustained economic growth is usually accompanied by technological improvements that enable labor, land and existing capital to become more productive. This process of innovation is a result of economic institutions that promote and allow the entry of new business likely to bring in new technologies. In addition, education (skills, competencies, and know-how) that the workforce has acquired in schools, at home and at the job, is linked to technology. In other words, education and skills of the workforce generate scientific knowledge which in fact builds progress that enables adaptation and adoption of technologies in different businesses.\textsuperscript{104}

**Inclusive political institutions** make power broadly distributed in society and constrain its arbitrary exercise. Consequently, in spite of being held completely in a single individual or a closed group, a political power rests with a broad coalition or a plurality of groups. Inclusive

\textsuperscript{101} ACEMOGLU Daron, ROBINSON James A., *Why nations fail: the origins of power, prosperity and poverty*, op. cit., p. 75.

\textsuperscript{102} Idem, p. 76.

\textsuperscript{103} Idem, p. 77.

\textsuperscript{104} Idem, p. 78.
political institutions make it harder for others to usurp power and undermine the foundations of inclusive institutions. Thereby, inclusive economic institutions create a fairer distribution of resources, facilitating the persistence of inclusive political institutions\textsuperscript{105}. Thus, there is a close connection between pluralism and inclusive economic institutions\textsuperscript{106}. In others words, inclusive political institutions are: “\textit{[...]} those that distribute political power widely in a pluralistic manner and are able to achieve some amount of political centralization so as to establish law and order, the foundation of secure property rights, and an inclusive market economy \textit{\textsuperscript{107}}.”

In particular, the main point of Acemoglu and Robinson’s theory is the link between inclusive economic and political institutions and prosperity. Inclusive economic institutions, in order to enforce property rights, promote investment in new technologies and so on, have to be more conducive to economic growth. Then, inclusive economic institutions are in turn supported by (and support) inclusive political institutions\textsuperscript{108}.

1.1. The Virtuous Cycle

As a result, synergies between inclusive economic and political institutions create a \textit{virtuous cycle}\textsuperscript{109}. Major economic changes were preceded by political change, reform or revolution that brought a distinct set of economic and political institutions, much more inclusive than those of other societies. When a government adopts a set of economic institutions providing incentives for investment, trade and innovation, in addition to enforcing property rights and patents for ideas that in general provide a stimulus to innovation, it can apply law and order, stop arbitrary taxation, reduce monopolies and remove obstacles to the expansion of industrial activity. Moreover, through rationalizing property rights, the government has facilitated the construction of infrastructures, roads, canals, railways that are crucial to economical, industrial growth\textsuperscript{110}.

\textsuperscript{105} Idem, p. 82.
\textsuperscript{106} Idem, p. 80.
\textsuperscript{107} Idem, p. 429.
\textsuperscript{108} Idem, p. 430.
\textsuperscript{109} Ibid.
\textsuperscript{110} Idem, p. 103.
These foundations are incentives for the people and support the engines of prosperity that are also promoted by technological progress thanks to the inclusive nature of market allowing people to allocate their talents to the right lines of business. Consequently, profitable opportunities were created to develop and apply technologies. Likewise, education and skills have enabled the emergence of entrepreneurs with a vision to develop new technologies for their business and to find workers with the skills to use them.

Finally, a nation should develop inclusive political institutions for two reasons: first, there are political institutions, as a central state, that enable it to take the next step toward inclusive institutions with the onset of a favorable critical juncture (for example, a revolution, a reform or radical changes); secondly, a broad coalition of excluded groups should be able to pose constraints on the power of the dominant elite. Consequently, the foundation for pluralistic political institutions should enable the development of inclusive economic institutions that will underpin the prosperity and growth.111

1.2. Creative Destruction

The economic growth that can be induced by institutions creates both winners and losers in the political arena and in the economic marketplace.112 Basically, economic growth and technological change are accompanied by creative destruction113 that replaces the old with the new. That is why fear of creative destruction is frequently at the root of opposition to inclusive economic and political institutions, usually by traditional elites. Powerful groups usually stand against economic progress and against the engines of prosperity. Indeed, economic growth is not just a process of more and better machines, and more and better educated people, it is also a transformative and stabilizing process associated with widespread creative destruction. With this in mind, economic losers could block growth, anticipating that they could lose their economic privileges and their political power.114 In absolutist regimes even, some elites can manipulate power to set up the economic institutions they prefer. Consequently, they are not interested in changing political institutions to make them more pluralistic which would dilute their political power, making it difficult for them to structure

111 Idem, p. 104.
112 Idem, p. 83.
113 Theory developed by the economist Joseph Schumpeter,....
114 Idem, p. 86.
economic institutions to further match their own interests. Therefore, the way to change these political institutions is to force the elite to create more pluralistic institutions.\textsuperscript{115}

2. \textbf{Extractive Economic and Political Institutions}

Extractive economic institutions are structured by elite to extract resources from the rest of society and they usually go with extractive political institutions. At that moment, extractive economic institutions depend on extractive political institutions for their survival. Essentially, Acemoglu and Robinson\textsuperscript{116} refer to extractive political institutions like those that are neither centralized nor pluralistic. In this sense, extractive political institutions concentrate power in the hands of a narrow elite and place few constraints on the exercise of this power. Under extractive political institutions like the colonial Latin America, those who can wield this power will be able to set up economic institutions to enrich themselves and increase their power at the expense of society.\textsuperscript{117}

Another example of extractive economic institutions occurs when a nation is not able to mobilize its talents because it lacks inclusive markets and its level of education is low. Acemoglu and Robinson explain that the “low education level of poor countries is caused by economic institutions that fail to create incentives for parents to educate their children and by political institutions that fail to induce the government to build, finance, and support schools.”\textsuperscript{118} In fact, the ability of economic institutions to tie together potential of inclusive markets, technological innovation, investment in people, and mobilization of individual talents and skills is fundamental for economic growth.\textsuperscript{119}

In comparison extractive political institutions vesting power narrowly would tend to plant economic institutions that expropriate the resources of the many, would erect entry barriers and would suppress the functioning of markets so that only a few would benefit from national

\textsuperscript{115} Idem, p. 87.

\textsuperscript{116} Idem, p. 81.

\textsuperscript{117} Idem, p. 80.

\textsuperscript{118} Idem, p. 78.

\textsuperscript{119} Ibid.
wealth and resources. As a result, the synergies between extractive economic and political institutions create a vicious cycle.

2.1. Vicious Cycle

This synergy between extractive economic and political institutions introduces a strong feedback loop: political institutions enable the elites controlling political power to choose economic institutions with few constraints or opposing forces. They also allow elites to structure future political institutions and their evolution. Moreover, extractive economic institutions enrich the same elites and help them consolidate their wealth, economic power and their political dominance\(^{120}\). The resources generated by these economic institutions enable these elites to build armies and security forces to defend their absolutist monopoly of political power. The implication is that extractive political and economic institutions support each other and tend to persist\(^ {121}\).

As stated before, extractive economic institutions are linked to extractive political institutions which concentrate power in the hands of a few. The dominant elite could benefit from extractive economic institutions and use those benefits to enforce their hold on political power. In this sense, extractive economic and political institutions could be consistent with economic growth\(^ {122}\).

2.2. Growth under Extractive Institutions

The central thesis of the book *Why Nations Fail* is that economic growth and prosperity are associated with inclusive economic and political institutions, while extractive institutions typically lead to stagnation\(^ {123}\) and poverty. Nevertheless, this does not imply that extractive institutions can never generate growth or that all extractive institutions are created equal\(^ {124}\). On the one hand, decisive steps toward inclusive economic institutions can ignite rapid economic growth and, on the other hand, a turn away from inclusive institutions can lead to

\(^{120}\) Idem, p. 81.
\(^{121}\) Ibid.
\(^{122}\) Idem, p. 430.
\(^{123}\) Economic inmobilism: a prolonged period of slow economic growth, accompanied by high unemployment.
\(^{124}\) Idem, p. 91.
economic stagnation. Therefore, collapses of rapid growth could be a consequence of growth under extractive institutions and the infighting over the spoils of extraction, apart from the lack of innovation and creative destruction under extractive institutions which puts a limit on sustained growth\textsuperscript{125}.

There are two distinct but complementary ways in which growth under extractive political institutions can emerge. \textit{First, even if economic institutions are extractive, growth is possible when elites can directly allocate resources to high productivity activities that they themselves control}\textsuperscript{126}. An example of this type of growth under extractive institutions is highlighted by Acemoglu and Robinson: the Caribbean Island between the 16th and 18th centuries, when most people were slaves working under inhuman conditions. In the Caribbean Islands during this period, small elite was controlling the entire political power and owned all the assets, including all slaves. While the majority had no rights, property and assets of the planters were protected. Yet, these Caribbean Islands were one of the richest places in the world thanks to their production of sugar and its selling on the world markets\textsuperscript{127}.

The second type of growth under extractive political institutions arises when institutions permit the development of, not completely, inclusive institutions. Even so, the degree to which the elite manages to monopolize power varies across societies. For instance, the position of the elite could be sufficiently secure that they may permit some moves toward inclusive economic institutions when they are sure that this will not threaten their political power. At the same time, the historical situation could be such as to endow an extractive political regime with rather inclusive economic institutions which they would decide not to block\textsuperscript{128}.

2.3. Political Centralization and Growth under Extractive Institutions

Political centralization is fundamental in both directions where growth under extractive political institutions can occur. Some degree of political centralization is necessary because the elite needs to keep law and order and defend its assets and property. Consequently,

\begin{itemize}
  \item \textsuperscript{125} Idem, p. 120.
  \item \textsuperscript{126} Idem, p. 92.
  \item \textsuperscript{127} Ibid.
  \item \textsuperscript{128} Ibid.
\end{itemize}
without some political centralization and political power, the ruler elite would not have felt secure to manufacture economic reforms and to coordinate economic activity to channel resources toward high productivity areas\textsuperscript{129}. Those with no political centralization will find difficult to achieve growth, even limited. In other words, extractive institutions can generate growth; however they will generate neither sustained economic growth nor the type of growth that is followed by creative destruction\textsuperscript{130}.

Basically, growth under extractive institutions will not be sustained for two reasons: first, sustained economic growth requires innovation, and innovation cannot be separated from creative destruction which replaces the old with the new in the economic realm and also destabilizes established powers in politics. As elites dominating extractive institutions fear creative destruction, they will resist it, and any growth generated under extractive institutions will be short lived\textsuperscript{131}. Secondly, the one who dominates extractive institutions has the capacity to reap the benefits at the expense of the rest of society. This implies that political power under extractive institutions is highly attractive; as a consequence, there will be many groups and individuals pushing societies towards political instability\textsuperscript{132}.

Furthermore, the arrangements that support economic growth under extractive political institutions are, by nature, fragile and they can collapse or be easily destroyed by the infighting that the extractive institutions generate. Consequently, fighting to control the state is always latent and it will periodically intensify and bring the undoing of these regimes as it turns into civil war with the collapse, eventually, of the state. In other words, even if a society under extractive institutions achieves some degree of centralization, it will not last\textsuperscript{133}.

\textsuperscript{129} Idem, p. 94.
\textsuperscript{130} Ibid.
\textsuperscript{131} Idem, p. 430.
\textsuperscript{132} Ibid.
\textsuperscript{133} Idem, p. 95.
3. **Political Power, Extractive and Inclusive Institutions**

The political process determines the economic institutions people will live in and the political institutions determine the political process. Political institutions and the capacity of the state to regulate and govern society are generally included into written constitutions when the society is a democracy. In addition, it is important to consider the factors that determine how political power is distributed in society, particularly the ability of different groups to act collectively to pursue their objectives or to stop other people from pursuing theirs. Eventually, as institutions influence behavior and incentives in real life, they forge the success or failure of nations.\(^{134}\)

As it has been mentioned, economic institutions are created by the society; however, their evolution depends on people with different interests and objectives that make decisions in order to structure their society. In other words, different nations have different politics. In this sense, “politics” could be defined as the process through which a society chooses the rules that will govern it.\(^{135}\) When there is a conflict about institutions, what happens depends on who can get the most support, obtain additional resources and form the most effective alliances; in other words, the winner depends on the distribution of political power in society.\(^{136}\)

Acemoglu and Robinson warned us that one should not try to manipulate economic institutions without understanding or reflecting on the political forces that create or sustain these institutions. It is imperative to spotlight political institutions, the distribution of political power and the nature of economic institutions besides thinking about potential reform or institution building. With their own words: “Just a reforming economic institutions without changing the political equilibrium may not improve the institutional equilibrium, so changing de jure power, while leaving the sources of de facto power intact, may have little impact on economic performance. In the end, changes have taken place in specific economic institutions, with the move away from socialism to capitalism at the same time of the modification of de

\(^{134}\) Idem, p. 42.
\(^{135}\) Idem, p. 79.
\(^{136}\) Ibid.
jure political institutions; the societies could continue to be run to benefit a small elite who are free to enrich themselves at the expense of the wider society. In general, the lesson is that changes in institutions, which affect the distribution of de jure political power, needs to be complemented by changes in the sources of de facto political power of the elite and reductions in the benefits that political incumbents have in intensifying their use of de facto political power (bribery, corruption)."  

3.1. Political Centralization

Max Weber\textsuperscript{138} has a definition of the \textbf{“State”} which has the \textquote{monopoly of legitimate violence} in society. Acemoglu and Robinson explained that without this monopoly and the degree of centralization that it entails, the state cannot play its role as enforcer of law and order, let alone provide public services and encourage and regulate activity\textsuperscript{139}. Consequently, there would be incentives to create centralized state institutions in any society, especially in those with no such centralization whatsoever. Political centralization is likely only when a group of people is sufficiently more powerful than others to build a state. In a country, power could be balanced, and no one clan can impose its will on any other. For this reason, the lacks of political centralization persist\textsuperscript{140}.

In general, broad institutional differences across countries could have had a lot of influence on their economic development. Though, this is only part of a first approach, the next step is to ask if institutions have a large effect on economy and why do some societies choose and maintain dysfunctional institutions?

3.2. Persistence, the Iron Law of Oligarchy and Commitment

Seeing that there is a strong synergy between extractive economic and political institutions, especially when existing elites are challenged under extractive political institutions and the newcomers break through, the newcomers are subject to only a few constraints because they


\textsuperscript{139} ACEMOGLU Daron, ROBINSON James A., \textit{Why nations fail: the origin of power, prosperity and poverty}, op.cit. p. 81.

\textsuperscript{140} Idem, p. 87.
have incentives to maintain these political institutions and create a similar set of economic institutions. The implication is that extractive political and economic institutions supporting each other tend to persist\textsuperscript{141}.

On the other hand, because the distribution of resources and political changes are slow and persistent, the notion of \textit{persistence} is important. Persistence is related to the distribution of resources: when a group is relatively richer than other groups, it will increase its political power de facto and enable it to promote economic and political institutions favorable to its interests, reproducing thus the initial disparity. Besides, the theoretical framework also emphasizes the potential for change of the balance of political power de facto and consequently of economic institutions and economic growth; for example, when there are changes in technologies and the international environment\textsuperscript{142}.

In the end, they called this a path dependence which can exist in political equilibrium, even when power \textit{de jure} and \textit{de facto} switch from one group to another\textsuperscript{143}. Path dependence is related to the classic idea of the \textbf{iron law of oligarchy} which states that it is impossible to have real change in society because when new groups are mobilized or created in the process of socio-economic change, they replace preexisting elites, and groups behave in qualitatively similar ways\textsuperscript{144}. To do this, the new elite or group has had to develop a political strategy, but the form that the strategy took was highly influenced by the strategies being used by the traditional elite. The traditional elite could be clientelistic, so it could be best to use patronage to compete with them. In addition, the traditional elite could run a political system with few checks and balances\textsuperscript{145}.

\textsuperscript{141} ACEMOGLU Daron, ROBINSON James A., \textit{Why nations fail: the origin of power, prosperity and poverty}, op.cit., p. 81.
\textsuperscript{142} ACEMOGLU Daron, ROBINSON James A., \textit{The Role of Institutions in Growth and Development} in \textit{Leadership and Growth}, op. cit., p. 141.
\textsuperscript{143} Idem, p. 156.
\textsuperscript{144} Idem, p. 155.
\textsuperscript{145} Idem, p. 156.
3.3. Persistence as Barrier to Political Centralization

A barrier to political centralization is again a form of fear from change: any clan, group or politician attempting to centralize power in the state will also be centralizing power in its own hands, and this is likely to meet the ire of other clans, groups, and individuals, who would be the political losers of this process. A reform of specific economic institutions without touching the political equilibrium may not improve economic institutions or capacities. Even more, when there is a reform of political power de jure, introducing democracy may not be sufficient to induce broader institutional change. Changes in power de jure could not be sufficient to ignite a change in political equilibrium\(^\text{146}\).

Therefore, to Acemoglu and Robinson, the issue of commitment could answer the following questions: First: Why groups with conflicting interests do not agree on the set of economic institutions that maximizes aggregate growth? Secondly: Why do groups with political power want to change political institutions in their favor? Considering that an agreement on the efficient set of institutions often cannot be reached because groups with political power cannot commit to stop using their power to change the distribution of resources in their favor\(^\text{147}\). In other words, in a dynamic world, individuals care about economic outcomes not only in the present but also for the future. As a result, commitment to future economic institutions is not possible because decisions in the future are made by those who hold political power at the time. Even more, changes in political and economic institutions that rely on political power de facto is likely to be reversed in the future. In consequence, the use of power to change political institutions emerges as a useful strategy to make gains more sustainable. In this sense, political institutions and changes in political institutions are important ways of manipulating future political power. As a result, they shape future and present economic institutions and productivity\(^\text{148}\). However, their framework emphasized persistence, this does not mean that changes would not occur; they do, some countries even manage to dramatically change their position in distribution of the world income. Moreover, it is difficult to change institutions and there are powerful forces at work reinforcing the status quo\(^\text{149}\).

\(^{146}\) Idem, p. 149.
\(^{147}\) Idem, p. 143.
\(^{148}\) Idem, p. 144.
\(^{149}\) Idem, p. 145.
4. **History and Institutional Trajectories**

History is the key as historical processes (via institutional drift) create differences that may become historical turning points or critical junctures. For these reasons, Acemoglu and Robinson emphasize that vicious and virtuous cycles imply that it becomes mandatory to study history to understand the nature of institutional differences that have been historically structured. Yet, the authors say that their theory does not entail historical determinism. In this sense, a country could be poorer today than another country because of its institutions. To understand the causes and reasons for this, one needs to understand the historical process of institutional development of each country\(^{150}\).

Yet, Acemoglu and Robinson\(^{151}\) state that the historical account they have presented indicates that any approach based on historical determinism (geography, culture and even history) is inadequate since small differences and contingency have partly shaped of history. In other words, with their theory, they try to explain the broad differences between prosperity and poverty levels of nations around the world. Especially, they provide various guidelines as to what types of societies are more likely to achieve economic growth over the next decades. This means that, within these broad patterns, there will be major institutional changes for some countries that could break the mold and succeed the transition from poor to rich.

4.1. **Small Differences and Critical Junctures**

The institutional divergences were the result of situations where the difference seems small but in the scheme of history, these **small differences** could become consequential for the populations of these countries and for the future development path\(^{152}\).

The divergent paths of societies\(^{153}\) and the economic expansion of institutions in determined period could illustrate the importance of the interplays of small institutional differences within


\(^{151}\) Idem, p. 435.

\(^{152}\) Idem, p. 101.

\(^{153}\) For Example, the Spanish and French during the XV-XVIII century.
critical junctures. During a critical juncture, a major event or the confluence of factors disrupts the existing balance of political and economic power in a nation. This can affect a single country or a whole set of societies; for example, the colonization and decolonization affected most parts of the world. However, neither the vicious nor the virtuous circle is absolute. Actually, in some societies, extractives institutions have been the norm in history but have been able to transit towards inclusive institutions and break the mold. In this case, according to the authors of Why Nations Fail, there is an institutional drift that could be defined as the random institutional society mutation promoting a different institutional path between two similar societies.\footnote{Idem, p. 106.}

Furthermore, Acemoglu and Robinson\footnote{Idem, p. 107.} explain that critical junctures are important because they are barriers against gradual improvements resulting from the synergy between extractive political and economic institutions and the support they give each other. The persistence of the response creates a vicious circle. The questions should thus be: Where do the small institutional differences that start the process of divergence arise in the first place? Why do some nations or societies have different economic and political institutions in a particular period of history? Why was the balance of power between the elites and others social or class groups different between nations?

As a matter of fact, no two societies create the same institutions; they will have distinct customs, different systems of property rights and different ways of dividing resources and wealth. At the same time, they would recognize an authority or not, or some would achieve a certain degree of centralization while others would not.\footnote{Idem, p. 108.} Therefore, societies are subject to economic and political conflict that can be resolved in different ways because of specific historical differences, the role of individuals, or just random factors.\footnote{Ibid.}

\subsection*{4.2. Critical Junctures and Contingent Paths}

Yet, to Acemoglu and Robinson, there is not any presumption that a critical juncture will lead to a successful revolution, reform or change. The outcomes of events during critical junctures...
are not historically predetermined but contingent because the path of institutional development during certain periods could depend on:
   a) which opposing force will succeed;
   b) which groups will be able to form effective coalitions;
   c) which leaders will be able to structure events to their advantage\textsuperscript{158}.

However, the role of contingency could be illustrated by:
   a) the origins of political institutions,
   b) the limited power of some elites or dominant groups;
   or by c) for more pluralistic institutions during a critical juncture.
In other words, the path leading to any political revolution, reform or change could be at the mercy of contingent events that create the transformative critical juncture and spawn the pluralistic or not so pluralistic political institutions\textsuperscript{159}.

On the whole, their theory of world inequality shows how political and economic institutions interact in causing poverty or prosperity, and how different parts of the world ended up with such different sets of institutions. Different patterns of institutions are rooted in the past because once society gets organized in a way, this tends to persist. The rules a society ends up with are determined by political power: who has power and how this power can be exercised.
In consequence, the theory explained in the book \textit{Why Nations Fail} is first about economy and politics and the effect of institutions on the success or failure of nations, and then about how institutions are determined and (or do not) change over time\textsuperscript{160}.

\textsuperscript{158} Idem, p. 110.
\textsuperscript{159} Idem, p. 111.
\textsuperscript{160} Idem, p. 44.
Acemoglu and Robinson\textsuperscript{161} declare that failure of nations today is influenced by their institutional histories. On one side, some nations are able to seize critical junctures to reform their institutions and embark upon a path of prosperity. On the other side, other societies have used these critical junctures to launch a process of political and economic change that promotes extractive institutions under the control of narrow elites that monopolize both economic opportunities and political power\textsuperscript{162}.

Colonization of Latin America could explain the patterns for poverty and inequality on the continent. In some parts of the continent, Spanish conquistadors could take over the organized pre-Colombian states and force a large population to work in mines or in plantations\textsuperscript{163}. Nevertheless, if the indigenous populations were scarce, markets in slaves were in fact one part of the economic institutions that systematically coerced the majority of the population. Slavery takes off the ability of individuals to choose their occupations and how they would use these occupations\textsuperscript{164}.

In Haiti and the Dominican Republic in particular, history shows how settlers were able to use their political power to impose a set of economic institutions that provided them with huge assets at the expense of the rest of the population\textsuperscript{165}. In this sense, the interaction between economic and political institutions in history is still relevant to understand why the modern Dominican Republic and the Republic of Haiti have different patterns of institutions. Once society gets organized in a way, this tends to persist. Subsequently, and prior to illustrate the process of institutional drift punctuated by critical junctures and their outcomes, particularly

\textsuperscript{161} Idem, p. 115.
\textsuperscript{162} Idem, p. 123.
\textsuperscript{163} Idem, p. 433.
\textsuperscript{164} Idem, p. 77.
\textsuperscript{165} Idem, p. 81.
after their independence, we should ask how the Dominican Republic and the Republic of Haiti institutions have evolved to their present day extractive or inclusive form.

1. **An approach to the Colonial History of the Dominican Republic and the Republic of Haiti**

Throughout the Spanish colonial history of the Americas, similar institutions and social structures have emerged. After the initial phase of gold and silver looting, the Spanish created a web of institutions like the *encomienda* and the *repartimientos*, designed to exploit the indigenous peoples. This was achieved by expropriating their land, forcing them to work, offering low wages for labor services, imposing high taxes and charging high prices for goods. These institutions generated a lot of wealth for Spanish Crown and made the conquistadors and their descendants very rich. According to Acemoglu and Robinson, they also turned Latin America into the most unequal continent in the world and exhausted much of its economic potential.

Basically, the structures of colonial period could have left Haiti and the Dominican Republic with a complex and pernicious legacy after their independence. These structures could have created a style of politics that would have reproduced the historical patterns of insecure and inefficient rule of law under state with strong absolutist tendencies, nonetheless lacking centralized authority over territories.

1.1. **The Colonial History in the Dominican Republic**

In the first years after the conquest, the Spanish discovered that the main resource of the newly discovered land was not ground but labor so they opted for a compulsory labor system applied to the aboriginals. First, the Spanish noticed that the best way to subdue opposition

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166 Idem, p. 19.
was to capture the indigenous “caciques” (Leaders). This strategy enabled the Spanish to claim the accumulated wealth of the leader and coerce the indigenous peoples to give tribute and food. The second step was setting themselves up as the new elite of the indigenous society and taking control of the taxation methods, tribute and forced labor\textsuperscript{169}. At first, the main beneficiaries were the family of Columbus\textsuperscript{170}.

1.1.1. The “repartimientos” and the “encomiendas”

After the conquest of the “new world” in America, the Spanish began to divide the most valuable resource: the indigenous population. The origin of the repartimientos could be located in 1496 when the aboriginals were allocated to go working on the lands and in the mines of some Spanish owners. In 1502, with the arrival of Governor Nicolas de Ovando, the “repartimiento” of Indians was legalized. By 1503, it was sponsored by the Catholic kings. Ovando began to grant Indians with the encomienda. What was the Encomienda? It was an allowance given by the Crown to some of the Spanish owners, proportional to their “merits”, for using Indians on their properties. In exchange for their work, the encomendero would give Indians shelter, food, clothing, protection and Christian instruction\textsuperscript{171}. The encomienda was the main institution used to control and organize labor in the early colonial period. It was established as a schema to force people into the labor market and reduce wages for Spanish landowners\textsuperscript{172}. This submission to servitude was justified by evangelization: capture the vanquished instead of killing them\textsuperscript{173}.

In the Española, Indians were assigned work in the mines or hatos work (cattle herds) or ingenius work (sugar cane mills). To control their exploitation, several laws protecting the settlers were drawn. Paradoxically, the legislative program was not reflected in reality (the laws of Burgos of 1512 and the institution of the Visitor were established as controlling element but were not implemented)\textsuperscript{174}.

\textsuperscript{169} ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit. p. 11.
\textsuperscript{170} HERNANDEZ GONZALEZ Manuel V., op. cit. p. 205.
\textsuperscript{172} ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit., p. 14.
\textsuperscript{173} VEGA Wenceslao, op. cit.
\textsuperscript{174} HERNANDEZ GONZALEZ Manuel V, op. cit., p. 208.
European germs, excessive violence and mass suicides brought the native Taíno population on the verge of extinction in just three decades: from an estimated 400,000 persons only a few thousands had survived in 1520\textsuperscript{175}. In 1533, Indians accounted for only 8\% of the workforce and eventually encomenderos preferred to have African slaves to work for them. The application of the “New Laws of 1542” involved abolition of slavery and prohibition of new parcels (= encomiendas). In 1545, there were only 500 native Indians and imported aboriginals were even less\textsuperscript{176}.

There was a direct relationship between political power, land and encomienda. The encomiendas served to occupy privileged positions in councils and trade markets\textsuperscript{177}. Encomenderos were controlling local life and were in charge of appointing the mayors, becoming those their servers. From the beginning, they have also tried to remain in power by transferring their offices to their heirs and family\textsuperscript{178}. However, in the 16th century, because of the extinction of the aboriginal population, the group “encomenderos” only survived a few decades. Then, they became a commercial elite controlling the sugar mills and slave labor. The transition from encomendero to planter took place within the ruling class of Santo Domingo, where most of the wealthy elite was living. Therefore, the city of Santo Domingo was the only town on the island that had enough capital to make investments and get government loans\textsuperscript{179}. In conclusion, the new situation was to harmonize Hispaniola with the existing Spanish social and economic system. Colonization introduced to America a class structure based on the possession of land and the means of production, which in this case were the entrusted Indians. The Hispaniola (and the other territories in America) was incorporated into the Castilian regime of possession of wealth in the process of colonization\textsuperscript{180}.

1.1.2. Slavery

This regime was common in Spain. People captured during wars, or captured pirates would become slaves as well as Moors who had not left Spain after Reconquista. In addition, the

\textsuperscript{175} FRANKEMA Ewout and MASE Aline, op. cit., p. 7.
\textsuperscript{176} HERNANDEZ GONZALEZ Manuel V., op. cit., p. 213.
\textsuperscript{177} Ibid.
\textsuperscript{178} Idem, p. 214.
\textsuperscript{179} Ibid.
\textsuperscript{180} VEGA Wenceslao, op. cit., p. 52.
capture of black slaves from the African coast was admitted. Established and authorized by Castilian laws and customs, slavery was imported to America without posing any legal problem but in the new environment, slavery underwent profound changes\textsuperscript{181}. In short, at the beginning of the colony, enslavement of Indians and black people was authorized and encouraged by both the metropolis and the ruling classes of the colony. Moreover, total legal incapacity and perpetual tutelage of slaves were regulated by detailed rules and ordinances.

At the same time, the “Hispaniola” knew a “melting pop” because Indians, black people and white people were creating a confusing mixture, mainly because of the small number of white women in the colony. This created stratification between slaves and former slaves. Franklyn Franco\textsuperscript{182} states that they were categorized in “mestizos”, “mulattos”, “tercerones”, “cuarterones” and taps (grifos); all of them were either slaves or freedmen who had taken a place within the social classes of the Hispaniola but always the lowest layers. The few freedmen were incorporated among the "freemen" of the “Hispaniola” but their legal capacity was limited and they did not have economic resources nor the ability to increase them\textsuperscript{183}.

1.1.3. Colonial Institutions

The “Hispaniola” was not only the political center of the whole American continent but also the laboratory for many of the legal regimes that were then applied in other colonies, such as royal audiences and Encomiendas\textsuperscript{184}. Still, the only institution that had character of unalterable rule was the preeminence of the King as ultimate source of power, justice and favors. The absolutism of the Catholic Monarchs was increased, both for Spain and the Indies, with the arrival to the throne of his successors of the Imperial House of Austria and with the Bourbons in the 18th century. Kings maintained a strict and meticulous control of the political and legal events in their colonies. They created a mechanism of checks and balances in the various demarcations that divided the lands of the new continent. Apparently, the crown did this to avoid creation of feuds or to prevent powerful officials to reach royal power.

\textsuperscript{181} Idem, p. 54.
\textsuperscript{183} VEGA Wenceslao, \textit{op. cit.}, p. 56.
\textsuperscript{184} Idem, p. 45.
The Governor of the Spanish island was appointed by the monarch as the highest political authority of the “Hispaniola”. In principle, he was chosen from a list submitted to the King by the Council of the Indies\(^\text{185}\). He would last in his functions for as long as the monarch decides; in some cases the monarch would set an anticipatory term to his mandate\(^\text{186}\). The main functions of the Governor were administrative and military but he was also granted power to make law provisions that were called ordinances. In most cases, the Governor was also President of the Royal Court\(^\text{187}\).

The Governor was managing the colonial bureaucracy including royal officials, military commanders and other minor Spanish officials who had received their charge in the public administration from the monarch. Colonial bureaucrats usually came from the upper echelons of Spanish society or were members of the "main" families of the island. Despite legal prohibitions to the contrary\(^\text{188}\), they owned most sugar mills, cattle ranches, mines, slaves and other assets and had thus economic control on the colony. In addition, the Governor was controlled by the Royal Court, and was usually subject to investigations by “Visitors”, i.e. Pesquisidores (Coroners) and Judges that were sent to “residenciarlo” and repress his excesses\(^\text{189}\). Wenceslao Vega explains that, from the beginning of legal life, Dominican people have been under the aegis of theoretical and just laws, as well as under institutions that have not been implemented.

About this last point, Wenceslao Vega\(^\text{190}\) explains that the **Laws of the Indies** had general characteristics of deep ethical and religious sense. He explains that the “ethical and religious sense” has been more theoretical than practical since the prevalence of economic interests of a dominant Castilian oligarchic class over the dominated groups (Spanish low social extraction, Indians, blacks and mestizos), was at stake. In the territories of the new Hispanic world, many promulgated laws in Spain were cast aside by local authorities when law did not suit groups

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\(^{187}\) VEGA Wenceslao, *op. cit.*, p. 54.


\(^{189}\) VEGA Wenceslao, *op. cit.*, p. 60.

\(^{190}\) Idem, p. 44.
with power or when law was irrelevant within the social structure. In reality, the primary interest of Spain was to extract wealth from the island and therefore, they used the Indians the most available and inexpensive material. The Crown issued a whole series of provisions on how to use indigenous labor in the mills, plantations and mines of the island. Generally, indigenous labor was in the hands of Spanish, mostly from Castile\textsuperscript{191}.

1.1.4. Hispaniola Economy

In 1503, the House of Trade (\textit{Casa de Contratación}), based in Seville, was given exclusive rights on maritime traffic and shipped fleets for all newly discovered lands. All goods for trade in the Indies had to be shipped through the House of Trade; as the goods exported to Spain from the Indies had to go through the warehouses of Seville\textsuperscript{192}. This was a general monopoly from the Spanish Crown that was imposed to all its colonies.

During its colonial period, “Santo Domingo” specialized in the breeding livestock and harvesting tropical crops such as sugar, ginger, indigo and tobacco for export markets. However, the trade was under some contingencies like the concurrency of the Havana port (Cuba) that had prominent location and emerged as the major Caribbean stepping stone for Spanish Trans-Atlantic traffic. With dwindling number of legal Spanish ships harboring Santo Domingo, smuggling became crucial for economic survival\textsuperscript{193}. In the second half of the 16th century, earthquakes and hurricanes destroyed harvests and towns, and a smallpox epidemic killed the majority of imported African slaves.

1.2. The Colonial History of the Republic of Haiti

Dutch, British and French occupation on the west shores of Hispaniola were difficult to prevent. Around the mid-17th century, French buccaneers established themselves along the island northern and western coast-lines and, in 1665, Louis XIV officially recognized Saint Domingue as the French equivalent of Spanish Santo Domingo. The Spanish crown did not have priority in expelling foreign intruders and the settlers of the depopulated communities in

\textsuperscript{191} Idem, p. 49.
\textsuperscript{192} Idem, p. 46.
\textsuperscript{193} FRANKEMA Ewout and MASE Aline, op. cit., p. 7.
the Eastern part of the island were unable to constrain them out by own force. In the long run, Spain gave up the western third of Hispaniola to France in the Treaty of Ryswick of 1697194.

1.2.1. The Pearl of the Antilles

Saint Domingue, with its substantial importation of African slaves and the development of agriculture, especially sugar production on large plantations, became known as the Pearl of the Antilles for the wealth it produced for France195. The colony accounted more than a third of France foreign trade and was the second trading partner of the US after Britain196. Sugar output levels overcame the production of the entire British West Indies197. The endemic warfare in the Caribbean made it too costly for Spain to reconnect Santo Domingo to the main navigation routes; as a consequence, the Eastern colony specialized in exporting livestock products such as meat, sebum and leather to the colony of “Saint Domingue”198. On the other hand, Saint Domingue had become a high productive colony due to its diverse agricultural production in coffee, indigo and sisal as well as sugar, and because the French could buy their output199. Colonies trade was based upon the division of labor and the principle of comparative advantage200. As a result, Saint Domingue became the wealthiest sugar colony of the world. French military presence paved the way for the rapid development of a plantation economy based on massive African slave imports. At the evening of the French revolution, total slave population was about 465,000 individuals controlled by a minority of European whites201.

194 FRANKEMA Ewout and MASE Aline, , op. cit., p. 7.
198 FRANKEMA Ewout and MASE Aline, Ibid.
199 WINTERS Cecil Ann and DERRELL Robert, op. cit., p. 600.
1.2.2. The Haitian Revolution

The division of labor was disrupted when French plantation owners and mulatto elites engaged in a violent struggle for power in 1791. When the French Revolution began in 1789, only freemen were affected by political debates. As for the black slaves, they were not considered as men and were excluded from the political arena. Confronted with the spirit and ideals of the French Revolution, mulattos started to demand equal civil rights for the non-slave population in Saint Domingue. Whites were opposed to the declaration of equal rights. The conflict went out of control when both parties started to enlist slaves in their armies with the promise of manumission after service. The revolution in Saint Domingue began as a challenge to French imperial authority by white colonists but became a battle over racial inequality and finally turned into an organized slave revolt in 1791\textsuperscript{202}. In 1794, the colony was emancipated thanks to an alliance with France\textsuperscript{203}.

The union between slaves and mulattos allowed political and institutional victory to mulattos, who were recognized with the same rights as whites. Finally, this civil war initiated one of the most successful slave revolts in human history that put a definitive end to French rule. After the defeat of Napoleon’s troops under the command of Jean-Jacques Dessalines, the Republic of Haiti established its independence on January 1st, 1804 and became the second independent country on the American continent after the US. To rule out the possibility of French restoration, white plantation owners were killed or expelled and the plantations and refineries were destroyed\textsuperscript{204}.

Yet, according to Jean Marie Dulix-Théodat\textsuperscript{205}, the willingness to establish a direct correlation between phenotypes and social status of citizens is a legacy of the colonial past. In the colony of Saint Domingue, a destructive gap between the white elite and the black masses was established so that there two nations within one, staging hostile relations between race

\textsuperscript{203} Idem, p. 6.
\textsuperscript{205} THEODAT Jean-Marie Dulix, op. cit., p. 102.
and class. Disjuncture between state and civil society was initiated and has continued to plague Haitian society until present day.

2. Recent History in the Dominican Republic and Haiti: Institutional, Political and Economical Divergent Paths

In the 19th and 20th centuries, there were few differences between the Dominican Republic and Haiti. By the second half of the 20th century, they had evolved into 2 separate worlds in terms of political and economic institutions. The institutional divergence was a result of many situations that seemed very small in the beginning. How the Dominican Republic and the Republic of Haiti have evolved into their present day extractive or inclusive institutional forms could be illustrated by the process of institutional drift punctuated by critical junctures, yet with some perverse outcomes after their independence.

Usually, post independence governments have repeated and intensified the excess and abuses of their predecessors. The governments narrow the distribution of political power and reduce incentives that economic institutions provided for investment and economic progress. On the contrary, the Dominican Republic and the Republic of Haiti could have used critical junctures to launch a process of political and economic change that would push up economic growth. Another scenario happens when critical junctures promote major changes from inclusive institutions towards a more extractive one under the control of narrow elites that monopolize both economic opportunities and political power.

The questions should be:

- Where and when small institutional differences that have started the process of divergence did arise in the first place?

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207 Ibid
208 See annexed Historical Chronology of the Dominican Republic and the Republic of Haiti.
210 Idem, p. 112.
211 Idem, p. 113.
- Why in the 20th century did the Dominican Republic and Haiti have different political and economic institutions?

- Why does the balance of power between the elites and others social actors or class groups differ in the Dominican Republic and Haiti?

We should consider that for the Dominican Republic, as well as for Haiti, when the world economy boomed in the second half of the 19th century, and innovations in transportation such as railway led to an expansion of international trade, it was a crucial moment. This means that resources-rich countries and their elites could enrich themselves through exporting raw materials and natural resources to industrial countries. This did not mean to deracinate colonial institutions and replace them with institutions similar to those in the industrialized countries. The institutional transformation was “path dependant” and lead to the next institutional stage.

On the other hand, state formation in the periphery occurs within the historical framework of an expanding capitalist system which needs a local nation-state to organize an export economy. Foreign capital and credit become components of local class structures and exercise direct political pressure on state power. However, when local political structures are not responsive to the needs of capital accumulation on a world scale, international powers force the necessary political restructuring of states. This is the case in the Caribbean basin where the capitalist states often developed on structures largely imposed from the outside through capital investment, financial control and military intervention\textsuperscript{212}.

Besides, in the Dominican Republic and the Republic of Haiti, political institutions have had different outcomes, especially those concerning the land. Frontier lands have been allocated to the politically powerful and to those with wealth and contacts, making such people more powerful (or foreign groups, depending of the geopolitical influence). Nevertheless, the elite could make big money while the rest was excluded; even when the elite had made investments, economy grew but such economic growth was not sustainable\textsuperscript{213}.


\textsuperscript{213} ACEMOGLU Daron, ROBINSON James A., \textit{Why nations fail: the origins of power, prosperity and poverty}, op. cit., p. 36.
As a result, distribution of power will divide the society and will lead to chaos, not to inclusive institutions\textsuperscript{214}.

2.1. The Dominican Republic Post-Independence History

2.1.1. From 1844 to 1861: State Formation

State formation in the Dominican Republic was largely determined by a regionalized pre-capitalist economy and weak socio-economic structures. The agrarian structures by the mid-19\textsuperscript{th} century were defined: cattle breeding and subsistence farming on communal lands were the main activities in the eastern part of the country. On the other side, “hateros” (ranchers), closely tied to the colonial bureaucracy, constituted economic and social elite. In the Cibao (the northern region), tobacco, cacao and coffee became the principal products. Closely related to European markets, Cibao gave birth to a commercial and agrarian bourgeoisie. In the southern part of the country, a group of timber merchants had emerged prior to independence and at times allied itself politically with the rangers. Thus, regionalism was an important element of Dominican political struggles\textsuperscript{215}.

When Dominican independence was proclaimed in 1844, the local bourgeoisie was still embryonic and thus unable to organize a liberal bourgeois state. In the mid-19\textsuperscript{th} century, timber merchants saw their business decline and Ranchers had been in economic decline since the time of the Haitian Revolution (1791-1804). On the contrary, increasing economic prosperity of the Cibao-based farmers and merchants threatened these groups. This prosperity strengthened the emerging Sociedad La Trinitaria (Trinitarian Society), which helped to develop a sense of nationalism, and the independence of the Dominican Republic was declared. Hateros and timber exporters were annexationist. In their struggles with each other however, both annexationists and nationalists developed alliances with local and foreign resident merchants, revealing the underlying class character of their political struggles. During the period between 1844 and 1880, Dominican social and economic structures remained largely undeveloped\textsuperscript{216}.

\textsuperscript{214} Idem, p. 80.

\textsuperscript{215} BETANCES Emilio, \textit{op. cit.}, p. 23.

\textsuperscript{216} Ibid.
The military was the strongest branch of the Dominican state. Betances explain that “the military leadership of the caudillos obstructed the development of the liberal state and left a legacy of authoritarianism whose effects persist. The war against Haiti (1844-1856) also contributed to the development of militaristic tendencies within civil society and the Dominican state. Santana, the leading caudillo during the First Republic (1844-1861), organized these troops into an army that under his command acquired the characteristics of a national organization dominated from above”.

2.1.2. From 1861 to 1916: Annexation to Spain and Turn of Luck

Securing foreign support from Spain, Britain, France or the US became one of the key issues for Dominican Republic governments after 1844. At Santana's request, Spain annexed the Dominican Republic in 1861. But the annexation did not improve economic conditions; on the contrary, Spanish authorities subjected Dominicans to new regulations and new taxes. These combined factors engendered a rebellion by the majority of Dominicans against Spanish rule, bringing it to an end in 1865. Prospects to develop Republic's political institutions did not change with Spain's withdrawal. However, leaders had a different social background. After the War of Restoration, leaders from the lower strata of the society moved upwards in society through military service. The army acquired the characteristics of a marketplace where small groups competed to offer their services in the political arena. There was a continuous political struggle for state power and to increase wealth. Only under Ulises Heureaux (1886-1899) did a viable bureaucracy and relative "national unity" emerge. From Independence to Heureaux’s dictatorship, no government proved capable of undertaking any significant public works or expanding the state apparatus.

A combination of world events facilitated the early development of a bourgeoisie. These events included the Ten Years' War in Cuba (1868-1878), which disrupted sugar production.

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218 FRANKEMA Ewout and MASE Aline, op. cit., p. 9.
221 BETANCES Emilio, op. cit., p. 25.
on the island. During the Ten Years' War, many Cubans left the island and went to the Dominican Republic. They had both technical know-how and capital to invest in sugar production and trade. These capitalists, together with Italians, Germans, Puerto Ricans and North Americans, were the nucleus of the Dominican sugar industry\textsuperscript{222}. Nevertheless, during this period, after the end of Spanish Annexation (1865) and the victory of the liberals (1879), the DR witnessed no less than 21 regime changes. The country was politically split up in two regional factions: the Rojos (conservatives) in the South and the Azules (liberals) in the North. Both sides represented opposing interests and two conceptions of the state\textsuperscript{223}. At last, the critical juncture, represented by the liberal victory, provided the institutional stability required to incentivize development of the sugar export sector.

The decision to open up new lands for sugar plantation and to grant concession to foreigners for the construction of new sugar mills can be seen as a critical juncture in the development of DR's social order because it invited foreign investors and domestic entrepreneurs who had no access to political offices to become economically active\textsuperscript{224}. The balance of power shifted to the South when world tobacco prices started to decline and increasing sugar revenues attracted foreign loans via mortgaging custom houses to foreign banks and companies in Europe and the US. The growing possibilities to attract foreign capital eventually undermined this stubborn regional conflict\textsuperscript{225}.

Threatened by European military intervention (to recover their loans), the Santo Domingo Improvement Company bought the entire DR debt from a Dutch firm (Westendorp) and thus bought out the Europeans and took control of the DR's state finances. In 1905, US President Theodore Roosevelt announced the financial annexation of the DR in response to its inability to repay its debt, setting the SDIC on a side track. This financial annexations would last for more than 40 years, until Trujillo paid off the last portion of foreign debt in 1947 and resumed control over its custom duties\textsuperscript{226}.

\textsuperscript{223} FRANKEMA Ewout and MASE Aline, op. cit., p. 16.
\textsuperscript{224} Pons, F. M., , op. cit., p. 115.
\textsuperscript{225} FRANKEMA Ewout and MASE Aline, op. cit., p. 17.
\textsuperscript{226} Munro, D. G., Intervention and dollar diplomacy in the Caribbean, 1900-1921, New Jersey: Princeton University Press, 1964 cited by FRANKEMA Ewout and MASE Aline, op. cit., p. 17.
According to Emilio Betances\textsuperscript{227}: “Investigation of the development of the sugar industry and the agricultural export sectors at the turn of the 20th century reveals that the incorporation of the Dominican economy into the international capitalist market system not only promoted a continued regionalization of the social structure but also obstructed the development of a national bourgeoisie based on sugar planting. These new developments introduced capitalism into the country but blocked the consolidation of a national government”.

2.1.3. From 1916 to 1930: The US Occupation

After the death of Heureaux in 1899, the DR suffered a period of political instability, with no less than fourteen regime changes over the years. Apart from the onset of World War that removed European influence from the Caribbean, the military occupation of Haiti and the DR established American hegemony in the region\textsuperscript{228}.

The military government ruled the country from 1916 to 1924 and, during its tenure, it sought to develop a public work program which established a "national" road network, to organize a "national" constabulary which had a monopoly of organized power over the whole society, to erect a tariff which restructured the nation's dependency and weakened the economic base of local elites, to legalize the land title held by sugar and timber companies and to legitimize the executive orders of the military government as a condition for withdrawal.\textsuperscript{229}

The political economy of the U.S. military government did not have the same impact on the different social classes. The military government legalized land titles held by U.S. sugar concerns; on the contrary, it did not find resources to help small Dominican farmers who opposed the recognition. It destroyed local industry by erecting tariffs that restructured the nation's dependency to import products, helping to develop an import-export merchant class. Its political and economic policy had a class character. The new state that emerged out of the military occupation responded only to a limited extent to national political and economic interests. The state was under the U.S. sphere of influence and had to respond to U.S.

\textsuperscript{227} BETANCES Emilio, \textit{op. cit.}, p. 29.
\textsuperscript{228} WINTERS Cecil Ann and DERRELL Robert, \textit{op. cit.}, p. 602.
\textsuperscript{229} BETANCES Emilio, \textit{op. cit.}, p. 34.
political, economic and military interests in the Caribbean basin\textsuperscript{230}. The U.S. military forces went out of the DR in 1924 while the customs continued their operations in American hands. The years following the occupation were characterized by growing prosperity, political freedom and intellectual expression. For the first time, a new DR government was installed through free and fair elections. Horacio Vásquez (1924-1930) guaranteed press freedom and control of the army by the civil administration. Mr Vásquez also carried on the investment programs in infrastructure, education and health care\textsuperscript{231}.

In conclusion, occupation did provide civil order, political stability and fiscal rectitude. However, it also provided a fertile ground for Rafael Leonidas Trujillo who assumed power in 1930 and kept it until he was assassinated in 1961\textsuperscript{232}.

2.1.4. From 1930 to 1961: The Trujillo Era-Dictatorship

To Ewout Frankema and Aline Mase\textsuperscript{233}, the resurgence of a political culture based on strongmen and patronage reflected the power of tradition. In just a couple of years after his coup d’état in 1930, Trujillo created a de facto monopoly on political power (political power de facto) which he managed to keep for more than thirty years until his assassination in 1961. Trujillo’s economic management was extremely predatory. He drew numerous laws granting monopoly rights to companies or entire economic sectors to build up his personal interest. A large number of companies were bought up with public money or via dubious fiscal constructions. Trujillo owned all sorts of industries, from cement, paper, glass and nails to medicines, liquors and textiles. He had nationalized almost the entire sugar industry and even forced foreign owners to sell off their assets threatening to lift export. He also nationalized most of the financial sector\textsuperscript{234}.

Trujillo's dictatorship had left the heritage of a centralized government with close ties between public and private spheres. Although the state and the bureaucracy were of course

\textsuperscript{230} Idem, p. 35.
\textsuperscript{231} FRANKEMA Ewout and MASE Aline, op. cit., p. 18.
\textsuperscript{232} WINTERS Cecil Ann and DERRELL Robert, op. cit., p. 604.
\textsuperscript{233} FRANKEMA Ewout and MASE Aline, op. cit., p. 18.
well and strictly organized under Trujillo, clientelistic system was a long-term tradition. Bureaucratic norms were legally established but none of them had practical effects. For instance, in practice, there were no meritocratic elements in the civil servants regime, although they were stated in legal rules. On the whole, the nature of Trujillo’s rule was to combine heavy political repression with a strong development record, giving him a lot of initial popular support. The US government tolerated Trujillo because he guaranteed stability in the Caribbean basin and was a proclaimed anti-communist. Trujillo’s economic strategy failed during the last years of his rule. Eventually, he was assassinated.

2.1.5. From 1961 to 1990: Transition to Democracy

During the turbulent years that followed the assassination of Trujillo (1961-1965), the traditional oligarchy adapted to this scenario. Under the UCN (Union National Civic), the movement led by Viriato Fiallo lost the free election in 1962 against the Partido Revolucionario Dominicano (PRD) whose candidate was Juan Bosch. At the same time, the Industrialists’s Association of the Dominican Republic (Asociación de Industriales de la República Dominicana, AIRD) was funded. First, this association promoted the interests of the capital’s industrialist elite. Other organizations became increasingly concentrated and families head of the oligarchic elite were connected to the government as some family members had political positions.

In 1962, Juan Bosch and his allies had some ideas opposed to this industrial establishment and expressed themselves in favor of social spending and redistributive policies. However, Bosch’s elected presidency was overthrown: worker movements and social reforms went strongly against the interests of the post-Trujillo business elite. This occurred in spite of non-

237 FRANKEMA Ewout and MASE Aline, op. cit., p. 20
239 ROSARIO Esteban., Los dueños de la República Dominicana, Santo Domingo: Editora Búho, 1988, pp.257
radical procedures. In 1963, commercial elite grouped with Catholic Church and other conservative forces and organized a coup against Bosch.  

Fearful of coming changes and under the protection of military, the traditional oligarchy supported the overthrow of the Juan Bosch constitutional government in 1963. The subsequent establishment of the Triumvirate (1963-1965) headed by businessman Donald Reid Cabral was left in charge of the ruins and the pace of reforms. Consequently, the power of entrepreneurs had its reward in the legislative enactment of Law 4 of 1963 which created the National Commission on Exemptions; body to legitimize the discretion of tax to major firms and businessmen in the country exonerations.

During the rule of the "Twelve years" of Joaquín Balaguer (1966-1978), organizational weakness of the political class and corporate power struggles between military factions strengthened the role of Balaguer as mediator, peacemaker and guarantor for the balance of the state. The absence in Congress of these interest groups made them dependent on the executive power. Balaguer began sharing benefits with businessmen and corporate so as to have them participating in his project of conservative authoritarian modernization, i.e. access to state control.

The government built close ties with large family-owned conglomerations that concentrated large fractions of economic power in few hands. Balaguer’s policies towards concentrated capital produced family conglomerates, resulting in the concentration of economic and political power in the hands of a few families who became a major political force and a dominant interest group. Authoritarianism and clientelism were important pillars of this system. According to Sánchez-Ancochea, this domination was regarded as a

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241 Ibid.

242 Ibid.


244 ESPINAL Rosario., op. cit., p. 104.

development model that aims at concentrating capital instead of human development. In other words, it was not in the interest of the elite to promote educational or health policies.

Policies promoted industrial production for foreign markets through Free Trade Zones. For example, FTZ firms were exempted from taxes, and credits at preferential conditions were provided by the state. The Corripio family with Industrias Corripio and Pinturas Tropical is one example of a family conglomerate that benefited from Import Substitution Industrialization policies. In contrast to these policies, Balaguer's regime clearly discriminated against labor, for instance through laws that kept wages low. In addition, low levels of social spending affected the workforce negatively. Relatively low levels of overall spending allowed Balaguer to desist from taxing the business elite. In addition, major parts of public spending went to infrastructure (roads, schools, housing, and hydroelectricity).

The PRD governed during two periods: one period with Antonio Guzmán (1978-1982) and the other period with Jorge Blanco (1982-1986); thanks to the alliance with disgruntled business sectors, they came to enjoy great power pressure on Congress. Between 1978 and 1986, during two PRD governments, The PRD government was regarded by the commercial elite as too leftist. In addition, president Guzmán designed policies mainly to suit the interests of his family. He positioned family members in important positions. The state payroll was almost doubled within the first years of his administration and the expenses for administration swallowed up almost 85% of all expenditures. Due to popular discontent with the PRD government, Balaguer became president again in 1986. During a short period in the late 1970s, the PRD administration under Antonio Guzmán envisaged redistributive policies such as higher minimum wages. However, protests from the commercial elite raised and pressure was put on the government resulting in a sharp reduction of minimum wages.

2.1.6. From 1990 till now

The Dominican economy grew at very fast rates in the 1990s, which was commonly attributed to liberalization and structural adjustment policies. Balaguer had been forced to adopt these

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246 FLECHTNER Svenja, op.cit. P. 14
248 ROSARIO Esteban, op. cit., p. 104.
249 FLECHTNER Svenja, op.cit., p. 15).
policies by both the capitalist class and international actors like the IMF. The concentration of capitalist power among few large firms in the DR made it risky for foreign firms to enter the market alone and most opted for a partnership with the big ones instead. In the construction sector, political pressure was such that foreign firms ended up being forced to invest in joint ventures only\textsuperscript{250}.

In the early 1990s under both Balaguer and Mejía (2000-2004), tax reforms were based on raising added value tax and other regressive reforms. Trade liberalization brought transnational corporations into the country. In the 1990s, all major players had close ties to the financial sector\textsuperscript{251}. At the same time, large groups achieved significant diversification and expanded to new activities and sectors. Living standards however improved only disproportionately and labor remained marginalized.

Eventually, Joaquin Balaguer lost legitimacy in the party system of the early 90s and especially with the electoral crisis of 1994 that had generated a scenario of opportunities for groups with most influential interest, mainly the National Council of Women of Enterprise (CNHE) and the Catholic Church. Those groups became mediators and guarantors for political stability. These covenant and strengthening corporate groups were part of a strategy for Balaguer to nullify the opposition parties (PLD and PRD), allowing business sectors to take political initiative and putting the mass parties under his ideological and programmatic leadership.

As a result of economic growth and stabilizing democracy, both real wages and public expenses increased during the 1990s. However, these policies did not tackle structural problems and only had disproportional trickle-down effects. For instance, new labor laws from the beginning of the 1990s contained some improvements but eventually had small effects only\textsuperscript{252}.

\textsuperscript{250} SÁNCHEZ-ANCOCHEA Diego., \textit{op. cit} p. 239, cited by FLECHTNER Svenja, \textit{op. cit.}, p. 15.

\textsuperscript{251} Ibíd.

\textsuperscript{252} FLECHTNER Svenja, \textit{op. cit.}, p. 15.
2.2. Haiti Post-Independence History

2.2.1. From 1804 to 1822: Haiti Independence

Just after Independence (January 1, 1804), the Emperor of Haiti, Jean-Jacques Dessalines (1804-1806), opens a new link between property and exploitation: he decides to physically eliminate white settlers, erasing them from the social and political arena. Consequently, the land was incorporated into the public domain: state lands were given to soldiers and public officials with charge to make them productive. Even if the ban-all-white measure could be understood within the context of struggle for independence, this measure becomes an obstacle to development because it prevents foreign capital investment in farming253.

The agrarian question was the issue that articulated economic and social priorities. Haitian leaders sought to consolidate their power by increasing state revenue via recovery of the plantation economy. Most ex-slaves wanted to secure their dearly won independence through subsistence farming on abundant and free land. They resisted attempts made to reintroduce labor discipline254.

In fact, it took nearly a generation for new farming systems to succeed effectively and to replace the old model. The nation independence does not eliminate the exploitation of labor forces. Therefore, between 1807 and 1820, Haiti was divided into two opposing states: the northern kingdom that had reestablished the plantation system based on mandatory wage labor service and the southern republic that had redistributed land to independent smallholders. Reunification by President Jean-Pierre Boyer in 1820 enhanced the transformation of Haiti’s commercial economy into a subsistence economy255. In this sense, Haiti’s transformation from a prototype slave plantation economy into a nation of ex-slave subsistence farmers was completed in a region where cash crop slavery remained a socio-economic paradigm256.

253 THEODAT Jean-Marie Dulix, op. cit., p. 106.
254 FRANKEMA Ewout and MASE Aline, op. cit., p. 25.
255 Idem, p. 8.
At the same time, slave revolution had had an even larger impact on international relationships. The US government has refused to recognize Haiti as a sovereign state until the 1860s. The US was determined to contain Haitian power through trade embargoes and international diplomatic isolation. The excommunication of the Haitian government further reduced its chances to revitalize agrarian exports. As Frankema and Masé explain, fugitive conduct was not just a deliberate strategy of ex-slaves, isolation was also externally enforced because of the international excommunication of the Haitian government. Because Haiti was only recognized as a sovereign nation state far into the 19th century, it was hard to form strategic alliances. This reduced the maneuverability of the Haitian administration.

2.2.2. From 1822 to 1844: Haiti Occupation of the East Part of the Hispaniola

Haitians entered the eastern side of the island at the request of the Dominicans to liberate the island once and for all from the remaining Spanish colonial masters; however, the Dominicans were divided over unification. The white criollo elite as well as the Catholic clergy opposed Haitian presence. In addition, the political, social and cultural cleavages that evolved between Saint Domingue and Santo Domingo during the colonial era became a source of deep resentment during the Haitian occupation of Santo Domingo.

Moreover, after independence, Haiti survival became a national security imperative. As a matter of fact, when Haiti invaded and occupied the Dominican Republic, the Haitian justification was to ensure that slavery was not reinstituted as the result of another incursion of French or European powers. As a result, Haitian forces under command of President Boyer (1818-1843) seized the country in 1822 and established a unified state in 1844. Slavery was re-abolished and land was seized from the church and large landowners on a large scale.

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257 FRANKEMA Ewout and MASE Aline, op. cit., p. 9.
258 Idem, p. 25.
First, Haiti was already undermined by internal divisions and was thus ill-prepared to absorb the population of the former Spanish colony. Indeed, the Dominican fight for independence in 1844 benefited from a favorable conjuncture: on one hand, the lack of unity of the Haitian State and on the other hand, the inability of the Haitian State to ensure an integrated management of the entire island\(^261\).

Then, the Article 12 of the Haitian Constitution of 1805 forbade whites to own property. Furthermore, the Article 14 of the Constitution stated that all Haitian citizens had the generic name of "black\(^262\). To the extent that a part of religious, intellectual, political and social development of the former Spanish colony elite was composed of whites, it was difficult to integrate them into the Haitian nation. In addition, the generic denomination of black caused a misunderstanding difficult to accept by the citizens of the eastern part of the island. This legal situation is repeated again in the Constitution of 1843\(^263\).

Jean-Marie Dulix Théodat\(^264\) understands that from the Haitian side, there were too many restrictions on the definition of national identity, which prevented integration of the inhabitants of the eastern part of the Hispaniola during the occupation. So, the Dominicans reacted inversely to racial exclusivity of Haitians, identifying with Hispanic culture and the struggle for the rights of white population. The occupation ended in 1844 and thus Santo Domingo achieved independence. Relations between the two nations were now established as hostile and distrustful. As well, border disputes caused continuous tension during the remainder of the 19th century.

2.2.3. From 1844 to 1914: Downward Economic Trajectory

It was around the mid 19th century that the predatory state was established in Haiti. Twenty years after the post-revolutionary re-institution of the plantation system, a treaty was established to pay compensation to France in 1825 in exchange for recognition and setting-up of diplomatic relations. This treaty together with a class struggle over land ownership set Haiti on a downward economic trajectory. Small holdings evolved as peasants simply squatted on

\(^{261}\) THEODAT Jean-Marie Dulix, op. cit., p. 203.
\(^{262}\) Idem, p. 198.
\(^{263}\) Idem, p. 199.
\(^{264}\) Idem, p. 205.
land that was available; neither landowners nor government were able to reverse this trend that clearly infuriated the elite²⁶⁵.

This class struggle over land ownership was reflected by the fight between groups. Mulatto economic superiority met with strong popular opposition and proved to be politically dangerous. Black peasant resistance against mulatto attempts to revitalize the plantation economy during the 19th century were more than once used by political entrepreneurs to overthrow the incumbent government. Peasants organized as guerillas (the cacos) attacked the classes that owned property. Such agrarian revolts unleashed a new wave of military repression and centralization of power, often under newly installed leaders²⁶⁶.

An expression of how the elites lost their land property is reflected by the fact that the mulatto investors were losing interest in a rural living and started to lease out their lands to smallholders on the basis of a share-cropping agreement. Hence, by the end of the 19th century, almost all of the cultivable land was cultivated by smallholders, the majority of which engaged in subsistence farming. The inability of large landowners to secure their economic interests via the political channel turned Haiti into the exception of a standard Latin American rule²⁶⁷.

Institutional differences also have had a direct and decisive impact; for example, various 19th-century Haitian governments tried to recover the plantation economy, and even increase the state revenue basis (via custom taxes). Yet, their attempts to introduce rural codes stipulating labor obligations of peasants on large commercial farms, all failed. The rural codes failed because the former slave population refused to observe the legislation forcing them to become wage workers on cash crop plantations²⁶⁸. The general disposition to legal disobedience was still hampering rural development, as many peasants never cared to obtain a registered title to the land they cultivate. This complicated the formation of size-efficient farms²⁶⁹.

²⁶⁵ LUNDAHL Mats, op. cit., p. 148.
²⁶⁶ FATTON Jr., R., op. cit., p. 106 cited by FRANKEMA Ewout and MASE Aline, op. cit., p. 15.
During this period, there was real constant infighting that had negative effects on investments and were an incentive for migration. The civil war of 1868-1870 that initiated the coup against president Salnave is just another example of such a wave of infighting. The coup against president Salnave coincided with the start of the civil war in Cuba. An environment where a majority of black peasants was so openly hostile to latifundistas was far from attractive to Cuban planters considering emigration. Yet, even without the legal, financial and political barriers, it is questionable whether Cuban planters would have ever wanted to migrate to Haiti. In fine, Trouillot describes the turn of the 19th-century Haitian civic landscape as one of escalating tensions between the rural peasant and the urban elite. The latter, further wishing to consolidate control, had turned the functioning of the state to their advantage at the expense of the peasants.

2.2.4. From 1916 to 1934: the US Occupation

Winters and Derrell explain that: “The U.S. military invaded Haiti for much the same diplomatic reasons it invaded the DR. However, the internal political economy of Haiti provided a very different landscape. Years of political chaos turned to crisis with the assassination of President Sam in 1915, giving the Marines the perfect pretext to enter the republic in order to establish the financial, economic and physical infrastructure that would both serve American interests and preserve order by providing an end to the military coups and counter-coups that had plagued the republic during presidential successions for most of the nineteenth century”. Frankema and Masé also state that the US objectives for the Haitian occupation were: restoring political order, preventing German occupation and enforcing delayed payments to US businesses and money lenders. To restore political order, US forces main goal was to break the power of the cacos through building up a strong national army, the Garde d Haiti. In addition, local infrastructure was improved to facilitate military control over the entire country.

270 FRANKEMA Ewout and MASE Aline, op. cit., p. 15.
The Garde d'Haiti, according to Lundahl\textsuperscript{273} and Trouillout\textsuperscript{274} was designed to fight civilians rather than an external enemy and came to play a decisive role in Haitian politics. Besides the military-strategic aims, there were some attempts at agrarian reform, with the introduction of new agrarian technologies. In general, the occupation stabilized the currency, provided public works, fostered agricultural modernization as well as fishing and forestry, encouraged coffee exports and briefly reduced corruption in the state bureaucracy. Schools and clinics were built; diseases were eradicated and children were vaccinated. However, top priority was given to reducing the economic debt. On the other side, in order to overlay the way for foreign investors, Americans drafted a new constitution in 1918, removing the clause that prohibited foreign landownership. In addition, a 1922 law authorized the leasing of unoccupied lands for longer periods\textsuperscript{275}. These measures opened the doors to the American endorsement of large-scale plantations. This led to opposition among peasants, especially after the expulsion of peasants from their lands. It exacerbated the peasant opposition, which was manifested by The bloody 1929 uprisings.

Besides, Winters and Derrell\textsuperscript{276} explain that those criticizing the occupation agreed that it irritated racial tensions and was an interlude in the development of the Haitian predatory state. For example, roads were built using corvee, i.e. forced labor, a policy that was reminiscent of slavery for the Haitians and engendered resentment because it revived the memories of slavery and racial discrimination, especially when some US officers started to abuse the system for other purposes. The corvee system was quickly abolished in 1918 because it generated too much hostility\textsuperscript{277} but there were other miscalculations on the American side: the Marines brought a strong racial prejudice (Lundahl 1979, 466) to Haiti – according to them, all Haitians were black, illiterate peasants and inferior to their own white race. This attitude violated the distinction that the members of the light-skinned Haitian elite themselves had made between the black peasants. Furthermore, it has influenced the reorganization of the public education system: the American belief that the Haitian peasant would benefit more from agricultural and vocational education was based on the idea that Haitians did not need intellectual instruction. Moreover, instead of furthering democracy and political participation

\textsuperscript{273} LUNDAHL Mats, \textit{op. cit.}, cited by WINTERS Cecil Ann and DERRELL Robert, \textit{op. cit.}, p. 603.
\textsuperscript{274} TROUILLOT Michel-Rolph, \textit{op. cit.}
\textsuperscript{275} FRANKEMA Ewout and MASE Aline, \textit{op. cit.}, p. 23.
\textsuperscript{276} WINTERS Cecil Ann and DERRELL Robert, \textit{op. cit.}, p. 603.
\textsuperscript{277} LUNDAHL Mats, \textit{op. cit.}, p. 266 cited in FRANKEMA Ewout and MASE Aline, \textit{op. cit.}, p. 22.
of the peasantry, the authoritarian rule of the American occupiers, together with the centralization of economic and political power in Port-au-Prince, strengthened class divisions.

2.2.5. From 1934 to Duvalier Dictatorship

The departure of troops from Haiti gave way to popular and intellectual resistance as well as a revitalization of Haitian national discourse. A cultural movement called “Négritude”, promoted by class consciousness, emerged as a reaction to the American occupation. This class awareness was an idea of the national political leaders in the 1940's. This process culminated with the social revolution of 1946 with the triumph of the black middle class. The ideology that the black should be particularly dominant was then fostered by the two black presidents, Estime and Magloire, who came to power during the decade of prosperity (1946-1956). The rise of the black middle class was accompanied by that of a black urban proletariat in Port-au-Prince. The superficial economic prosperity of Port-au Prince after World War II drew many peasants to the city.

The victory of President Francois Duvalier in 1957 solidified the gains of the middle class. The middle class entry into politics took a new dimension: the use of political process as a windfall economic opportunity. For well over a century after independence, the economic upper class of mainly lighter skinned people entered politics as a way of sustaining or enhancing their status rather than to gain material privileges. Opposing the Garde d’Haiti, Duvalier dismantled the national army and created his personal terror gangs, the Tonton Macoute, which effectively destroyed a stable violence monopoly for the remainder of the 20th century.

During Duvalier dictatorship, large numbers of Haitians of all socio-economic groups were victimized by corrupt politicians. Outright political persecutions caused people to abandon their lands, businesses or companies to seek refuge abroad or in larger urban centers. Duvalier de facto political power and control was maintained when all important economic

280 Ibid.
281 FRANKEMA Ewout and MASE Aline, op. cit., p. 23.
activities were centralized in the “Republic of Port-au-Prince”\textsuperscript{282}. For many years, the only recognized (i.e., openly functioning) political party was the one of the ruling dictatorship. Adherents held membership cards identifying them as "Volunteers for National Security" (VSN): the official designation of the "Tontons Macoutes” that refers to the members of the civilian force appointed by Francois Duvalier to maintain his dictatorship\textsuperscript{283}.

This dictatorship has affected every transition attempt to democracy in the Haiti. Following are three major political obstacles left by the former regime. Key political institutions do not exist. No political institution is sufficiently established to channel the demands and rubber stamped presidential wishes. The press was heavily censored and local news of any significance were biased by own government media. The Constitution was regularly amended to bend it to the wishes of the ruling regime. All dissenting voices were shut down. The dictatorship left no real political leadership\textsuperscript{284}.

However, under the Duvalier regime, well-paid positions and all sorts of financial advantages could be obtained through alliance with the government. Over the 29 years of the Duvalier era, what has been called "the new political elite” have formed in Port-au-Prince; they were a small group of "nouveaux riches”. They took advantage of their political power to obtain financial assets such as monopolies on certain lucrative businesses, and to take unfair advantages in trade, business or in the acquisition of goods and properties.

Armand\textsuperscript{285} explain that “After Jean-Claude Duvalier's departure, it was reported at one time that as many as 50 candidates were aspiring to be President. The new constitution of 1987 established a mixed presidential-parliamentary system in an attempt to prevent the unlimited exercise of power by the president. Although the prime minister (to be selected by the party with a majority of seats in Congress) would be indeed the leader of the government, none of the presidential candidates was known to be willing to accept this position”.

\textsuperscript{282} ARMAND Yolaine, op. cit., p. 544.
\textsuperscript{283} Idem, p. 539.
\textsuperscript{284} Idem, p. 541.
\textsuperscript{285} Idem, p. 557.
CHAPTER VI: THE CASE OF HAITI: ECONOMIC STAGNATION UNDER EXTRACTIVE ECONOMIC AND POLITICAL INSTITUTIONS?

The Haitian State has been collapsing. A large part of the population has no means to attend school and the quality of education is really low. In short, Haiti is one of the poorest and unequal countries in the world (and it was true already before the massive earthquake of 2010 that led to the devastations of country’s infrastructures) and is unlikely to achieve growth under extractive political institutions or to make major changes towards inclusive institutions\textsuperscript{286}.

To Lundahl\textsuperscript{287}, the answer to the question of why Haiti degenerates into a predatory state can be found in its colonial history. The plantation system based on the sugar production was destroyed during the wars of independence (1791-1803) and earnings from the export of plantation crops fell to a fraction of their pre-revolutionary value. Despite the revival of the plantation system by Toussaint L’Ouverture and Jean-Jacques Dessalines, the system did not last because of the destruction of equipment, the negativity of the peasants and the lack of technicians. At the same time, competition increased on the sugar international market.

1. Persistency and Extractive Political and Economic Institutions

These constraints arose after the collapse of the colonial slavery system that deprived the newly independent government of the financial means to exert power, to pursue economic reforms and to establish international relations to the benefit of its export industries. Most ex-slaves chose to secure economic independence by subsistence farming\textsuperscript{288}. Ex-slaves were free

\textsuperscript{286} ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit., p. 73.


\textsuperscript{288} FRANKEMA Ewout and MASE Aline, op. cit., p. 21.
peasants who had access to land so that they could not easily be persuaded to work in a plantation. The elite knew that the only wealth of the country was agricultural although taxation was necessary to create incomes. The slave system had created a deep aversion against the plantation sector and the successful revolt against it had strengthened the conviction that an escape from oppression was possible.

In this scenario, the control of the presidency was the best way to control economic wealth. Then, to secure control of the political power, the country was subject to the worst sort of kleptocracy which main goal was to gain presidency and overtax rural surpluses and foreign trade, as this was the only way to secure a minimum of rents for the predatory elites. However, this type of rent extraction would not create incentives for rural investment and, in the long run, would aggravate rural-urban unfairness.

Moreover, persistent autocracy equilibrium in Haiti tends to be strongly self preserving; primarily because the practice of extracting rents via the government machine has become deep-rooted and is the driving force of the political game. On the other hand, the lack of democratic tradition made the formation of political parties based on true social interest groups difficult. Political power has usually been seen as a mean to gain access to everything that can lead to a good life such as education, employment and the countless lucrative forms of favoritism. People pledged allegiance not to a political philosophy or program of government but solely to individuals who assured them of political favor, most often in the form of a salaried government position or other lucrative benefits. Frankema and Mase conceive Haiti as a fragile natural state where the government has irrational behavior that could be understood as a logical outcome of path dependence. This means limited rent extraction possibilities and highly instable political alliances constraining the set of policy options open to instable coalitions of political entrepreneurs.

In consequence, predatory kleptocracies have governed Haiti for a century and a half. The Haitian state has been a terrain for sectarian struggle; a “zero-sum” environment has been the

289 A government or state in which those in power exploit national resources and steal.
290 LUNDAHL Mats, History as an Obstacle to Change: The Case of Haiti, op. cit., p. 10.
291 Idem, p. 16.
292 ARMAND Yolaine, op. cit., p. 545.
293 FRANKEMA Ewout and MASE Aline, op. cit., p. 20.
general rule. On top of this, social disputes were not solved by democratic spaces. Yolaine Armand explains that once political power has been taken in whatever manner, most often by force or fraud, it becomes legitimized by its mere existence. The way it is usually challenged is by violence. Political power in Haiti is highly centralized in a chief of state who delegates power to a handful of trusted friends. The chief of state controls all other legal or political apparatus in the country (Executive Branch, the Legislative, the Judiciary, the Armed Forces), all of which are in fact institutions that express the will of the ruler.

Nevertheless, U.S. occupation changed the rules. Once “Papa Doc” came to power, he broke the power of the army and created the “Tontons Macoutes”, a paramilitary movement that provides a counterforce to the army and controls the population through terror. For many years, the only recognized political party was the one represented by the ruling dictatorship.

During the Duvalier dictatorship, large numbers of Haitians of all socio-economic groups were victimized by corrupt politicians. Outright political persecutions caused people to abandon their lands, businesses or properties to seek refuge abroad or in larger urban centers. Duvalier de facto political power and control were maintained when all important economic activities were centralized in the “Republic of Port-au-Prince”. Worse, Haiti is among the poorest nations of the hemisphere: rural farms are deteriorated by erosion and hurricanes, it lacks resources and the corrupt political system has contributed to the impoverishment of the peasants and to their migration to the urban areas. Widespread poverty has a direct impact on how Haitians conceive and manipulate politics in a way that affect all players in the political game.

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295 ARMAND Yolaine, op. cit., p. 538.
296 Adherents held membership cards identifying them as ‘Volunteers for National Security’ (VSN), the official designation of the dreaded, who refers to members of a civilian force appointed by Francois Duvalier to maintain his dictatorship. They often fulfilled their mission by threatening, intimidating, beating, jailing, torturing and physically eliminating known opponents or people suspected to be non sympathizers of the regime.
297 LUNDAHL Mats, History as an Obstacle to Change: The Case of Haiti, op. cit., p. 11.
298 ARMAND Yolaine, op. cit., p. 544.
2. Culture, Social Structures and Political Power

Haiti has been a deeply conflictual society, crisscrossed by all kinds of social cleavages like class, skin color, religion, language, place of residence and regionalism. Yolaine Armand affirms that Haiti has always been organized along both class and status dimensions with two polarized classes defined along the dimensions of skin color, wealth, education, occupation and other social characteristics. So far, the war of independence did not give rise to a shared national identity and purpose. Indeed, for over a century after its independence, Haitian society was composed of two major components: the light-skinned upper class which enjoyed socio-economic and political ascendancy, and the dark-skinned powerless lower class. The established class divisions persisted along with their socio-cultural concomitants, even though the structure of the economy had drastically changed. Having left the plantations, the freed slaves settled into subsistence farming in the mountains. This marked the beginnings of the "Haitian peasantry." In the same era, the "colored people," now designated as "mulattoes," increasingly settled in the few Haitian cities and maintained themselves a bourgeois class based in commerce, property rental and land ownership. From 1820 on, this small mulatto upper class maintained control over the economic and political system of Haiti. Until the 1940's, the old social order of the colony was virtually unchanged, the mulattoes having taken the place of the white colonists.

On the political arena, the upper class mulattoes, as heirs to both the socio-economic privileges and political powers, exercised political control by occupying government positions such as chiefs of state, ministers, senators, congressmen, chiefs of staff and diplomats. This dual stratification system has a negative impact on the country's democratic process. Almost always, the successful candidates for political power are bound by their own class interests, or having their hands tied by a powerful group whose interests they have pledged to support. Even more, for almost all actors on the political scene, it is easier and more profitable to maneuver in their small circles, buying off key people and moving undercover than to follow a democratic process that requires open rules and fair play. These conditions lead to

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299 ARMAND Yolaine, op. cit., p. 547.
300 Ibid.
301 Idem, p. 595.
political corruption, waste, misappropriations of public property, lack of accountability to the general public and a widely practiced game of "musical chairs" that characterizes Haitian politics.\textsuperscript{302}

On the other hand, illiteracy of the population is another impediment to the institutionalization of democracy, considering that ignorance of the political process and misconceptions about political issues, goals and objectives make it easier for demagogy, intimidation and sheer violence to take hold of the people. Political and economic institutions served to preserve upper class interests and positions at the expense of the masses. In this regard, the system of land tenure, the centralization of political authority in the capital city of Port-au-Prince, the arbitrary decision on price control of peasant crops and the complete dependence on wealthy exporters for farming are but a few examples of a political apparatus geared to protect upper class privileges.\textsuperscript{303} Furthermore, the prevalence of status distinctions has led to a tradition of political autocracy in Haiti. The authority of the president has been similar to that of a Patriarch, like the powerful tribal chief and head of the family in ancient Africa. The conception of the leader as a patriarch, a survival of the pervasiveness of status in Haitian political history, continues to have political consequences in political competition for offices, abuses of political authority, self-validation of political power and legitimation of political status quo.

These color differences determines a person’s class, in consequence, him or her general lifestyle were also overlaid with \textit{cultural distinctions}. The urban bourgeoisie, for example, maintained the French orientation of the colonial upper class. Yet, they retained French as the official language of the country, sent their children to France to be educated, worshiped under the direction of French-speaking Catholic priests, and emulated French styles of dress, manners and morals.\textsuperscript{305} Since, a person’s class is determined by factors such as income, education and occupation. In this sense, a person's class determines ownership of goods, patterns of consumption, areas and types of residence, and general lifestyle.\textsuperscript{306}

\textsuperscript{302} Idem, p. 545.
\textsuperscript{303} Idem, p. 553.
\textsuperscript{304} Idem, p. 549.
\textsuperscript{305} Idem, p. 547.
\textsuperscript{306} Idem, p. 549.
Finally, the history of Haiti has been that of its upper class that has dominated the economic, political and social organization of the country. Ownership of goods, patterns of consumption, areas and types of residence, and the complex elements that contributed to the formation of classes in Haiti congealed into a social structure which, for the first century and a half of independence, was remarkably static and, as in the colony, wealth, political power, education, occupation and color were positively correlated\(^{307}\). Since skin color and family lineage determined membership in these classes, the Haitian social system had a resemblance to a caste society, as several observers noted\(^{308}\).

### 3. Persistence and the Vicious Cycle

According to Yolaine Armand, “because of the persistence and predominance of status inequalities in Haitian society, the concept of equality that is inherent in democracy will be difficult to implement. The acceptance of inequality seems to be an integral part of Haitian culture and it conditions relationships among all groups and individuals”\(^{309}\).

Lost opportunities as well as a predatory state with a system of patronage that could not support large groups of clients, political power were difficult to consolidate and the conditions for securing growth-enhancing public and private institutions remained extremely poor. This vicious circle proved hard to break\(^{310}\).

In consequence, the extractive economic and political institutions are still in place after all these centuries because political power remains in the hands of the elite who have little incentive to enforce secure property rights for the people, to provide basic public services that would improve the quality of life, or enforce economic progress. Indeed, their interest is to extract income and sustain their power. So far, they have not exercise this power to build a centralized state, for to do so would create the same problems of opposition and political changes that promoting economic growth would. Moreover, in the Republic of Haiti, infighting triggered by rival groups attempting to take control of extractive institutions destroyed any tendency for state centralization that might have existed.

\(^{307}\) Idem, p. 548.

\(^{308}\) LEYBURN James, op. cit. p. 100.

\(^{309}\) Idem, p. 558.

\(^{310}\) FRANKEMA Ewout and MASE Aline, op. cit., p. 21.
The Dominican Republic has growth under extractive political institutions which arises when institutions permit the development of, not completely, inclusive institutions. The Dominican Republic achieved breakneck rates of economic growth since 1960’s and in this scenario, growth was preceded by historic changes in the countries’ economic and political institutions. So, How Dominican Republic reacted to the different governments and regimes has started a process of fundamental institutional transformation, which could explain others aspects of the lay of the land, and in this case the possible transitions from stagnation to rapid growth.

Even so, the degree to which the elite manage to monopolize power varies. In some cases, the position of the elite could be sufficiently secure that they may permit some moves toward inclusive economic institutions when they are sure that this will not threaten their political power. At the same time the historical situation could be such as to endow an extractive political regime with rather inclusive economic institutions, which they decide not to block.

In my opinion this is the case of the Dominican Republic.

1. Why the Dominican Republic growth?

First, the Dominican Republic export-led growth occurred in the context of a process of transatlantic trade expansion and this process of export-led growth was based in the development of a monoculture export sector, specially, in the sugar industry. In other words, the economic base of Dominican Republic society is summed up in a single product: the sugar. The first sugar mills established from the last third of the nineteenth century were owned by emigrants from Cuba, on the occasion of the first war of independence from 1868-
1878 (as well as, portorriqueños, Americans and Italians). Later, with the US military occupation of 1916-1924, the sugar industry emerges and develops itself as an enclave. The constitution of the sugar industry in enclave meant its almost total isolation of Dominican society and its late the struggle between “regionalistas- caudillismos” groups whose economic weakness only allowed them to aspire to a participation as managers of the state power based on the political, administrative or just police services that could provide and as an instrument for creating economic enrichment. This explains both the turbulence of the XIX century Dominican history as the instability, and wildly violent nature of the political and social struggles. Economic policy since the second half of the 20th century aimed at domestic capital accumulation and the creation of investment opportunities in different sectors. During Trujillo’s dictatorship the inequalities was distinguished, through the concentration of capital in the inner circle of the regime, a strong urban bias, repression of labor and weak institutionalization of bureaucracy and administration. He did not pursuit corporatist policies and aimed at the demobilization of the business organizations as political actor.

Second, the Dominican Republic tried to get away from its comparative advantage in primary products, like sugar, coffee or tobacco. In the 1960s, the Dominican Republic participated in the attempts to industrialize via import-substituting industrialization (ISI), and the First Free Trade Zone (FTZ) was created in 1969. In the 1980s and 1990s, export expansions were due to the gradual substitution of primary products to the benefit of an industrial sector in a more diversified economy. On the other hand, the FTZ industry creates employment and activates external trade, but does not require high-skilled workers. Industries have been involved rather in light industries and depended largely on the import of intermediate and capital goods.

Actually the service sector has over taken agriculture as the economy's largest employer, due to growth in construction, tourism, and free trade zones. The mining sector has also played a greater role in the export market since late 2012. As well, an important income of the

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economy is the remittances from the US amount to about 7% of GDP. Although the economy is highly dependent upon the US as the destination for approximately half of their exports.  

2. Elites Consensus

Just after the Trujillo’s regime, the business class became an organized actor. In 1962, the Industrialists’s Association of the Dominican Republic (AIRD) came into existence. First and foremost, this association promoted the interests of the capital's industrialist elite. Families head of the oligarchic elite were closely connected with government organs, for instance as advisers or through family members who served there. The economy was strongly dualist with a very large and poor working and a very small and very rich upper class.

The structure of domination that is set after 1966, and the political body that is proper of the Dominican oligarchy, guarantee their interests rooted in the importation trade and the agricultural sector with the emerging industrial sector, distributing among these classes enrichment opportunities. In the Dominican Republic, institutional weakness and the peculiar path towards democratic consolidation, have shaped what the authors have characterized as oligarchic Democracy, kleptomaniac and patrimonialist. Who are these families groups that have controlled the productive wealth of the country? The Vicini-Cabral, Corripio, Bonetti, Viyella-San Miguel, Hazin, Caceres-Troncoso, Brugal, Barceló, Leon, Lama, Vitienes, Pellerano, Baez Romano, Najri, Spaillat, Marranzini. No more than twenty families are now present on the boards of large companies, private universities, the media, the main bodies of economic decision by the State, agribusiness monopolies, ownership land, the export industry, tourism investment, banking and financial sector (for a detailed analysis of the historical and current network of family ties and business, finance and access to

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319 ROSARIO Ernesto, op. cit.p.99-121.
321 VILAS Carlos Marta, op. cit., p. 130.
322 (Espinal 2006; Lozano 2002)
institutions. These laws have precedential Law 299 of 1969, promulgated under the first government of Balaguer, demonstrating their negotiating capacity and pressure the Executive, whatever the color of the Administration.

The military, business groups and the Catholic Church have taken advantage of the crisis of the party system and weaknesses of representation to exert their influence and pressure. Depending on the historical moment and the political situation, these groups have adopted different strategies. During Balaguer's government (1966-1978) was a "golden age for business". The government built close ties with family-owned conglomerations that concentrated economic and political power in the hand of few families who became a major political force and dominant interest group. However, by the 1980s a combination of regional economic crises and institutional pressures from the IMF and World Bank sparked successive Dominican governments to privatize, deregulate, and diversify national production towards low-wage export zones (EPZs), external-oriented tourism, and nontraditional agriculture. Balaguer adopted similar policies as before and expanded the public budget for infrastructure investments. These policies were beneficial for the construction sector in the hand of known conglomerates. Exporters, hotel operators and large importers, TFZ’s and business sectors, demanded a more open and liberal economy. A private-interest clientelistic system reached new levels under Guzmán's presidency in 1978-1982. Many of his friends and family members, who were appointed to important positions, enriched themselves and designed policies in their personal interest. Corruption had already reached very high levels under Balaguer, and was then much closer to the presidency.

Around the executive power has been gathering in recent years an opportunistic and speculative middle bourgeoisie eager to make money, whatever the means used to ensure this, and in its collaboration with the head of the government. As like oligarchy, political power becomes for them the best source of income and, more importantly, the possibility of relating

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323 ROSARIO, Esteban, op.cit. See also BENITO SÁNCHEZ Ana Belén and SRIBMAN D. Ariel. P. 14.
324 BENITO SÁNCHEZ Ana Belén and SRIBMAN D. Ariel, op. cit., p. 13.
325 ESPINAL Rosario, op. cit., p. 104.
327 FLECHTNER Svenja, op.cit., p. 15.
328 Idem, p. 17.
to foreign interests. Hamilton express, that there is “Little surprise, then, that the statist coordination that dominated the DR for a century or more in its authoritarian and neopatrimonial vestiges still leaves economic, political, and cultural remnants”.

3. Political Stability and Democracy

The Dominican Republic experienced a democratic transition in 1978 where a strong degree of elite consensus emerged. Since 1978, competitive elections have been the principal means for selecting the political leadership and there is a basic agreement that democratic rule is paramount. Sánchez has pointed out that in 1978 “elite behavior changed dramatically [...] and [that] a political environment in which all political and military leaders respect the rules of the game and refrain from challenging the regime by force was created.” According with Hamilton, in the 1980s “...an important paradigm shift in DR institutions, from a statist model to one featuring more market coordination. Catalyzed by a series of local crises and austerity pressures that were “encouraged” by international financial institutions, Dominican policymakers began to expand national dependence on global markets far beyond the sugar export sector. Extending to the 1990s, the Dominican government became a member of many trade and security organizations, including the World Trade Organization, Caribbean Trade Partnership, Caribbean Community (CARICOM), American Common Market, and the Association of Caribbean States. This period of economic liberalization also coincided with enhanced democratization rhetoric in the DR and in its regional neighbors, influenced by institutional interconnectedness with the U.S.”.

4. Extractive Institutions

As it have been said before, despite economic growth, the Dominican Republic remains highly unequal. Few Dominicans have quality education and job training and many still lack

329 VILAS Carlos María, op. cit., p. 120.
330 HAMILTON Mark, op. cit., p. 132.
332 HAMILTON Mark, op. cit., p. 134.
access to even basic services, moving back the potential of the Dominican Republic’s human capital. These factors have made it difficult to connect people to economic growth and improve equity, resulting in limited mobility and inequality of opportunities. This could be explained by the control of elites groups that have a short-term political horizon, which complicates the long run investment policies needed to achieve sustained growth. For example the Public education investments and policies, offer a scenario where the elites groups struggle for control have a short-term political horizon, that has been discussed in the Latin American context. Concerning Education issue, in the short run government support for public education implies a redistribution of public resources controlled by insiders to outsiders. In the long run it enhances the share of educated people capable of defining their interests and organizing opposition. In sum, I agree with Acemoglu and Robinson, who affirm that the low education level could have been caused by political and economic institutions that fail to induce the government to support schools.

5. Broad access to high quality education and Redistribution Social policies

In the Dominican Republic, usually rich elites do not have personal interests in high-quality public schools, because they can opt for private schools. Besides the elite might even be opposed to such policies because of their potential to threat their position. Broad based access to quality education might create more critical citizens. So the Dominican Republic has relatively high enrolment rates in private educational institutes. These private institutes usually have been controlled by members of the oligarchic elite, for instance as members of the boards, taking influence on policies and teaching contents.

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133 CASTANEDA Andrés, SHARMAN Alis, op. cit., p. 6.
134 FRANKEMA Ewout and MASE Aline, op. cit., p. 6.
135 ibid.
138 ROSARIO Ernesto, op. cit.p.88.
In addition, the Dominican Republic, the middle class tends to opt out of the social contract by demanding private services and refusing to contribute to public goods. This generates a vicious cycle of low tax compliance, low public services quality and exclusion of the poor\textsuperscript{339}. Likewise, social policies are not necessary to maintain high human capital among elite members.

6. The absence of a functioning bureaucracy (State-political power and extractive institutions-inequality)

In a typology of administrative systems by Echebarría and Cortázar, the Dominican Republic is characterized as clientelistic bureaucracy with low technical capacities. The capacity of the public administration to work efficiently and proficiently is limited\textsuperscript{340}. The inefficiency problem is related to staff and recruitment policies.

The administrative system access to administrative positions usually is through party membership and/or family or friends. As a consequence, a considerable part of the administrative staff is not chosen according to professional requirements and necessities\textsuperscript{341}. In addition, large parts of the personnel and public employees are totally exchanged when a new party gains presidential elections. Bribery, abuse of office or politicization do not bring consequences for officeholders, and performances almost never evaluated. There is little space for meritocratic structures and equality of opportunity regarding job opportunities in the public sector. On the contrary, corruption and clientelism is not in detrimental of the elite that has resources to pay for corruption and that is able to use corrupt and clientelistic systems to its benefits. Meritocratic bureaucracies with committed personal just as well as competition can threaten local monopolies and political elites\textsuperscript{342}.

\textsuperscript{339} FLECHTNER Svenja, op. cit., p. 16.
\textsuperscript{342} GREIF Avner., The impact of administrative power on political and economic developments. toward a political economy of implementation. Stanford University, Stanford) (Dec, 2008).pp. 47.
In the Dominican Republic, for many years, the Oficina Nacional de Administración y Personal (ONAP), the responsible body for the implementation of the career path, was not well-equipped and the staff was partly under-qualified for these very challenging tasks. It was understood that the transition from an inefficient administration to a meritocratic bureaucracy is a difficult due to interests and politico-social costs. In order to overcome resistance to change and create political support for the reforms, the Programa de Apoyo a la Reforma y Modernización del Estado (PARME) was designed to complement the reform measures by the presidency with support by the European Union.\footnote{Delmas Alain, ‘Estrategia exitosa para una reforma legislativa relevante: El caso de la ley de función pública en la república dominicana’, en Revista de Administración Pública, Vol. 2, 2007, p. 57-77.}

7. Why Inequality and Poverty in the Dominican Republic?

In the first place, we could argue that the colonial past have influenced the style of political agents and behavior, under the political power structures. Wenceslao Vega\footnote{Vega Wenceslao, Historia del Derecho Colonial Dominicano, Santo Domingo: Editora Taller, 1979, p. 61.} has exposed that the Law in the colonial period, as an example of superstructure imposed by the class in power, tends to secure those interests, their letter is obeyed by those responsible for implementing it, but when it hurts the domain of that class, its judges and rulers are responsible for twist it. This is as true in the XVI Century and the actual Dominican Republic.

In the second place, the Dominican Republic the influence of Spanish colonialism developed a social construction related with the whiteness, Catholicism and Hispanic tradition.\footnote{Howard Jans, Coloring The Nation: Race and Ethnicity in the Dominican Republic, Thesis submitted for the degree of Doctor of Philosophy at the University of Oxford Trinity Term, David Howard Jesus College, Oxford, 1997, p. 32.} The Dominican Republic’s is still divided by race and class. Though racial distinctions are hardly clear-cut, however there is no mistaking the gradations of colour from dark to light, however the pigmentation of the skin is a variable that is considered when there is social mobility in the socio-economic pyramid.\footnote{Knippers Black Jans, ‘Black Development and Dependency in the Dominican Republic’, in Third World Quarterly, Vol. 8, No. 1, Jan. 1986, p. 239.} The colony was a slave society where a racial-based caste system was introduced. Slave societies were related to the primitive accumulation of capital based on the appropriation of surplus value from exploitation of labor force. Eventually after...
the independence, the colonial societies introduced the **racial-based caste system** as **class system**.\(^{347}\)

In addition, Structural features have promoted political power of narrow groups who, most often as business elite, have been interested in quite specific policies and have been able to shape policy-making. By the other side, the institutional trajectory have influenced policymaking in the Dominican Republic in important ways, like the high concentrations of productive capital and inequalities of income, the access to (quality) schooling, social services etc.

\(^{347}\) HOWARD Jans, *op. cit.*, p. 32.
With this thesis, I have tried to tackle complex phenomena such as differences in poverty, inequality and progress between the Dominican Republic and the Republic of Haiti. To achieve this, I have first explained the configuration of the Dominican Republic and Haiti. Then, I have made a literature review in order to understand the causes of economic and social disparities between the Dominican Republic and Haiti. In this sense, I can conclude that neither geographical, nor cultural theories, nor even theories on ignorance, can explain the disparities between the two countries. I have also developed the Acemoglu and Robinson\textsuperscript{348} institutional approach which could explain why extractive economic institutions emerge in both the Dominican Republic and the Republic of Haiti. I have also described how history has shaped institutional trajectories of both nations. In general, disparities in growth and quality of life between the Dominican Republic and Haiti come from the original organization of each society, from the way political and economic institutions have interacted with the political power in the Dominican Republic and Haiti during their history. Institutions have influence the behavior and incentives of the elites in each country; in consequence, this has forged the relative success of the Dominican Republic and the failure of the Republic of Haiti. My goal with this dissertation was thus to answer the following questions: How have history and critical junctures shaped the path of economic and political institutions? How do they enable us to elaborate a more complete theory on the origins of the differences in poverty and prosperity between the Republic of Haiti and the Dominican Republic?

Part of the answer is found in the Dominican Republic and Haiti post-independence history. For example, the institutional trajectories of Haiti have not helped this country to take advantage of the 19th century introduction of agro-export capitalism. In the case of Haiti, there was a constitutional provision that put restrictions on property rights of “white” people or foreigners. In the end, this was an impediment to investment and even to migration to Haiti. In addition, the political environment and socio-cultural cleavages could have taken away the

incentives to many investor or migrants. In the case of the Dominican Republic on the contrary, the immigration of Cuban cane planters, for example, has been an important force, motivated by Cuban War of independence (1868-1978) and by the liberal victory in the 1880s, which secured the development of the sugar industry with complementary public investments.

Another critical juncture in the Dominican Republic and Haiti was the US occupation of both countries that has helped consolidate the political power of the State and eventually allowed the development of dictatorship in both countries. Also, in both countries, the established naval occupation was well organized and centralized constabularies that were well able to accomplish this goal. To a certain point, the outcomes of the U.S. intervention in both the Dominican Republic and Haiti have brought order. Yet, as explained by Betances\(^{349}\), in the case of the Dominican Republic, the state was not simply a product of the U.S. military occupation of 1916-1924 but a logical result of socioeconomic and political processes dating from the mid-19\(^{th}\) century.

The relationship between national political struggles and ongoing foreign interventions in Dominican and Haitian political and economic life are important to understand the formation of the states. Eventually, Duvalier´s regime (1957-1986) in Haiti practiced rent seeking behavior and did not maintain public infrastructure and social services. Meanwhile, Trujillo Regime (1930-1961) in the Dominican Republic promoted agriculture, industry and public works, despite the fact that Trujillo dictatorship was highly predatory and could be considered as an example of economic growth under extractive economic and political institution. Haiti´s Duvalier regime and the Trujillo Dominican regime (1930-1961) are considered as the most repressive regimes in Latin American political history\(^{350}\).

Only recently, the Dominican Republic has embarked on a path of political democratization with regular, free and relatively fair elections. It must be said that the Dominican Republic has now become fundamentally different from Haiti not only in welfare levels but also in terms of political system. Since 1970, when the Dominican Republic´s growth rate has began to outpace that of Latin America, the Dominican Republic can be considered as a stable country in the region. Furthermore, the Dominican Republic, since 1966, has had relatively positive interaction (consensus) between elites and its different governments. Those interactions have

\(^{349}\) BETANCES Emilio, op. cit., p. 37.

\(^{350}\) FRANKEMA Ewout and MASE Aline, op. cit., p. 2.
improved the conditions to create a relative virtuous circle where inclusive institutions have been developed to some extent. On the contrary, in Haiti, the interactions of the political power have not reached the degree of political centralization necessary to promote sufficient economic growth and political stability that allow the transition to a more stable nation. In fact, Haiti, during the seventies, faced more political instability than any other Latin American country, with many democratically elected regimes tuned over by coup or elected leaders becoming more authoritarian.

Nonetheless, for the Dominican Republic, it has been possible to implement growth under extractive political institutions which arises when institutions permit the development of, not completely, inclusive institutions, as for example in the case of education and social mobility. Even so, the degree to which the elite managed to monopolize power varies. For instance, the position of the elite could be sufficiently secure that it might have allowed some moves towards inclusive economic institutions when it is certain that it would not threaten their political power.\textsuperscript{351}

I have also highlighted in the dissertation that inequality within both countries can be explained by their colonial past, each having its particularities but both being strongly influenced by the interactions of class and race that determined the implementation of certain public policies. Those policies could have encouraged the development and welfare of the majority in the Dominican Republic and Haiti.

In particular, I have tried to answer the following question:

Why economic and political institutions in the Dominican Republic and Haiti still fail today to reduce poverty and inequality?

In both the Dominican Republic and Haiti, I have looked back at the colonial past of the Dominican Republic and the Republic of Haiti but this approach implied to qualify their institutional trajectory as well their historical differences and similarities. I proposed the following explanation: colonial pasts have defined the style of the political interactions between the different groups in power as well as their accountability to the people. Haiti and the Dominican Republic were similar in the sense that both countries were societies with a

\textsuperscript{351} ACEMOGLU Daron, ROBINSON James A., Why nations fail: the origins of power, prosperity and poverty, op. cit., p. 92.
colonial past that in specific moments had developed economies based on plantation exploitation or other agriculture crops with slave labor force. They were slaves societies based on the accumulation of capital because of the appropriation of surplus value from exploitation of labor force. Eventually, in both countries, the racially-based caste systems of slave societies have evolved into a system of classes. In consequence, the way elites see themselves in the Dominican Republic and the Republic of Haiti is an important consideration of how both societies have developed to include the majority into the development path.

In the Dominican Republic however, slavery was less prominent and there were less settlers and slaves. This has created a relationship where slaves would not run away or even could buy out their freedom\textsuperscript{352}. In the Dominican Republic, the sense of class is more primordial than the sense of race. It is thus little surprising that the statist coordination which had dominated the DR for a century or more still leaves economic, political, and cultural remnants\textsuperscript{353}.

Haiti was a slave society that defined the interactions between elites and the population in different ways. The French colony was more recent than the Spanish one, so the slaves were in their majority precedents of Africa, without strong bounds with their new land. Moreover, the plantation economy that was developed has promoted a deep cleavage that transmitted the same prejudice and conception of race and class in an independent republic. There is a general interpretation that Haiti has been a country where the cleavages of class, skin color, religion, language, place of residence and regionalism have provoked the exclusion of the majority for the benefits of elites in power only. These race and class cleavages have induced some practices in the management of the government and their institutions. In other words, they have created, in both countries, predatory behaviors that are an heritage of the ancients forms of privileges that have persisted during colonial history and after, during the post-independent history. These institutional differences in Haiti and the Dominican Republic have had decisive consequences during the critical juncture created by the following events in history.

\textsuperscript{352} Buy their freedom as happened on plantations dependent on slave labor.
\textsuperscript{353} HAMILTON Mark, op.cit. Pp. 125-142
Finally, according to the World Bank, Haiti remains the poorest country in the Americas and one of the poorest countries in the world, with significant needs in basic services. It is also one of the most unequal countries. Moreover, the political stability also remains uncertain: recently, President Michel Martelly stepped down on February 7th, at the end of his constitutional mandate, and as there was no elected successor, the lawmakers chose the Senate chief Jocelerme Privert to lead a caretaker government. President Privert has the main task to organize a new provisional government, install a new electoral commission to investigate fraud allegations during 2015 elections and finalize the presidential, parliamentarian and municipal elections. The Dominican Republic has apparently taken important measures in the recent years to expand coverage of social safety nets, improve targeting and condition transfers, and enhance education and health. Coverage has also expanded significantly in terms of key services such as the National Health Service and essential medicines. A particularly important effort has been the assignment of a budget equivalent to 4% of GDP to pretertiary education (up from 2.3% in 2012). This has allowed the construction of thousands of classrooms to reduce overcrowding. However, how these policies will evolve in the near future remains to be seen.

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1. **ENCYCLOPEDIAS & DICTIONARIES**


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3. THESIS


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- JARAMILLO Laura and SANCAK Cemile, "Why has the grass been greener on one side of Hispaniola?", IMF Working Papers /07/63, January 2007, IMF, Washington. 31 p.

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FRANKEMA Ewout and MASE Aline, "An Island Drifting Apart, Why Haiti mires in poverty while the Dominican Republic forges ahead", in Center for Global Economic History, January 201, Utrecht University, The Netherlands, No. 27, pp. 31.


GREIF Avner., The impact of administrative power on political and economic developments. toward a political economy of implementation..Stanford University, (Dec, 2008).pp. 47.


MALDONADO Manuel, "Hacia un Esbozo de las Oligarquias en el Caribe Hispano-Parlante", in Institute of Caribbean Studies, January 1968, UPR, Rio Piedras Campus, Vol. 7, No. 4, pp. 3-10.


MOYA PONS Frank, "Transformaciones estructurales, 1900-2010" (Chapter 8), in MOYA PONS Frank, Historia de la República Dominicana, Madrid: Consejo superior de Investigaciones científicas, 2010, p. 353.


6. ONLINE RESOURCES

PART II

Appendix 1: Haiti's HDI trends based on consistent time series data and new goalposts.

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2011 PPP)</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>50.9</td>
<td>5.1</td>
<td>1.4</td>
<td>2,880</td>
<td>0.357</td>
</tr>
<tr>
<td>1985</td>
<td>52.7</td>
<td>6.7</td>
<td>2.2</td>
<td>2,447</td>
<td>0.397</td>
</tr>
<tr>
<td>1990</td>
<td>54.6</td>
<td>7.1</td>
<td>2.7</td>
<td>2,236</td>
<td>0.417</td>
</tr>
<tr>
<td>1995</td>
<td>56.3</td>
<td>7.5</td>
<td>3.2</td>
<td>1,688</td>
<td>0.422</td>
</tr>
<tr>
<td>2000</td>
<td>57.7</td>
<td>7.9</td>
<td>3.8</td>
<td>1,753</td>
<td>0.442</td>
</tr>
<tr>
<td>2005</td>
<td>59.2</td>
<td>8.3</td>
<td>4.3</td>
<td>1,601</td>
<td>0.455</td>
</tr>
<tr>
<td>2010</td>
<td>61.3</td>
<td>8.7</td>
<td>4.7</td>
<td>1,522</td>
<td>0.471</td>
</tr>
<tr>
<td>2011</td>
<td>61.7</td>
<td>8.7</td>
<td>4.8</td>
<td>1,588</td>
<td>0.475</td>
</tr>
<tr>
<td>2012</td>
<td>62.1</td>
<td>8.7</td>
<td>4.9</td>
<td>1,615</td>
<td>0.479</td>
</tr>
<tr>
<td>2013</td>
<td>62.4</td>
<td>8.7</td>
<td>4.9</td>
<td>1,553</td>
<td>0.481</td>
</tr>
<tr>
<td>2014</td>
<td>62.8</td>
<td>8.7</td>
<td>4.9</td>
<td>1,569</td>
<td>0.483</td>
</tr>
</tbody>
</table>


---

Appendix 3: Haiti’s IHDI for 2014 relative to selected countries and groups.<sup>357</sup>

<table>
<thead>
<tr>
<th></th>
<th>IHDI value</th>
<th>Overall loss (%)</th>
<th>Human inequality coefficient (%)</th>
<th>Inequality in life expectancy at birth (%)</th>
<th>Inequality in education (%)</th>
<th>Inequality in income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haiti</td>
<td>0.296</td>
<td>38.8</td>
<td>38.2</td>
<td>27.9</td>
<td>38.3</td>
<td>48.4</td>
</tr>
<tr>
<td>Honduras</td>
<td>0.412</td>
<td>32.1</td>
<td>30.7</td>
<td>17.0</td>
<td>26.4</td>
<td>48.6</td>
</tr>
<tr>
<td>Guatemala</td>
<td>0.443</td>
<td>29.4</td>
<td>28.9</td>
<td>17.4</td>
<td>36.2</td>
<td>30.1</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>0.570</td>
<td>23.7</td>
<td>23.2</td>
<td>13.3</td>
<td>21.0</td>
<td>35.2</td>
</tr>
<tr>
<td>Low HDI</td>
<td>0.343</td>
<td>32.0</td>
<td>31.7</td>
<td>35.0</td>
<td>37.9</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Appendix 4: The Dominican Republic’s HDI based on consistent time series data and new goalposts.<sup>358</sup>

<table>
<thead>
<tr>
<th></th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2011 PPPs)</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>63.0</td>
<td>3.9</td>
<td>4.875</td>
<td>0.570</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>65.2</td>
<td>4.4</td>
<td>4.658</td>
<td>0.596</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>67.9</td>
<td>5.0</td>
<td>5.038</td>
<td>0.627</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>69.6</td>
<td>5.8</td>
<td>5.865</td>
<td>0.655</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>70.6</td>
<td>6.4</td>
<td>7.574</td>
<td>0.667</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>71.6</td>
<td>7.0</td>
<td>8.239</td>
<td>0.676</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>72.7</td>
<td>7.3</td>
<td>10.716</td>
<td>0.701</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>72.9</td>
<td>7.4</td>
<td>10.833</td>
<td>0.704</td>
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<tr>
<td>2012</td>
<td>73.1</td>
<td>7.5</td>
<td>10.969</td>
<td>0.708</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>73.3</td>
<td>7.5</td>
<td>11.252</td>
<td>0.711</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>73.5</td>
<td>7.6</td>
<td>11.883</td>
<td>0.715</td>
<td></td>
</tr>
</tbody>
</table>

Appendix 5: Trends in the Dominican Republic’s HDI component indices 1985-2014.<sup>359</sup>

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Appendix 6: The Dominican Republic’s IHDI for 2014 relative to selected countries and groups.

<table>
<thead>
<tr>
<th>Country</th>
<th>IHDI value</th>
<th>Overall loss (%)</th>
<th>Human inequality coefficient (%)</th>
<th>Inequality in life expectancy at birth (%)</th>
<th>Inequality in education (%)</th>
<th>Inequality in income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominican Republic</td>
<td>0.545</td>
<td>23.6</td>
<td>23.4</td>
<td>16.9</td>
<td>22.9</td>
<td>30.3</td>
</tr>
<tr>
<td>Jamaica</td>
<td>0.593</td>
<td>17.5</td>
<td>16.9</td>
<td>15.0</td>
<td>5.6</td>
<td>30.1</td>
</tr>
<tr>
<td>El Salvador</td>
<td>0.488</td>
<td>26.7</td>
<td>26.2</td>
<td>14.5</td>
<td>30.2</td>
<td>34.0</td>
</tr>
<tr>
<td>Latin America and the</td>
<td>0.570</td>
<td>23.7</td>
<td>23.2</td>
<td>13.3</td>
<td>21.0</td>
<td>35.2</td>
</tr>
<tr>
<td>Caribbean</td>
<td>0.600</td>
<td>19.4</td>
<td>19.0</td>
<td>10.7</td>
<td>16.8</td>
<td>29.4</td>
</tr>
</tbody>
</table>


Appendix 8: GDP per capita, available years, in both the Dominican Republic and Haiti.

Appendix 9: Moderate poverty rate: Dominican Republic vs. LAC.

Appendix 10: Gini Coefficient in LAC and the DR 2000-2011\(^{364}\).


APPENDICES

I. Chronology of political events

Dominican Republic

1821-1843  In 1821, the DR gains independence from Spain but is soon after invaded by Haitian leader Jean-Pierre Boyer, uniting the island for the next 22 years.

1844  On February 27, 1844 (Dominican Independence Day), Juan Pablo Duarte executes a bloodless coup in Santo Domingo. During the next 16 days all of the eastern towns announce their decision to separate from Haiti.

1844-1865  General Pedro Santana Familias and Buenaventura Baez Mendez dominate the political scene. In 1861 Santana agrees to the Dominican Republic’s annexation by Spain. However, on March 3, 1865 the annexation is annulled and Spain withdraws its soldiers.

1865-1878  Political turmoil and corrupt governments dominate this period.

1879-1882  Two dominant parties—the Azules and the Rojos—emerge. For the next three years the Azules control the government.

1882-1899  General Ulises Heureaux comes to power. He retains power through fraudulent elections and army control. Heureaux borrows vast sums from U.S. investors at high interest rates. He also replaces the National Bank with the U.S. owned and operated San Domingo Improvement Company. Heureaux is assassinated in July 1899.

1900-1905  Soon after Heureaux’s death, the Dominican Republic could not repay its debts. The U.S. government intervenes by taking control of the customs houses in 1905, guaranteeing repayment of all loans.

1905-1911  Ramon Caceres is elected president. He sets up the railway, improves the postal service, installs telegraph lines, rebuilds docks, funds new schools, and constructs highways. He increases export taxes on Dominican sugar to pay for public improvements, which angers plantation owners. Caceres is shot dead in 1911.

1911-1916  Various revolutions follow Caceres’ death. U.S. president Woodrow Wilson, concerned about U.S. national security, threatens to send marines if elections are not held. Juan Isidro Jimenez is elected president but is soon impeached before Congress. The U.S. offers support, and though Jimenez only requests weapons, the marines are sent in.

1916-1924  The Dominican Republic comes under U.S. control for 8 years. In particular, the Americans control the budget. The American troops leave by 1924, as Woodrow Wilson is no longer in power. World War I is over, and the U.S. is considerably less concerned with the Dominican Republic’s strategic importance.

1924-1930  President Horacio Vasquez has a progressive government, building roads creating access to the countryside, schools, and irrigation and sanitation services.

1930-1961  Rafael Leonidas Trujillo, chief of the National Police (which later became the National Army), forces Vasquez to resign. Trujillo holds an election for which he is the sole candidate. Trujillo rules the Dominican Republic with an iron fist from 1930 to 1947 and indirectly until his assassination in 1961.
Trujillo uses his government to amass a personal fortune by establishing monopolies that his family controlled. Trujillo carries out programs of public works and construction. He also press for industrial progress, and scores of factories are opened. Agricultural production improves and the economy flourishes.

1962-1966 President Joaquin Balaguer is in office at the time of Trujillo’s assassination. Elections are organized. In 1962 Juan Bosch Gaviño is elected, but is toppled in a military coup in 1963. Bosch and a group of supporters who called themselves the Constitutionals take to the streets and seize the National Palace. To reestablish order, 24,000 U.S. soldiers were ordered to the Dominican Republic until new elections were held in 1966.

1966-1978 Balaguer defeats Bosch in national elections. Balaguer purges the military and uses the National Police to curtail non-military opposition. His reelections in 1970 and 1974 are mostly accomplished through intimidation. The economy expands rapidly, benefiting from favorable world prices for sugar. However, by the late 1970s, plunging sugar prices and rising oil costs bring the Dominican economy to a standstill.

1978-1986 Silvestre Antonio Guzman defeats Balaguer in the elections. He leads a corrupt government. Public-works programs are brought to a halt and the administration borrows heavily from abroad. Guzman’s popularity diminishes rapidly. Salvador Jorge Blanco is elected in 1982. Soon after comes the debt crisis and the Dominican Republic enters an IMF agreement. Macroeconomic and structural measures are put in place and slowly the economy picks up and inflation is brought under control.

1986-1996 Balaguer is reelected for a fifth term. He runs his government like a dictatorship, intimidating political rivals. He reverses the adjustment program under Blanco, leading to a sharp depreciation of the peso and annual inflation of 60 percent. By 1990, 900,000 Dominicans move to New York, fleeing the economic situation. Balaguer rigs the 1990 and 1994 elections. However, in 1994 the military threatens to intervene. Balaguer agrees to cut his last term short and hold elections 18 months later.

1996-2000 Leonel Fernandez wins the presidency. He presides over strong economic growth, privatization, and structural reform.

2000-2004 Hipolito Mejia becomes president. The events of September 11, 2001 and the ensuing slowdown in the world economy—take a toll on economic growth. In 2003, failures of 3 large banks due to accounting malpractices and mismanagement lead to a banking crisis.


Source: JARAMILLO Laura and SANCAK Cemile, Why has the grass been greener on one side of Hispaniola? IMF Working Papers 07/63, January 2007, IMF, Washington. P. 24
Haiti

1804 The ex-slaves of the French colony of Saint-Domingue declare independence after defeating the French army at Vertière. They name their new nation Haiti, which means “mountainous” in the language of its original Arawak inhabitants.

1804-1820 Jean Jacques Dessalines proclaims himself emperor, but is assassinated in 1806. His death led to civil war between the south under General Pétion and the north under Henry Christophe.

1820-1843 Faced with a rebellion by his own army, Christophe commits suicide, paving the way for Jean-Pierre Boyer to reunify the country and become President of the entire republic in 1820. President Boyer invades Santo Domingo following its declaration of independence from Spain, controlling the entire island until 1844.

In 1938, France recognizes Haitian independence in exchange for an indemnity of 150 million francs to compensate for the losses of French planters during the 1803 revolution.

In 1843 Boyer flees the country following a revolution to overthrow him from the presidency.

1844-1915 Haiti sees 22 heads of state, most of whom leave office by violent means. The U.S. and other slaveholding states do not recognize Haiti until 1862.

1915-1934 Concerned about German economic influence in the country and continued political instability, the U.S. military occupies Haiti after the last in a series of short-lived presidents is torn to pieces by a mob. The U.S. marines establish control over customs-houses and port authorities, and create the Haitian National Guard.

1934-1956 Once the Americans leave, political instability resumes, with regime changes taking place through military coups.

In 1937, thousands of Haitians living near the border of the Dominican Republic are massacred by Dominican soldiers under the orders of President Trujillo.

1957-1971 Francois Duvalier (Papa Doc) is elected president in the country’s first universal suffrage election. Reelected in fraudulent elections in 1961, he declares himself president for life in 1964 and, until his death, holds on to power as a ruthless dictator with the help of a paramilitary force known as Tontons Macoutes.

1971-1986 Jean-Claude Duvalier (Baby Doc) becomes the new president for life after his father’s death in 1971.

After relatively favorable economic performance in the 1970s, the macroeconomic situation deteriorates sharply in the early 1980s, affected by the recession in the U.S. and economic mismanagement. Social discontent culminates in public protests and violence, and Duvalier flees to France in 1986.

1986-1994 Starting in 1986 there are several brief attempts at civilian democracy, each terminated by a military coup.

In September 1991, Jean-Bertrand Aristide, a popular priest elected in 1990, is forced to flee the country only nine months after taking office. The United States and the Organization of American States respond with a trade embargo, and in 1993 a UN-sponsored oil embargo is imposed. In September 1994, Aristide is reinstalled in office with the help of a U.S.-led military intervention.
Aristide disbands the army. Aristide supporters win parliamentary elections. As according to the constitution Aristide cannot serve a consecutive second term, he is succeeded by a close ally, René Préval.

Following a period of political deadlock, Préval dissolves parliament and rules by decree.

Aristide is reelected president, but the international community criticizes irregularities during the parliamentary elections. Political stalemate with the opposition leads to the freezing of foreign aid.

Amid deteriorating economic conditions, growing dissatisfaction with the government culminates in an armed rebellion. President Aristide resigns in February 2004 and leaves the country. A transition government is formed to lead the country to elections and an interim multinational force arrives.

Elections are held in February 2006, and René Préval is reelected president.

Source: JARAMILLO Laura and SANCAK Cemile, Why has the grass been greener on one side of Hispaniola? IMF Working Papers 07/63, January 2007, IMF, Washington. P. 26
ABSTRACT:

The Dominican Republic has been one of the fastest growing economies in the Caribbean area as well as in Latin America. Despite this economic growth, the poverty is higher today than in 2000. By contrast, the Republic of Haiti is considered one of the poorest countries in the world and the poorest country in the north hemispheric. This investigation will try to verify if the persisting disparities on poverty, equality, economic growth and political development between and within the two nations are caused by extractive politics and economic institutions and by the accumulation of wealth within a narrow ruling elite which aim to preserve its power. To do so, a special attention will be drawn to their historical backgrounds, especially since the moment each country have took different economic and political paths in the XX and XXI centuries. Other factors linked to the political and economic institutions, as well as the societal dynamics between the actors who have power and define the nature of the economic and political institutions, will also be treated.

**Key words:** Institutions, Dominican Republic, Haiti, Power, Inequality.