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César Ayala. *American Sugar Kingdom: The Plantation Economy of the Spanish Caribbean 1898-1934.* Chapel Hill, N.C.: University of North Carolina Press, 1999. xii + 321 pp. \$49.95 (cloth), ISBN 978-0-8078-4788-6.

Reviewed by Alan Dye (Department of Economics, Barnard College)

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Surprisingly, there has been little comparative historical work published that focuses on the sugar industries of the three Spanish Caribbean countries, Cuba, Puerto Rico, and Santo Domingo. César Ayala's book, therefore, bridges an important gap in the literature. Ayala has constructed a narrative of substantial breadth, combining a critical reading of the secondary literatures on each country's sugar industry with primary evidence and an emphasis on their links to their major twentieth-century market, the United States.

Working within the tradition of world systems theory (of Immanuel Wallerstein), he places each of these three countries within its world context. The book is motivated as a challenge to the neo-Marxist "Plantation School," which as he describes it, emphasizes the continuity of the plantation as a fundamental unit of analysis by which plantation economies occupy a common, peripheral position in the world system. Ayala challenges the generality of such claims, arguing that the plantation systems in the Spanish Caribbean were comparatively different, conditioned by different historical contexts and different institutional linkages to the United States.

He opens his analysis emphasizing the coincidence of the invasion of Cuba and Puerto Rico in 1898 (the Spanish-American War) with a reorganization of the sugar trust in the United States, towards a more oligopolistic structure. Some of the key personalities in the sugar-refining rivalry in the United States were major investors in raw sugar companies in Cuba and Puerto Rico after 1898. He argues that the "mechanisms" of the holding company and interlocking directorates vertically integrated each of the local industries to the U.S. sugar refining sector. Unified ownership of vertically related seg-

ments of sugar processing and refining are demonstrated with great clarity and detail. Differences in the character of vertical ownership in each of the three countries are identified. Variations in patterns of ownership are illustrated using case studies of the Cuba Cane Sugar Corporation, the Cuban American Sugar Company, the Punta Alegre Sugar Company, the South Porto Rico Sugar Company and a number of other companies within the American Sugar Refining or National Sugar Refining groups. This portion of the book extends and contributes substantially to the work of Oscar Pino Santos and others.

Most engaging in this broad narrative are Chapters Three and Four, which focus on the significance of the customs area and the vertical ownership, and Chapter Eight, which has put together a description of the three countries' reactions to the stresses of the Great Depression, the increased U.S. sugar tariff (Hawley-Smoot) and the subsequent adoption of the U.S. Sugar Program. Each country responded to the sugar crisis of 1930 in remarkably different ways. With a few key insights, Ayala tells an interesting story about the contrast in policy responses of each of the three. He gives some insight into the political economic causes of each of these policy responses, but as the last chapter of the book, it obviously is intended to raise questions and point the way forward.

The central empirical theme of the book is "vertical integration," which is not precisely defined; but clearly of interest to the author is its transcendence of national borders. Evidence of vertical ownership is presented to argue that foreigners controlled the sugar companies in the Spanish Caribbean. Despite the reference to vertical integration, the author approaches the subject as a sociologist; and he is influenced little by the economics or

business history literature on the subject. The functional differences, in his case studies, between shareholder representation on the boards of directors and managerial control are not examined. The reader interested in the governance structures or contracting issues will not find them addressed here. This seems to matter for the validity of his conclusions, since it leaves some alternative views unaddressed. The vertical ownership structures might have developed to assist in organization innovations or to underpin relational contracts, to reduce transaction costs. If so, rather than unambiguously disempowering the national industries, as he claims, they may also have brought material benefit.

Ayala's prognosis is that the vertical relationships headquartered in the United States are evidence of U.S. imperial power. He argues that three determinants of the U.S. system prostrated the Spanish Caribbean into a state of dependent underdevelopment after the invasion of 1898. First, the vertical ownership structure extending across the border to the north subdued local interests or prevented them from surfacing. Second, the containment of these sugar industries within a U.S. sugar

customs area tied them to the United States economy. And third, local class relations were transformed and the workforce proletarianized by large-scale investments in sugar centrals. He makes a strong case for the heterogeneity of the institutional make-up and economic development of each of the three countries, and that the influence of the United States was strong and differentiated. The analysis, however, falls short of realistically considering the welfare consequences of the plausible, proximate alternatives—a challenging but nonetheless important exercise. For one thing, by 1898, Spanish Caribbean sugar planters had dealt with the sugar trust for many years, selling most of their sugar to it. Why then, at the turn of the century, was the *CÁrculo de Hacendados* (sugar planters' association) in Cuba eager to solidify its relationship with this near monopoly? If they knew what they were getting into, they must have preferred it to the alternatives. It would not be right to presume them powerless or incapable of pursuing their own best interest. Without that massive injection of capital and the preferential tariff treatment, where would those economies have gone? One should not be blind to the possibility of a worse outcome.

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