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Collaboration of Antonio Santamaría García
Escuela de Estudios Hispano-Americanos, CSIC

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3.61 Railroads (Nineteenth Century)

On November 19, 1837 Cuba’s first railroad began operations, it was the first in all of Latin America and within the Spanish empire. The pressing needs of the sugar industry made Cuba the seventh country in the world to have a railroad system. Plans for the construction of the first railroad began soon after the Junta de Fomento (Board of Development) was formed in 1832 under the presidency of Claudio Pinillos. Actual work on the railroad began in 1835. Two years later work was completed on the Havana-Bejucal length of the railway and a year later the entire Havana-Güines railroad began operations.

In the light of the success and economic advantages of the first railway, others were soon built, mostly linking the port cities of the northwest with their respective hinterlands. In 1870, as the very first railroads began working in other Latin American countries, Cuba already had an impressive network extending over 1,238 kilometers (768 miles). At about that time, Cuba’s railways were reorganized and consolidated to reduce problems arising from out of control competition. This process continued during the 1880s and beyond, when British capital, specially, the Schroeder Company began acquiring railroads and integrated them into the United Railways of Habana & Regla Warehouses. The Company managed to monopolize the western network by 1921. Before that date, it coexisted with another large British company, Cuban Central Railways, which in 1899 consolidated the railroads of the central region. Up to that time, most of the railway infrastructure had been built and managed by private Cuban and Spanish capital linked to sugar plantations and tobacco industry activities.

From the beginning, the expansion of Cuba’s railroads was intimately tied to sugar production. That is why the least populated and least developed eastern provinces were slow in establishing that mode of transportation. Only 20 percent of the island’s railroads in 1899 were located in those provinces. Efforts to connect the east with the west with a single cross-island line also failed. At the end of the nineteenth century, large sugar centrales began to build their own railroads to transport their own cane and sugar without having to depend on the public rail system. The practice continued during the early decades of the twentieth century to the point that in 1930 there were 12,000 kilometers (7440 miles) of private lines, compared to 5,214 (3,233 miles) of public ones.

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Further readings:


Sugar plantations, known as ingenios, worked by slave labor, constituted Cuba’s primary social-economic system and the dynamo of the island’s economy during the nineteenth century. Several factors coincided in the late eighteenth and early nineteenth centuries which set Cuba on the path to becoming the world’s premier sugar exporter. The British Occupation of Havana (1762) opened trade routes and spurred the slave trade; the independence of the former thirteen colonies of North America ended British colonial exports to the new United States; the revolution in St. Domingue (Haiti) destroyed the exporting capacity of what had been the world’s biggest sugar exporter and exiled to Cuba a large number of planters along with their capital; and the collapse of Spain’s New World empire redirected capital, migrants, and imperial attention to the still faithful island of Cuba. Spain, furthermore, contributed to the sugar boom by liberalizing the slave trade in exchange for a new tax system, by promoting immigration, and by facilitating the importation of foreign capital, machinery, and technicians; and by opening up the island’s land market.

The sugar plantations that emerged in the light of such favorable circumstances were characterized by the integration of the agrarian and industrial facets of production, the incorporation of modern technology and modern organizational and commercial techniques, all of this occurring while remaining dependent on slave labor. In the early part of the nineteenth century the primitive sugar mills were transformed into mechanized ingenios, progressively incorporating steam power and other technological advances. As a result, production skyrocketed from 25,000 tons in 1800 to 113,000 in 1836, an amount equivalent to 19 percent of the world’s sugar output. During the 1830s and 1840s Cuba’s planters faced the challenges of the expanding European beet sugar producers, by further mechanizing their production with vacuum pans, railroads, and other technologies. During the 1860s centrifuges were incorporated to the filtering phase and thus the entire sugar production process became mechanized. These advances allowed production to reach 770,000 tons in 1868 (29 percent of the world’s output). In spite of growing international pressures against the continuation of the slave trade and slavery itself, the island’s plantations continued to depend on slave labor.

During the Ten Years’ War, plantations were further modernized. Cuba’s insurgents focused their attacks on the eastern half of the island where they destroyed many plantations, actually the most primitive ingenios, and liberated slaves. These actions forced Spain to begin moving toward the abolition of slavery, finally ending the institution in 1886. In the light of the new labor situation and falling sugar prices during the 1880s, sugar producers began a process of centralization. The new sugar centrales were completely mechanized and employed free labor; they milled their own cane as well as cane produced by colonos (sugar growers), whom they controlled through the ownership of the land and railroads. In order to make the most effective use of their expensive technology, the centrales acquired vast tracks of land and built railroads to transport the cane and sugar. A new generation of sugar barons, mostly Spanish-born former slave traders, merchants, and financiers played a major role in the transition from the old plantations to the new centrales. The Spaniard Julián Zulueta was the first to build a central with its own railroad (1873).
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Also see: *Abolition and Emancipation, Colonization and Population (Nineteenth Century)*; and *Science and Scientists (Eighteenth and Nineteenth Centuries)*.

Further reading:


4.11 *Colonos*

The term *colonos* refers to sugarcane growers who do not produce sugar but rather sell cane to other parties, usually large *centrales*, which take the process beyond the cane harvesting stage. The term *colonos* originates from their role as colonizers of new lands. The colono system of production contrasted with the older slave-based system and gained preeminence toward the end of the nineteenth century, when the first sugar centrales emerged. The new centrales produced sugar from cane cultivated within their lands and also purchased from colonos.

The colonos were a diverse group. Some were former slaves, others were former planters who failed to convert their sugar plantations into modern centrales, and many were immigrants, mostly white Spaniards. Socially, they ranged from small landholders to proprietors of large tracks of land. Colonos of various productive capacities established contractual obligations with the centrales and were categorized as either independent colonos (they owned their land) or *arrendatarios* (rented land from the centrales). Typically, sugar centrales sought to control the colonos through a variety of mechanisms such as the ownership over land or railroads used to transport the cane in order to impose price levels and the timing of the cane’s delivery. While the extent of control over the colonos varied over time, it was generally more effective among colonias established after 1900 in the eastern half of the island.

Traditionally, but particularly after the crisis of 1920-21, when most centrales came under U.S. financial control, Cuba’s intelligentsia and nationalist politicians recognized the predominantly white Creole colono as a symbol of *Cubanidad* (Cubaness) in contraposition to oppressive foreign interests. This association helped colonos secure certain protections from state laws, specifically under the Law of Sugar Coordination (1937) which assigned colonos a quota of cane production, established favorable prices, and forced centrales to grind the colonos’ cane. In 1934 the colonos organized as the National Association of Colonos to lobby and further their interests.

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Also see: *Sugar Industry, Foreign Investments (Republican Era), Railroads (Nineteenth Century)*; and *Slavery*.

Further Reading:


4.13 Constitution of 1940

The Constitution of 1940 became the fundamental law of the Cuban Republic on July 5, 1940. It replaced the Constitution of 1901, the republic’s first. Following the social conflicts of the 1920s and 1930s that had culminated with the Revolution of 1933, the abrogation of the Platt Amendment, and the signing of the new Reciprocity Treaty (1934), a national consensus formed in recognition of the need for a new constitution to consolidated the many social and political accomplishments of the social mobilizations of the previous two decades. Those aspirations led to the passing of the 1939 law for the election of a constitutional assembly.

The elections were originally scheduled to take place in August of 1939 but were delayed until November 15 due to pressures from certain U.S. interests seeking to have in place a Residency and Navigation Treaty that would provide guarantees to U.S. citizens residing on the island. Fulgencio Batista proposed postponing the treaty negotiations until after the ratification of the new constitution and the constitutional delegates finally assembled on February 9, 1940. The delegates represented eleven political parties that coalesced into two main blocks: the Socialist Democratic Coalition of Batista, Cuba’s strongman and chief of the armed forces since the Sergeants’ Revolt of 1934, and the block led by the Partido Revolucionario Cubano (Auténticos) of Ramón Grau San Martín. While at first Grau’s block enjoyed a majority, the balance shifted later on to the other block.

The Constitution was finally promulgated on June 5 after several months of intense debates. Although marked by a liberal-bourgeois imprint, the constitution included very progressive measures of democratic governance and social justice, reflecting the influence of progressive voices within the assembly. The document recognized equality among all citizens without distinctions of race and sex; the right of women to vote and hold elective office; and the right to private property along with the state’s right to expropriate properties in the interest of society. The Constitution also established the need for government intervention in the economy and its ultimate ownership over subsoil riches; and the protection of small farmers and laborers with measures such as the eight-hour workday, the right to unionization, and compensated periods of rest. The Constitution also called for the creation of a Tribunal de Cuentas (Accounts Tribunal) and a National Bank to implement the nation’s financial and monetary policies; it prohibited the holding of vast extensions of land and set limits on foreign ownership of land. It also established equality within the family, although not applicable to illegitimate children, and supported democratic, egalitarian, and progressive schools.

The progressive character of the Constitution of 1940 was limited, however, by the fact that many of its articles were to be further defined by future legislation, something that did not fully occur. It remained in vigor until Batista’s coup of 1952.

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María Antonia Marqués Dolz, Estado y economía en la antesala de la Revolución, 1940-1952.


4.20 Foreign Investments (Republican Era)

The first major foreign investments in Cuba began in the 1870s, as British capital flowed into the construction of railroads. Smaller U.S. investments began to arrive at about the same time into sugar related activities. In 1901 U.S. investments on the island totaled an estimated 8 million dollars.

Following the signing of the Cuba-U.S. Reciprocity Treaty of 1902, U.S. investments in Cuba skyrocketed, surpassing 200 million dollars on the eve of WW I. At the time, however, U.S. investments in Cuba were still second to those of Great Britain. British and U.S. capital dominated the rail industry, most visibly the United Railways of Habana & Regla Warehouses and the William Van Horne companies.

The possibilities for the expansion of the sugar industry during WW I and the boom-bust cycle of 1920-21 left the bulk of Cuba’s sugar industry in the hands of U.S. banks and financial institutions. These circumstances allowed a massive wave of U.S. investments that reached 1,100,000,000 dollars by 1921. Foreign capital from other countries remained minimal. Eighty percent of U.S. investments in Cuba flowed into the sugar industry, particularly into the development of new centrales in the eastern half of the island (see Colonos). The balance went into the tobacco industry, banking, utilities and other industries.

U.S. investments continued to increase during the balance of the 1920s. They are estimated to have reached at least $1,750,000,000 in 1928. The level dropped considerably during the depression years, reaching $1,000,000,000 in 1940. Monetary devaluation during the depression, the overcapitalization of the sugar industry during the 1920s and the gradual withdrawal of U.S. capital from the sugar industry explain the decrease in U.S. investments which reached $568,000,000 in 1946. Investment levels recuperated during the 1950s, reaching $1,000,000,000 in 1958; at the time only 27% of those investments were in agriculture.

Besides direct investments, Cuba received massive foreign loans. Between 1904 and 1909 the island borrowed 51 million dollars from Speyer & Co.; between 1914 and 1927 it received 109 million in loans from Morgan & Co.; and received 200 million from the Chase National Bank between 1926 and 1931 to face the capital needs during the sugar crisis. When the world’s financial market contracted during the 1930s, the flow of loans came to a halt. New loans amounting to 155 million dollars, however, came to Cuba during the second half of the 1950s to help confront the new difficulties of the sugar industry.

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Also see: Railroads (Nineteenth Century); and U.S. Interventions.

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Henry C. Wallich, Problemas monetarios de una economía de exportación. La experiencia cubana, 1914-

4.29 Hawley-Smoot Tariff Act

The Hawley-Smoot Tariff Act was passed by the U.S. Congress on June 18, 1930 and remained in effect until June 8, 1934. Seeking to protect domestic sugar producers in the wake of the crisis of 1929, the U.S. government raised the tariff on raw, imported sugar from 2.206 cents to 2.5 cents per pound. Cuban sugar, which enjoyed a 20 percent tariff discount since the Reciprocity Treaty of 1902, saw its duties increase from 1.765 cents to 2 cents.

The new, higher tariffs aggravated the economic crisis on the island. Between 1929 and 1933 the average price of unrefined sugar fell from 1.8 to 1.13 cents per pound, and the export volume dropped precipitously from 4,821,800 tons to 2,244,00 tons. With adjustments for the new tariffs, Cuban sugar was valued at below production costs. These dramatic changes produced a fall in Cuba’s GNP averaging 11 percent per year between 1929 and 1933.

Cuba’s sugar producers were partially to blame for the increments in U.S. sugar tariffs during the years following WW I. While aware of the growing saturation of the U.S. market, they continued to increase output, thus injuring the least profitable producers: U.S. beet sugar producers. It was precisely the beet sugar producers who led the successful lobbying efforts to raise duties on foreign sugar. Eventually recognizing the damaging results of overproduction, Cuba’s producers reduced output and were now in a better position to demand lower tariffs and the revision of the Reciprocity Treaty. They succeeded on both counts in 1934.

The Hawley-Smoot Tariff Act destabilized the political and economic bases upon which the Cuban Republic had been built: sugar monoproduction for export to the United States, the country that forced a protectorate over the island with the sanction of the Platt Amendment. Thus, the new tariff contributed to the social and political chaos that culminated with the Revolution of 1933.

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Also see: Sugar Industry and Jones-Costigan Act.

Further Reading:


4.32 Jones-Costigan Act

The Jones-Costigan Act, also known as the James Costigan Act, was approved by the U.S. Congress on June 8, 1934. It reduced the sugar duty rates of the Hawley-Smoot Tariff Act from 2.5 to 1.857 cents per pound of raw sugar. Since Cuba’s sugar enjoyed a 20 percent discount in its duties since the Reciprocity Treaty of 1902, its corresponding reduction was from 2 cents to 1.5 cents. The Jones-Costigan Act also assigned specific sugar quotas to domestic and foreign sugar producers. Cuba was included in that system in 1934 with a sugar quota equivalent to 28.6 percent of U.S. demand. That quota could, and often did, increase if other producers failed to meet theirs. These provisions allowed Cuba to increase its sugar exports to the United States from 1,377,200 tons in 1933 to 2,454,500 tons in 1937. An additional 1,000,000 tons or so were sold to other markets at prices less favorable than those enjoyed in the U.S. market.

In 1934 a new Reciprocity Treaty between Cuba and the United States halted the Jones-Costigan Act. In 1937, following the signing in London of the International Sugar Agreement, which also assigned Cuba a quota within the free world market. These provisions, while not reestablishing pre-Depression levels of production, allowed Cuba to continue its path as a single crop economy. The favorable trade conditions also allowed the island’s economy and society to regain stability. Production quotas were distributed in Cuba among the various sugar producers so that they could all share in the benefit of the higher prices offered by the U.S. market. With a few adjustments, particularly during WW II, this system continued to operate until 1959.

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Also see: Sugar Industry.

Further Reading:


Arnaldo Silva, Cuba y el mercado internacional azucarero. (Havana: Editorial de Ciencia Sociales, 1971).

4.57 Reciprocity Treaty (1902), U.S.-Cuba

A major trade agreement between Cuba and the United States, the Reciprocity Treaty of 1902 granted preferential treatment to exports from both nations in each other’s markets. Cuba’s sugar exports received a 20 percent discount at U.S. customs, while U.S. exports received discounts of between 20 and 40 percent (26% on average) when entering Cuba. This treaty helped consolidate a commercial structure based on the exchange of insular sugar and tobacco for U.S. manufactures and capital goods. In combination with the Platt Amendment, the Reciprocity Treaty became a major juridical prop to the establishment of a U.S. protectorate over Cuba in the aftermath of the U.S. intervention in the Cuban War of Independence.

The Reciprocity Treaty helped establish a sugar monoculture for virtually a single market and helped propel an accelerated growth in sugar production from 888,000 tons in 1902 to 2,500,000 tons in 1913. Eighty percent of that output headed to the United States. In the other direction, the proportion of U.S.-made imports in Cuba nearly doubled from 40 percent in 1900 to 70-75 percent during the 1920s.

The raising of U.S. duties on Cuban sugar during the 1920s altered the previous spirit of reciprocity. Cuba, however, was able to renegotiate a favorable sugar preference in 1934. As a result of the Jones-Costigan Act of 1934, Cuba was granted a large portion of the U.S. sugar quota. While other Cuban agroexports also benefited, tobacco secured only 18 percent of U.S. demand. With slight alterations, the agreements of 1934 remained in place until 1959.

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Also see: Sugar Industry; Tobacco Industry; and Hawley-Smoot Tariff Act.

Further Reading:


4.59 Rionda Polledo, Manuel (1854–1943)

The sugar tycoon Manuel Rionda was born in Norena, Asturias, Spain and migrated to New York in 1870 where he worked for the Czarnikow-Macdougall Company. In 1891, he founded with his brother Francisco, who was living in Cuba, a company to repair and restore the sugar mill Tuinicú. This sugar mill was one of the first Spanish business enterprises to receive funding from U.S. sources.

Work ceased during the War of Independence but at the end of the conflict, and with financial help from tycoons Henry O. Havemeyer and Walter E. Ogilvie, Rionda, reactivated the mill. In 1899, his brother passed away and Rionda took over the company and erected the sugar mill Francisco, in Camagüey; in memory of his brother. In 1907 he founded the Cuban Trading Company. Later on, he created the Regla Coal Company to supply coals to his sugar mills.

In 1912, after the death of Caesar Czarnikow and the retirement of his partner MacDougal, the company was reorganized with a new name: Czarnikow-Rionda Co, with Rionda Polledo serving as its president. In association with the American companies Sullivan & Cromwell, and J. & W. Seligman, Rionda Polledo then founded the Manatí sugar mill. Three years later, taking advantage of the need for sugar production during World War I, the three companies, along with Morgan & Company and Chase National Bank, created the Cuba Cane Sugar Company. This particular enterprise controlled 17 sugar mills throughout Cuba and processed 14 percent of the sugar produced on the island.

Rionda presided over Cuba Cane Sugar Company until 1921 when the Cuba Cane Sugar Company was reorganized due to a drop in the price of the sugar. Rionda, however, continue to manage successfully the Cuban Trading Company and when he passed away in 1943, the Company owned 8 sugar mills and was the second largest producer of sugar in the Caribbean. Rionda’s heirs maintained ownership and management of the company until the advent of the Cuban Revolution.

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Also see: Foreign Investments (Republican Era); and Sugar Industry.

Further Reading:


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Ten Million Ton Harvest

The so-called Ten Million Ton Harvest was the name given to the sugarcane harvest of 1970. It marked the culmination of the reorientation of Cuba’s revolutionary economic policy following the failure of earlier plans of industrialization and economic diversification, which had deemed the sugar-based economy a vestige of past capitalist exploitation.

Between 1959 and 1961 sugar production remained high (6-7 million tons) in spite of the government’s anti-sugar policies. This was partly the result of previously planted cane and the continued use of infrastructure built before the Revolution. Production levels fell later, reaching 4 million tons in 1963. This drop endangered the government’s goals of funding a more diversified economy, which by then was deemed impossible without capital from sugar exports. At about the same time, the Soviet Union offered Cuba much of its vast national market, granting the island a preferential price for its raw sugar: 6.1 U.S. cents per pound. This turned out to be a generous subsidy, given that the world market price for sugar averaged only 3.1 cents per pound during 1963-1970. Likewise, the Soviets subsidized the Cuban economy by providing it with crude oil at prices well below the world market (see Energy).

In spite of these subsidies, sugar production remained relatively low, fluctuating between 4.5 and 6.2 million tons between 1963 and 1969. Although the exact amount of sugar produced during the harvest of 1970 is the subject of debate, it appears that it may have reached 8.5 million tons. The accelerated pace at which the harvest was carried out and the unskilled, so-called voluntary labor it employed help explain the failure to reach the desired 10 million tons. The harvest of 1970 is also blamed for the low output of subsequent harvests.

The Ten Million Ton Harvest marked Cuba’s return to sugar specialization for a single market, the difference now being that the Soviet Union replaced the U.S. market. Although the return to sugar monoproduction diverted resources that could have been channeled to diversify the economy, the focus on subsidized sugar allowed economic growth rates not seen since 1959. Following a few poor harvests after 1970, production levels through the 1980s fluctuated between 6 and 8 million tons. The 8.5 million tons produced in 1970 still constitute Cuba’s largest harvest ever.

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Also see: Soviet Union, Cuba’s relations with the, and Sugar Industry.

Further Reading:


The sugar industry has been Cuba's most important economic activity since the nineteenth century. Enjoying favorable trade conditions in the U.S. market Cuban sugar production averaged one million tons per year in 1892-1895. Following the Cuban War of Independence, even more favorable circumstances pushed Cuba further into the path of sugar specialization, production reaching 2.5 million tons in 1913 and soaring to 4.2 million tons in 1919. The largest pre-Revolution harvest was that of 1953: 7.2 million tons.

During the early years of the Revolution, the government nationalized sugar production and early on attempted to diversify the economy to reduce its dependence on one product as had been the case for over one hundred years. By the late 1960s, however, with generous Soviet subsidies in place, Cuba's leadership made a push for increased sugar production, targeting a ten million ton harvest for 1970. With favorable prices throughout the 1970s, the Cuban government invested in the industry's mechanization and purchased larger amounts of pesticides and fertilizers. All of this boosted production levels. Favorable conditions persisted until 1989, when the Soviet Union’s collapse signaled the end of Soviet subsidies for Cuba sugar. Falling production rates soon evidenced these changes. An average production level of 7.5 million tons during 1985-1992 dropped almost 50% to 3.9 million tons during 1993-2000. At the same time sugar dropped from 74.3 % of all exports in 1985 to 42.5% in 1993.

Currently there are 156 mills in Cuba; only 107 of them functioned during the harvest of 2000; and only about 36 of them managed to produce a profit in 1999. Overall, sugar is a losing sector of the economy, with production costs outpacing the worth of sugar in the world market. About half a million Cuban workers are tied to the sugar sector and several other thousand work in related industries, such as transportation, by-products manufacturing, etc. A total of 1.7 million hectares are planted in sugarcane, equivalent to 36 percent of the cultivated surface.

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Also see: Sugar Plantations, Foreign Investments (Republican Era), Hawley-Smoot Tariff Act, Jones-Costigan Act, Agriculture, Foreign Trade, Soviet Union, Cuba’s Relations with the, Special Period.

Further Reading:


