Haiti's Debt on its Development

Introduction

The country of Haiti has one of the most eventful histories in the world. Being the first western colony to gain indepedence and abolish slavery, the entire world put a spotlight on the small country to see how such a precident would survive. After having independence for over 200 years, Haiti is now the poorest country in the Western hemisphere according to the World Bank and is ranked 169th out of 193 by the United Nations Development Programme for its Human Development Index(HDI). Haiti's neighbor, Domincan Republic, is ranked 89th out of 193 by the United Nations Development Programme, so what is the cause of such a drastic difference?

One of the driving factors in Haiti's underdevelopment is the extraneous debt owed to France. Despite gaining independence, the country was forced to pay France for the "lost land" for over a century, crippling the young country's opportunity to grow, leaving long lasting effects that are still present in the country's current economy. The path dependency caused by the national debt hindered Haiti's development and created one of the worst economies in the present world.

Background and Independence

The country of Haiti shares the island of Hispaniola with the Dominican Republic. After Christopher Columbus set foot on the island in 1942. The natives of the island we soon enslaved and suffered genocide and eastern diseases as the Spanish settlers exhausted the island of its resources and goods(Britannica). By the 17th century the western side of the country was in control of the French and began importing slaves from Africa by the 100 thousands(Britannica).

Towards the end of the 1700s the slaves of the colony began to revolt against the French led by Vincent Ogé, Toussaint Louverture, Jean-Jacques Dessalines and Henry Christophe to name a few. In the first few years of the 1800s, France began to lose power in the West, selling Louisiana to the U.S. and losing multiple battles in the Caribbean. With growing tensions between Britain and France, France's hold on the colonies weakened and on January 1st 1804, the country of Haiti officially declared independence and abolished slavery(Britannica). Over the next few decades the country began forming a government and reforming its economy. However France did not recognize the Haitian independence until 1825 where they stormed the country with a fleet of battleships demanding 100 million francs as reparations(Labrador 2018) . Haiti agreed to pay France over the century what was worth $22 billion U.S. dollars to ensure the country's safety and independence. The debt put such a heavy burden on the country that it struggled to truly develop as the country couldn't properly build institutions that would have stimulated its economic growth.

Haiti became the first successful slave revolt and the first country to abolish slavery in the West. Countries like the U.S. and Britain looked over Haiti in interest but also suppressed the news of a slave revolt to not promote similar actions in their homeland(Britannica). They also helped push other Carribean and Latin American colonies to push for independence however, after being forced into debt by the French, the country was put into a state where they could not properly develop and spent the rest of the century attempting to pay the debt off.

Lingering Debt

The extremely unjust debt put the newborn nation of Haiti in a very difficult situation. Over the next 122 years, Haiti dedicated 80% of their national revenue to paying off the enormous debt (Labrador 2018). The debt limited the amount of capital the nation had to work with and they couldn’t establish proper institutions to support their needs. During this time, the country lagged behind the rest of the world as essential investments such as education, housing, agriculture, and employment took a backseat to the debt they were forced to pay(Labrador 2018). Without these key investments, the nation had a stuttered development as education was not put into the forefront, limiting their HDI. When the nation finally paid off the debt in 1947, public schools were put out of commission in order to repay France. During this time, Haiti was providing France with upwards of ⅛ of their national yearly funding(Saint-Vil 2010). Without the option of public schooling, education would be at an all time low, essentially crippling the economical and social well being of the nation, limiting its ability to prosper in other factors of development(Saint-Vil 2010).

Despite paying off the debt to France, Haiti still had a national debt of over a billion dollars. Haiti received little aid as the nation experienced economic isolation for most of their lifespan. Despite being one of the poorest countries in the world, they were continuously denied by the Heavily Indebted Poor Countries Initiative until 2009 where their 1.2 billion dollar debt was finally cancelled and began undergoing debt relief(Jubilee Debt Campaign). At this point, the country has already experienced over 200 years of debt and it was far too late as Haiti had deeply ingrained effects by being in debt for such a long time. The country's economy was too severely underdeveloped due to the centuries of debt, therefore, without any huge reform or stimulus, they were unable to uplift the economy further.

Haiti was experiencing path dependency due to the heavy debt it had to carry. The institutions that were built were made in interest of paying off the nation’s debt, rather than improving their economy and populous well being. With education being pushed to the side, technological improvements within the nation was extremely limited which slowed the development of the nation. Also experiencing economic isolation, they receive very limited aid(Sperling 2017). This could be attributed to Haiti's role in the downfall European colonialism and salvery in the west, or the nature in which France put Haiti in debt. Without aid, the country had no choice but to milk their own economy to repay their debt, allocating limited resources to their development. These led Haiti to become one of the poorest countries in the world.

Current Status

Haiti holds one of the lowest HDI rankings in the world. With an ongoing gourde, Haiti's national currency, depreciation crisis and a constant battle with national disasters, the country struggles to hold a stable economy(Jeanty 2020). When you add in the consistent political unrest, food shortages, and global pandemic, the reality of the situation becomes all the more real.

The World Bank reported that Haiti's national GDP was only 8.5 billion dollars in 2019 and the GNI per capita was only reported to be 1,790 PPP. In 2018, the United Nations Development Programme(UNDP) reported that the life expectancy was at 63.7 years, with only 9.5 years of expected schooling and an outstanding 58.7% unemployment ratio. The country was ranked 164/193 for GDP, 176/193 for GNI, and was classified as a low income country by the World Bank. The CIA ranked Haiti the 188th worse in terms of life expectancy, sharing the same rank for years of schooling by the UNDP. The CIA also ranked Haiti's unemployment rate as the 4th highest in the entire world. Considering these statistics, it is clear how severe the underdeveloped Haiti's economy is.

Despite over 11 million people residing within the borders, the country has struggled to stimulate their economy without aid. Most of these issues point back to the historic debt owed to France. Many activists and economists pushed for France to repay the debt they gave to Haiti, which peaked in 2010 where an actor posed as minister of France, falsely announcing the country would repay 20 billion U.S. dollars back to Hait (Goodman 2010). Dan Sperling backed this strategy in a Forbes article in 2017 where he described the repayment to "...help it begin a broad-based recovery that would seem like manna from heaven to its long-suffering people." Though such extreme actions may be difficult for a nation to agree on and may cause a wave of other nations with similar circumstances to begin to demand repayments if such actions from the French would become reality.

Given the current pandemic, the well being of Haiti has become worse as most of the country still lives without electricity and running water. With the COVID-10 outbreak, Haiti is now suffering from more hindrances such as limited PPE available to workers and students, difficulties to gather accurate data, lack of resources and readily available healthcare facilities, and the general public's inability to receive COVID tests(Focus Economics).

Conclusion

The nation of Haiti, set multiple precedents for the new world, leaving many to wonder how a country of its stature would develop on its own. Being extorted into a crippling debt by their previous colonizers, the growth of the country was stunted, leading them to become one of the most undeveloped independent nations of the world. Reaching the bottom of most social and economical rankings, the over 200 year old nation lacks the proper infrastructure to stimulate their economy. Though the severity of their national debt is not at the level it was decades ago, the debt left multiple effects and created barriers such as a low education level and lack of readily available power and internet. The overarching effects of the centuries old debt ruined the nation's economy and caused one of the worst examples of path dependency of current times.

This naturally leads us to wonder how the Haiti economy would be if they never were given such a heavy debt? Or how would a repayment of 20 billion dollars affect their current economy? Both the hypothetical situations could theoretically better the nation as the main cause of their underdevelopment would be eliminated, however would it be enough to bring the nation out of the bottom ranks of the world?

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