

# "A Whirligig of Revolutionary Presidents"

State Capacity, Political Stability, and Business in Haiti, 1905-1927

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## **Abstract**

Political instability in developing countries can be detrimental to the business environment. I examine how a sudden end to instability affected businesses in Haiti from 1905 to 1927. In 1915, after a tumultuous four years that saw seven different men serve as president, U.S. Marines landed in Haiti and ended the conflict. Using new data on foreign-owned businesses operating in Haiti, I show that the number of foreign businesses increased rapidly after the end of instability. I present evidence that the businesses responded to lower uncertainty and increased trust in who held the executive power.

Economic growth is closely tied with a society's capacity to control violence (North et al. 2009). In low-capacity states, political instability and conflict frequently hurt the country's business environment. Sudden increases in instability and conflict can reduce firm output, increase firm exit, and decrease firm entry (Klapper et al. 2015, Ksoll et al. 2022). Even when this conflict becomes endemic and firms have a chance to adapt, conflict and instability push firms away (Camacho and Rodriguez 2013), weaken the bargaining power of firms (Amodio and Di Maio 2018), and change the ownership structure of foreign investments (Durnev et al. 2015). While a sudden end to instability can change the business environment (Guidolin and La Ferrara 2007), there is a difference between stability created by the end of rebellion (where the government is unchanged) and stability created by increased state capacity. In this paper, I investigate how the business environment responds to a drastic end of instability caused by the sudden imposition of a high-capacity government.

I look at the unique case of Haiti from 1912 to 1927. Historically, Haiti struggled with political institutions, but that struggle was magnified in the turbulent first half of the 1910s. In the four years between 1911 and 1915, Haiti had seven different presidents. Then the revolving door of Haiti's capital stopped when US marines landed in July 1915 and began the American occupation, which lasted until 1934. The sudden occupation immediately stabilized the presidential office and reduced political instability. Importantly, the U.S. intervention was exogenous to Haiti's economic situation. The U.S. intervened because the instability created a vacuum that America believed foreign powers would fill, not because it had an economic interest in Haiti. Thus, the volatile Haitian government was exogenously and suddenly replaced by a stable, credible government.

To examine the effect on the business environment, I collect data on foreigners operating businesses in Haiti from 1905 to 1927. To do business in Haiti, foreigners were required to hold a special license (Lamy 1957, Lacerte 1981), and I collect data on all licenses published during this period. The data show that foreign business licenses in 1927 had doubled from the pre-occupation annual average. The data reveal that while American businesses contributed to the increase, they were not the main driver: the American share of businesses hit a peak of 18% in 1919 before declining to 12% in 1927. The license data confirm that German businesses were not only prevalent (25% of licenses in the pre-period), but also they were driven out during the first few years of American rule. The pattern of licenses across industries was not altered by the occupation, but the cities licenses operated in shifted to the capital.

I explore two mechanisms behind the increase in foreign business activity. First, I look at how the occupation affected uncertainty. I follow the literature on measuring uncertainty using news

publications (Baker et al. 2016, Hassan et al. 2019, Caldara and Iacoviello 2022, Ramey 2011) and collect all articles from the New York Times (NYT) published between 1905 and 1927 that mention Haiti. Before the occupation, the articles mentioning Haiti peaked at times of high instability, such as during coups. But after the occupation, the number of articles covering Haiti fell significantly, indicating that readers were hearing less about instability in Haiti. Furthermore, the content of the headlines reveals that the articles were less likely to discuss instability and violence. For investors, the lack of articles was a sign that the occupation had reduced uncertainty.

The second mechanism I explore is how the pre-occupation instability affected policy. Using data on laws and decrees issued by the government from 1905 to 1917, I show that the instability before the occupation revealed there were few constraints on the executive. In the three months just after a transition of power, the new administration significantly increased government activity. While there is not a statistically significant increase in the number of laws passed by the chamber of legislature, there is an 85% increase in the number of presidential decrees (executive orders). Furthermore, these acts are more likely to be associated with appropriating government funds or pardoning political actors. But the government acts also reveal that the occupation did not change those constraints. In fact, the occupation had fewer constraints because when the chamber of legislature refused to reform land policy in 1917, the American officials dissolved it. Thus, the end of instability did little to affect constraints on the executive besides placing the office in the hands of someone the foreign investors could trust.

After addressing the mechanisms, I look at whether the increase in foreign-owned businesses was associated with increased economic activity. I show that an increase in licenses held by citizens of a country was accompanied by an increase in imports from that country. While I cannot distinguish the direction of causality—whether more businesses increase economic activity or whether more economic activity attracts more businesses—it provides some evidence towards greater real economic activity in response to greater stability.

The evidence from Haiti helps us further understand the connections between instability and business. While much research has shown a negative relationship between instability and investment (Alesina and Perotti 1996, Durnev et al. 2015), there are two problems with trying to understand the effect. First, political instability often accompanies several other political issues. Political instability may come from civil war (Blattman and Miguel 2010), or it may create policy uncertainty (Alesina et al. 1996, Baker et al. 2016). These confounding factors make it hard to isolate the effect of political instability itself. But in Haiti, the instability was driven by a handful of opportunistic

men using mercenaries. There was no wider civil conflict and there was no significant ideological differences across presidents. Haiti is a rare case where the main problem was the political instability itself. Second, changes in the political environment are often endogenous. Instability may end as opposing sides reach an agreement or from one side defeating the other. It is rare to find situations where there is an exogenous shift in stability and capacity. In Haiti, however, political stability came because a foreign, high-capacity state felt the instability was against its political interests and cared little about its economic environment.

This paper also reveals more about the economic effects of American imperialism. While American empire expanded around the turn of the 20th century, the effects of America's direct intervention is poorly understood. For example, the conventional wisdom held that the US annexation of Puerto Rico caused the Puerto Rican economy to stagnate (Dietz 1986), but it has recently been challenged (Devereux 2019, Marein 2020). On the other hand, the US apparently failed to increase customs receipts in the countries it occupied in the early 20th century (Abad and Maurer 2021). In Haiti specifically, there is evidence that state capacity increased during the US occupation (Palsson 2023), but since the change in capacity came in response to a trade shock, it is not clear whether the American officials played much of a role. In this paper, I find that the business environment immediately changed after the intervention, likely because businesses faced less uncertainty and had greater trust in the executive power. This is consistent with other research showing that imperial powers reduced the cost of sovereign debt in the host country because their influence reduced conflict and increased confidence in political and legal institutions (Mitchener and Weidenmier 2005, Ferguson and Schularick 2006).

Finally, this paper addresses theories on Haiti's development with new data. Haiti's reversal from one of the most productive colonies in the West to one of the poorest countries in the region is an underexplored puzzle that has attracted general interest. In July 2022, the New York Times published front-page articles on the historical roots of Haiti's poverty, placing the US occupation as one of the central causes.<sup>1</sup> This claim, while popular, is usually a reaction to the injustices committed during the occupation and rarely connected to any data on economic activity. Indeed, given the occupation is considered one of the most important events in Haiti's economic history (Lundahl 2011), it is remarkably understudied relative to other periods of Haiti's history (Dalleo 2016). Furthermore, most work on Haiti's economic history has failed to take on the major task of collecting primary source data (Lundahl 1979 p. 12). This paper contributes to this literature

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<sup>1</sup>“The Ransom: Invade Haiti, Wall Street Urged. The U.S. Obligated.” New York Times, May 20, 2022. <https://www.nytimes.com/2022/05/20/world/haiti-wall-street-us-banks.html>

by collecting some of the first systematic data on economic activity for this period. The new data show the occupation created some positive short-run effects in Haiti's business environment. The results provide some support to the theory that Haiti's aversion to foreigners impeded development (Lacerte 1981), but the increase in investment after the occupation was too small to create much benefit. By this point, the investors could not overcome other barriers, such as Haiti's confusing land tenure system (Palsson 2021), to make any significant economic changes.

## 1 Haitian Politics, 1911-1927

Haiti is well known as the Caribbean country that went from being the most productive in the region to the poorest. But that reversal of fortune was not instantaneous. In the 19th century, Haiti was a poor country, but it often outperformed its neighbors (Bulmer-Thomas 2012). The long transition to decline, according to Lundahl (2011), was a result of declining agricultural productivity and periodic political instability. Lundahl claims the root of both problems was an 1809 land reform that eliminated large properties in favor of small farms, which caused farmers to exhaust and erode the soil over time, and which left elites no rents in agriculture, steering them to fight in politics instead. The land reform itself was rooted in a fear of foreigners returning to the newly independent country to reinstate the institutions Haitians fought so hard to overthrow (Palsson 2021). That same fear led to other institutions that limited the role of foreigners in the economy (Lacerte 1981). Thus, at the beginning of the 20th century, Haiti already had a long history of limited foreign investment and significant political instability.

Although Haiti's history was fraught with political problems, the early 20th century was distinguished for its instability. Before 1915, seventeen of Haiti's twenty-four presidents were overthrown by revolutions (Schmidt 1971 p. 26), and the instability intensified ahead of the US intervention. In the four years between July 1911 to July 1915, the presidential office was held by seven different men, and each one lost the position through a coup or death. The presidents, their terms, and the reason their presidency ended are listed in Table 1. Even the presidents who died in office without a coup reflect the times' political turmoil. Cincinnatus Leconte, who took the presidency by force in August 1911, died almost exactly a year later in an explosion of gunpowder and weapons he hoarded in the National Palace. His successor, Tancrede Auguste, died of illness, though the rumor at the time was that he had been poisoned. The revolving door of Haiti's executive office led the New York Times to describe Haiti as "a series of revolutions and a whirligig of revolutionary

Table 1. Presidents of Haiti, their tenure, and the reason the presidency ended, 1912-22

President	Start Date	End Date	Tenure (in months)	Reason presidency ended
François C Antoine Simon	Dec 1908	Aug 1911	31	Military coup led by Leconte
Cincinnatus Leconte	Aug 1911	Aug 1912	12	Died in explosion that destroyed National Palace
Tancrede Auguste	Aug 1912	May 1913	8	Died of illness (possibly poisoning) in office
Michel Oreste	May 1913	Jan 1914	8	Coup
Oreste Zamor	Feb 1914	Oct 1914	8	Coup, later executed
Joseph Devilmor Theodore	Nov 1914	Feb 1915	3	Forced to resign by Sam's troops
Vilbrun Guillaume Sam	Feb 1915	Jul 1915	5	Revolt resulting in execution
Philippe Sudre Dartignenave	Aug 1915	May 1922	81	Served full term
Louis Borno	May 1922	April 1930	95	Resigned one month before full term

Presidents.”<sup>2</sup>

But the presidential terms reveal only a part of the country’s political struggles. Present through the entire period was the threat of a rural paramilitary group called Cacos. Schmidt (1971, p.42) describes it best:

Revolutions and insurrections in Haiti became more frequent during the late nineteenth century and by 1910 followed well-established patterns. A candidate for the office of president would form a caco army in the north of Haiti, capture the port of Cap Haitien, declare himself a legitimate rival of the incumbent president, and march on Port-au-Prince. As the caco army approached Port-au-Prince, plundering as it moved along, the incumbent president often would leave the country with part of the treasury funds. The caco army would then capture Port-au-Prince, surround the legislature, and oversee the election of the insurgent candidate by the Haitian Senate.

Many times, the Cacos would loot the villages then set them afire (Heinl et al. 2005 pp. 341-345). According to Chochotte (2018), these groups were part of a broader effort by the general population to check government power. Even without changes in the executive office, the threat of instability was prevalent throughout Haiti’s history.

The instability abruptly ended in 1915 with the beginning of the US occupation. In July 1915, President Guillaume Sam, who had just taken office by force five months earlier, was attacked at his home by caco insurgents. Seeking safety, he fled to the French embassy while his military commander implemented a counter-strategy that involved a massacre of political prisoners, including the former president Oreste Zamor. In response, President Sam was drawn out of the embassy by a mob of enraged Haitians who quartered him in the streets. His death was the final push America needed to rationalize intervention, and the occupation began that same week.

The primary goal of the American occupation was to end the instability, but some have accused the US of economic motives. A good summary of the economic motivations is provided by Sommers (2003), who argues that even though the US did not generally benefit from the occupation, there were influential individuals who saw personal economic benefits in invading Haiti. Furthermore, Sommers collects evidence from the Pan American bulletins that show in the years preceding the occupation there were many who considered Haiti’s potential economic benefits because of its natural resources, market access, and low wages. Many historians, however, note that the evidence for the occupation’s economic motivations is weak. Schmidt (1971) focuses on political stability,

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<sup>2</sup>“Marines Off to Haiti” New York Times, June 23, 1915

claiming that few American businessmen even knew about the country (p. 54). Heintz et al. (2005) argue that America's economic interests in Haiti were too small to motivate the invasion but that its strategic interests could not afford a collapse in such an important location (pp. 370-1). Castor (1971) points out that the established foreign businessmen in Haiti played an important role in the occupation, but she focuses on the political stability motivation for invading. Furthermore, Plummer (1984) points out that, after invading, Americans made minimal attempts to alter the Haitian economy (p. 136). Even the role of influential individuals has been reassessed since their contributions to the occupation were more of a reflection of the prevailing thought at the time (Hudson 2013).<sup>3</sup> Since American investments in Haiti accounted for just 0.32% of its investments in Latin America (Schmidt 1971p. 41), it is easy to imagine a counterfactual where there was no investment in Haiti and the US still invaded; but it is hard to imagine invading a Haiti with the same level of business interest and no political instability.

Since the primary goal was to create political stability, the Americans immediately addressed neutralizing the caco paramilitary threat that had toppled many previous governments. They had two approaches (Schmidt 1971 p. 83-85). First, they tried a soft approach, where they bribed caco leaders and bought their guns. Second, they engaged in direct conflict. Between the two strategies, the Americans had pacified the caco threat by the Fall of 1915, just months after the occupation began.

Along with increasing stability, the US occupation suddenly increased state capacity. Haiti's low state capacity came, in part, from revolutions designed to weaken it (Chochotte 2018). Without this resistance, capacity increased enough where the American-backed government could enforce labor laws that had been dormant since Haiti's independence, which let it build roads using *corvée* workers. But this forced labor created a backlash: in 1918, there was a surge of resistance as Haitians fought against the unjust use of state power. After the resistance was defeated by marines, there were no serious challenges to political stability.

The sudden change in stability and capacity addressed one of the biggest concerns for foreign investors considering business in Haiti. Since independence, Haiti had restricted how much foreigners could participate in the economy. Its first constitution forbade foreigners from owning land out of fear that they would try to conquer the newly independent country (Palsson 2021). Foreigners were further limited by subsequent laws that barred them from some types of business activities (Lacerte 1981). Despite the restrictions, foreigners gained a foothold in Haiti's economy. By 1915,

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<sup>3</sup>Note that Hudson (2013) still thinks the influential individuals still played an important role in the invasion, just that they did not gain as much personal benefit as previously argued.



foreigners accounted for 75% of the country's bankers, around 50% of importers and exporters, and 75% of general merchants (Plummer 1988 pp. 47–48). Yet, some foreign businessmen thought there could be an even greater foreign business presence in Haiti if it could control its political instability (Sommers 2003).

While the foreign businessmen complained about political instability, it is hard to judge how much the *cacos* threatened foreign investments. The insurgents supposedly respected foreign businesses out of fear that any provocation would incur the home country's wrath (Plummer 1988 p. 54). Their fear was strong enough that some Haitian businesses deterred *caco* attacks by displaying foreign flags, and other Haitians switched citizenship for greater protection. The *cacos'* threat to business is hard to judge because some threats were fabricated as cover for establishing a military presence in the region; between 1902 and 1913, the US Navy visited Haiti every year except one under the pretenses of protecting American lives and property, when in reality they were trying to deter German influence (Schmidt 1971, pp. 31–32).

This German influence complicated the relationship between political stability and foreign business, showing that foreign business contributed to the instability. Germans were a significant share of Haiti's merchant population, possibly accounting for 80% of commerce (Schmidt 1971 p. 35). Their presence frightened the American government during the First World War, especially once the completion of the Panama Canal made the Caribbean a strategic priority. Furthermore, the German merchants were allegedly financing the insurgencies (Dubois 2012, p. 211), though the extent of their influence is debated (Schmidt 1971 pp. 92–93). The German influence and Haiti's instability drew America's attention to Haiti's political situation out of fear that Germany might invade the weakened state. Stabilizing Haiti was a matter of national defense.

Because political stability was such an important goal to the Americans, economic objectives were subordinated. Before the occupation, the U.S. had a small economic presence in Haiti. American investments in Haiti in 1913 were worth \$2 million, whereas in neighboring Cuba, Americans had \$220 million of investments, and in Mexico they had \$800 million (Schmidt 1971 p. 54). The far more valuable investment was securing the Caribbean. American Secretary of State William Jennings Bryan commented on the importance of politics over economics (Schmidt 1971 p. 55):

While we desire to encourage in every proper way American investments in Haiti, we believe that this can be better done by contributing to stability and order than by favoring special concessions to Americans. American capital will gladly avail itself of business opportunities in Haiti when assured of the peace and quiet necessary for

profitable production...we shall give all legitimate assistance to American investors in Haiti, but we are under obligation just as binding to protect Haiti, as far as our influence goes, from injustice and exploitation at the hands of Americans.

The occupation kept to the spirit of this goal, refusing to give special concessions to American companies (Schmidt 1971 pp. 169–170). Certainly American businessmen outside the government were eager to take advantage of a more stable Haiti (Sommers 2003), but their numbers were small. To the U.S. government, the strategic benefits of stabilizing Haiti far outweighed the economic benefits of future investments.

The occupation was so focused on increasing political stability and reducing German influence that it ignored developing a broader economic strategy. In American eyes, any additional strategy would have been superfluous because the occupation was not intended to last long. The American officials' actions reflected this short-term thinking. A State Department official criticized the occupation for its "failure...to pursue a consistent, intelligent and tactful policy leading to any definite object" (Schmidt 1971 p. 118). Ironically, although the Haitian presidency was stabilized, the occupation leadership was plagued with turnover. From 1915 to 1922, the marines were led by six different brigade commanders (Schmidt 1971 p. 117). The disorganization reflected that the Americans were ignoring economic policy and best practices in management. The sole goal of the early occupation was establishing stability.

After establishing stability, the American strategy switched in 1922. In 1920, James Weldon Johnson broke from the narrative around Haiti and published a series of articles depicting the violence under the occupation (Hudson 2013). At the same time, Democratic Vice-Presidential candidate Franklin D Roosevelt boasted of his accomplishments in Haiti as Assistant Secretary of the Navy. After the election, the Republican party decided to investigate the occupation. A Senate Inquiry in 1921 concluded that although the occupation had achieved its objective of political stability, the political situation was still fragile, and ending the occupation threatened to shatter it (Schmidt 1971 p. 123). The inquiry recommended that instead of a withdrawal, the occupation should be reorganized. Under the reorganization, policy would switch towards development programs. To complement this reorganization, the U.S. consolidated Haiti's debt under a new loan in 1922 and sold the bonds to Americans, giving Americans a stake in the success of Haiti. Thus, 1922 marks a shift in the occupation from a political objective to an economic.

In summary, the years around the occupation can be split into three important periods. In the pre-occupation phase (1905–15), the country experienced high turmoil and short presidential

tenures. In 1915, the first phase of the occupation began (1915–21), a phase that focused on stability and had little economic direction. The one significant economic policy in this phase was that the new Haitian constitution eliminated the ban on foreign property ownership. Finally, the second phase of the occupation (1922–27) is characterized by the Americans’ commitment to a longer stay and policies geared towards economic development. I can investigate how each phase related to business development by looking at data on foreign business licenses.

## 2 Data

### 2.1 Foreign Business Licenses

The data on business activity come from business licenses registered to foreigners. From nearly the beginning of Haitian independence, the government required foreigners to receive a special license to operate in Haiti (Lacerte 1981). The license’s primary objective was to limit foreign influence in Haiti. Not only was Haiti afraid that another nation would try to assert military control over their newly found independence, the Haitian people saw the potential for foreign governments to exert economic control. For example, when France pressured President Boyer to pay an indemnity in exchange for its recognition of Haiti’s independence, another condition it sought was trade concessions. Recognizing that the concessions would give France exclusive economic power over Haiti, Haitian writers turned against the foreign merchants who would benefit (Lacerte 1981, p. 502). To limit foreign influence, the licenses originally came with a host of restrictions: foreigners were restricted from operating in the interior, they could not deal with other foreign merchants for fear of collusion, and they were restricted from certain sectors of the economy to ensure a place for Haitian businessmen (Lacerte 1981 pp. 508-509). These restrictions worked in conjunction with other limitations on property ownership and the destruction of plantation agriculture (Palsson 2021). While it appears restrictions were relaxed over time, in the early 20th century foreigners were still required to obtain a license.

The licenses for this paper were created by the Law of 11 August 1903 (Lamy 1957 pp. 4–8). This law required all foreigners engaged in a business or occupation to receive a license for each profession and location they worked. The law did not apply only to business owners; companies that employed foreigners had to get a license and pay the fee for their employees. From fiscal year 1904-05 to 1926-27, the Haitian government regularly published lists of these licenses in its official gazette, *Le Moniteur*. I collected data on all business licenses published during this period. While

the licenses were issued for a fiscal year, for ease of exposition, I refer to the financial year by the year it ended; e.g. 1904-05 I will just call 1905. The government did not publish any lists in six years: 1908–11, 1914, 1916. Furthermore, in four financial years (1905, 1906, 1924, 1926) the government published only partial lists. This leaves 13 years of complete lists spanning a 20-year period. In addition to the lists published in *Le Moniteur*, I also collected annual counts of licenses published in the Exposé Général de la Situation de la Republique d’Haïti. In reports published in 1905–10, and 1914–20, the government reported the total number of licenses granted to foreigners. These counts do not disaggregate by nationality or industry, but they do provide a second source to confirm the patterns observed in the lists.

The lists reported the recipient’s name, nationality, and occupation. Foreigners had to renew their licenses every year, and they had to obtain licenses for each occupation. With the identifying information, I am able to match license holders over multiple years and create a panel. I find there were 3,016 unique individuals/companies holding 10,803 licenses. The average individual held about 3.5 licenses, but the median individual held only 1 (meaning I only observe them once in one sample year).

## 2.2 Measuring Uncertainty

Measuring uncertainty in any context is difficult, but there are specific challenges in Haiti. In countries with more developed financial markets, we can proxy for uncertainty with a volatility index, like the VIX in the United States. But since Haiti does not have a developed financial market, we cannot use this proxy. Another approach, used in several applications, relies on scanning news articles or other public texts for signs of uncertainty (Baker et al. 2016, Hassan et al. 2019, Caldara and Iacoviello 2022, Ramey 2011). But there are two barriers to applying this approach to Haiti. First, Haiti’s newspapers have not been digitized to the same extent as major U.S. publications like the Wall Street Journal and New York Times. Consequently, there is not an accessible, native publication that could replicate this methodology in Haiti. The second problem is that even if it was available, it might not have been helpful. Plummer (1988) says, “The Haitian official press ironically contains little documentation of an ongoing crisis in Haitian institutions....Civil society had learned to accommodate the increasingly ephemeral transitions of executive power, which had become in every sense normal.” (pp. 78–79). While Plummer is referring to the government’s gazette, *Le Moniteur*, her observation suggests that presidential transitions were more certain than uncertain.

Instead, I measure uncertainty in Haiti using a modification of the methods in the literature. Since the decision makers do not live in Haiti but instead live abroad, I rely on articles in the New York Times. Instead of searching for terms from a dictionary like in Baker et al. (2016), Caldara and Iacoviello (2022), or Hassan et al. (2019), I simply look for all articles containing “Haiti” published between 1905 and 1927. The search yielded 2,362 articles, but many either were weekly notices announcing the arrival of ships from Haiti (and other countries) or were false positives due to improper indexing in the database. Using the headlines, I filtered through the articles to find those that either mentioned Haiti directly or were at least relevant to issues in the region and obtained a final sample of 559 articles. I assume that the NYT primarily features Haiti when there is something newsworthy, and newsworthiness in a small Caribbean country is correlated with instability. Thus, we should see more articles about Haiti during times of greater uncertainty, and if the occupation reduces uncertainty, then we will see a decrease in the number of articles.

Instead of just relying on article counts, I can also quantify the coverage using methods from natural language processing (NLP). First, I get the text embeddings for each of the NYT headlines. Embeddings convert words into vectors in a topic space based on the training corpus. For example, if the corpus contained all periodicals, the word “Haiti” gets a K-dimensional vector where the scalar in the Nth-dimension is related to how frequently Haiti is associated with topic N in the periodicals. To get my embeddings, I use the text-embedding-ada-002 model from OpenAI (Brown et al. 2020). Next, I get the embeddings for issues that would be relevant for foreigners considering investments in Haiti. The issues are whether the article is about instability, uncertainty, or violence, whether the article discusses Haiti in a negative tone, or whether it discusses politics, the economy, or the military. After processing the embeddings according to Mu et al. (2017), I calculate the cosine similarity between the embeddings for the headline and the seven issues. This produces a score in the range of [-1,1] that shows how similar the topics for a headline are to topics in an issue; for example, if the headline is related to instability, it gets a score near 1, and if it is unrelated to instability, it gets a score closer to -1. In the empirical work, I test to see if similarity scores changed after the occupation.

For an additional source of publications on Haiti, I collected all papers published in the State Department’s *Foreign Relations of the United States* series for the same years. These papers document “major U.S. foreign policy decisions and significant diplomatic activity,” and are available to the public on the State Department’s website.<sup>4</sup>

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<sup>4</sup><https://history.state.gov/historicaldocuments>

### 2.3 Additional Data – Legislation and Naturalization

I collect two other datasets. First, I collect data on government legislation. From 1905 to 1917, the Haitian lawyer Etienne Mathon published an annual directory of Haitian legislation. It included all laws voted by the chamber of legislature as well as decrees (i.e. executive orders), treaties, and contracts of “general interest.” The directory lists what area of government the act affected (e.g. finance and commerce, foreign relations, etc.) and the date it was passed. Unfortunately, the directory does not include laws that were proposed but failed, which means the comparisons will just be which governments were successful at altering legislation and not which ones attempted to. Furthermore, it does not have vote tallies for the laws, which means we cannot see whether the legislation was contested or passed easily.

Finally, I collect a dataset of naturalizations based on the work of Suppice (2009). Suppice lists the name of all foreigners who received Haitian citizenship through Haiti’s history, and I tally the number naturalized annually from 1905 to 1927.

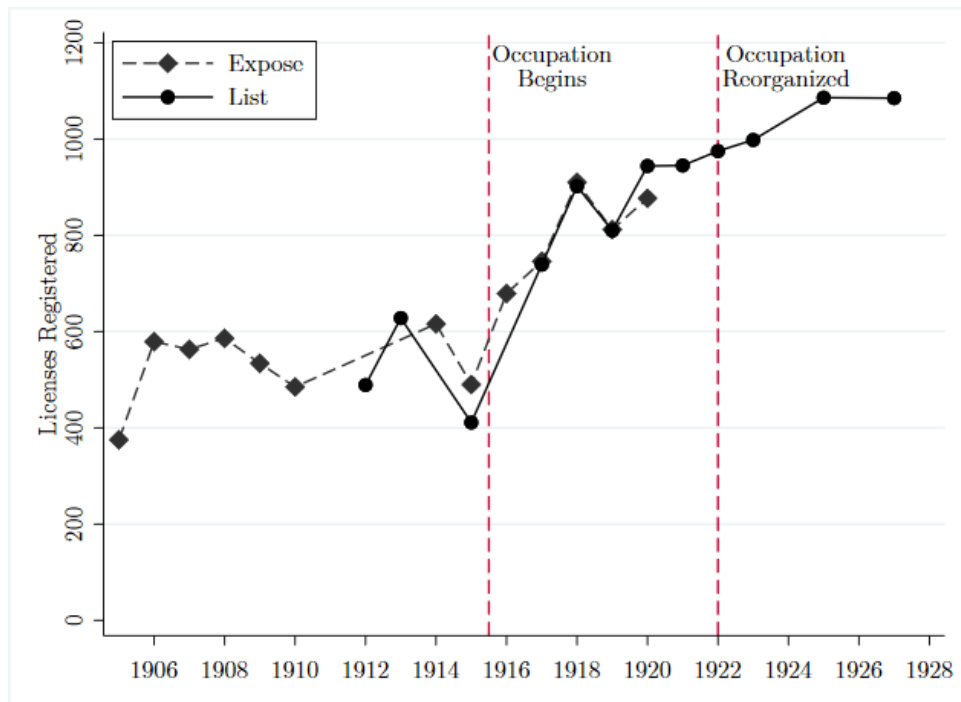
## 3 Stylized facts about foreign businesses in Haiti, 1905–27

I am interested in how the sudden imposition of stability and state capacity affected Haiti’s business environment. In this section, I focus on the stylized facts generated by the license data. I look at how many licenses were issued each year, who held them, and where they operated.

The beginning of the occupation was immediately followed by a surge in foreign business. Figure 1 presents the number of licenses issued by year. There are two series plotted. First there is the number of licenses from the lists published in *Le Moniteur*. The second series plots the totals reported in the annual exposés. Both series tell a similar story. Before the occupation, the average number of licenses issued each year was 540 and growth was stagnant. Once the occupation began, there was a rapid increase in the number of licenses, passing 900 in the early 1920s. Once the occupation was reorganized, the number of licenses continued to grow, though not as fast as the first few years of the occupation. By 1927, there were over 1,000 licenses issued to foreign businesses, a 90% increase over the pre-occupation levels.

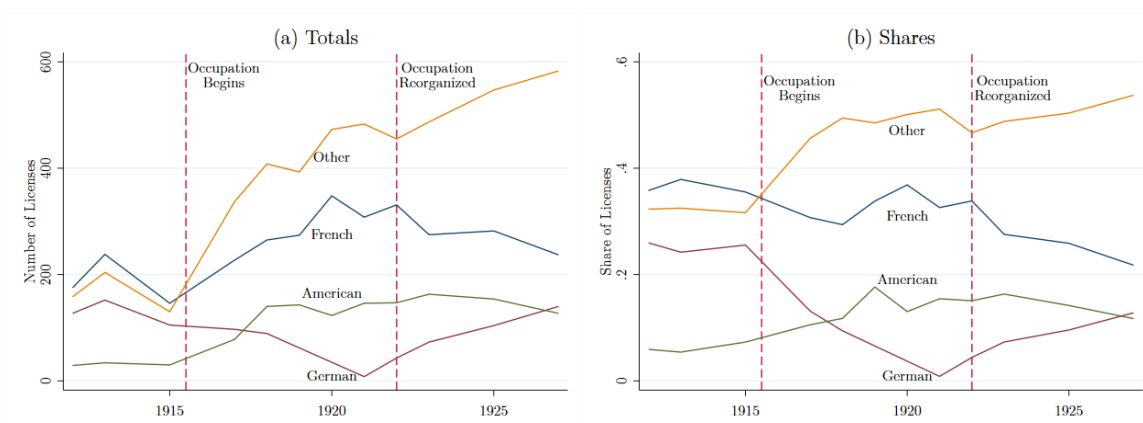
These licenses reflect an increase in applications, not just an improvement in processing requests. From 1907 to 1910, the exposés reported how many license applications the government received and how many it had approved by the time of publication. Across the four years, the approval rate was 90%, and in one year it was 96%. Moving the approval rate to 100% in each year would

Figure 1. Number of licenses for foreigners operating in Haiti by year, 1905-27



Notes: There are two series plotted in the graph: Exposé refers to the aggregate statistics listed in the annual Exposé Général de la Situation de la République d'Haïti; List refers to the license lists published in Le Moniteur. The two vertical dashed lines mark the beginning of the occupation (1915) and the reorganization of the occupation when the Americans engaged in development policies.

Figure 2. Share of licenses held by nationality, 1912-27



Notes: All data come from the lists published in *Le Moniteur*. Data are unavailable for 1914, 1916, 1924, and 1926. They are filled through linear interpolation of the year before and after.

have shifted the pre-occupation average licenses per year from 542 to 597. This was less than every year from 1916 on. The increase in licenses after the occupation was not just from improving the application system; it was a genuine increase in business interest.

Who held these licenses? One question is to ask which countries did the business owners come from. Before answering this question, I want to note that while attributing a nationality to the license is easy, assigning nationality to the individual holders is not. This is because each license reports the nationality it was registered under, but sometimes the same holders are registering under different nationalities. This is mostly a problem for license holders who are registered as companies. For example, *Simmonds Frere and Roberts, Dutton, and Co.* were two of the oldest and largest firms in the country (*Livre bleu d'Haïti* 1920), and they were also the two largest license holders in the data with various nationalities under their company name. Since the law stated that any company employing a foreigner needed to register for a foreign license (Lamy 1957 p. 8), the different nationalities within a firm represent the employees' various origins. Thus, in the following analysis, I focus on the nationality associated with each license.

The number of licenses by country are displayed in Figure 2a, and the share of licenses held by country are in Figure 2b. Before the occupation, the single largest nationality working in Haiti was the French, composing about 36% of licenses. Note, however, that the number of businesses does not directly correspond to the size or revenue of the businesses. For example, Germans were the second highest nationality at 25%, but a State Department officer reported that in 1914 Germans controlled 80% of the commercial business in Haiti (Schmidt 1971 p. 35). Similarly, the United States was the biggest source of imports, yet Americans contributed only 6% of licenses. These



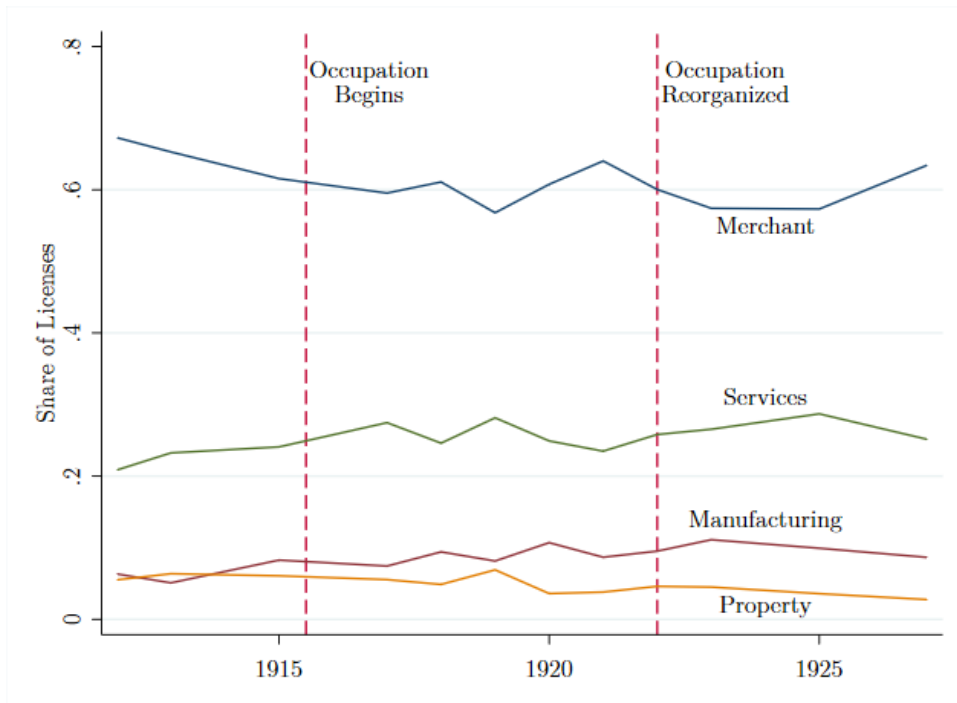
shares were stable through the three pre-Occupation years. After the occupation, there were large shifts across nationalities. I describe the changes by nationality, and in the empirical work I look at whether the shifts corresponded to actual changes in commerce.

The French, the largest pre-occupation nationality, saw two distinct shifts at the two phases. First, when the occupation began, despite France's heavy involvement in World War I, French business licenses grew quickly through 1918 and then slowed through 1921. The French maintained their dominance as the single largest nationality, though its share of licenses declined slightly as other nationalities grew. Second, when the occupation was reorganized, there was a significant drop in the number of French licenses. By 1927, the French held 22% of licenses. At first glance, this seems to confirm the French suspicions that a longer occupation would push French businesses out of the country (Schmidt 1971 pp. 112–3). But below I show that part of this change was driven by naturalizations.

One of the biggest changes through the sample period was the expulsion and return of the second largest pre-occupation nationality, the Germans. Unlike the other nationalities, there was no increase in the number of German licenses, and thus the German share of licenses fell from 26% in 1915 to 13% in 1917. This stagnation is unsurprising given that the U.S. entered Haiti in the first place because of the fear of Germany gaining a strategically important foothold in the Caribbean. Furthermore, because of World War I, many countries were enforcing blacklists against German businesses (Schmidt 1971, pp. 93–94). When Haiti issued a formal declaration of war in 1918, the American-run government forced Germans out of the economy to protect American interests, sequestering German property and interning prominent merchants. This is confirmed by the sudden disappearance of licenses in 1919. Over time, the Haitian president, Philippe Sudre Dartiguenave, resisted the exclusion of Germans and even tried to return sequestered property to them (Schmidt 1971 p. 130). This sentiment is probably behind the return of German businesses in 1922 and their restoration to pre-occupation levels by 1927, though their share of total licenses had significantly decreased to 13%.

The third largest group, the Americans, gained, but not as much as one might expect given the nature of the occupation. Like with the French, the number of American licenses increased significantly in the first phase, and the share peaked in 1919 at 18%. But growth plateaued after 1919, and there was little change after the reorganization. Because of the lack of growth, the American share of licenses declined to 12% in 1927. This confirms Schmidt's (1971) claim that even though the reorganization was designed to attract more investment, Americans were deterred

Figure 3. Share of licenses held by industry, 1912-27



Notes: See notes for Figure 2.

by the early experiences of investors who found that Haiti had “limited potential for economic development” (p. 155).

Finally, there was significant growth in the group of “Other” nationalities. Much of this growth was driven by large groups gaining greater footing in the country. For example, the English were just as prominent as Americans and saw similar growth patterns. Italians were less prominent early on, but by 1927 they were one of the largest groups. Before the occupation, Syrian merchants experienced strong discrimination from the Haitian government and were pushed out of business, but because they were important to American business interests, the U.S. often intervened to advocate their cause (Plummer 1984). With sympathetic leadership, Syrians were able to replace German merchants, which also happened in the Dominican Republic under American occupation (Mcpherson 2013). But there were also groups that had no presence before the occupation but grew their presence. China had no licenses until 1917, then after the occupation, and more importantly after the Panama Canal, Chinese businessmen entered the market. After 1921, there were about 20 licenses issued to Chinese-owned businesses each year. Foreign participation in the occupation’s business environment was more inclusive than just an American affair.

In which industries were these foreigners working? Figure 3 shows the shares of licenses by

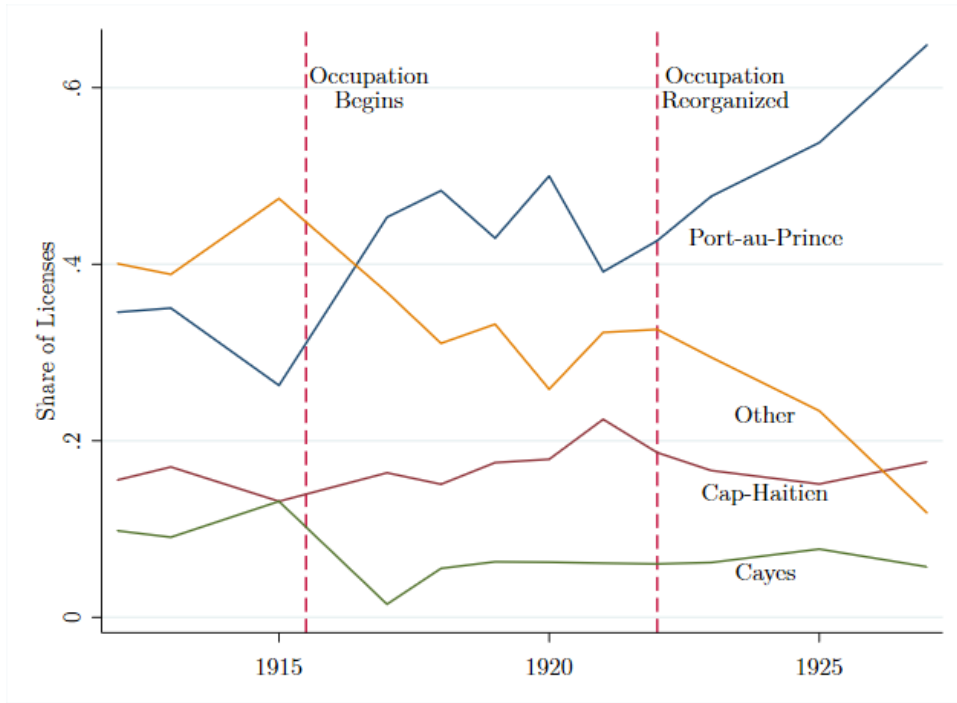
industry, with four industry groupings. First, there were merchants engaged in importing and exporting, and this made up about 60% of licenses in each year across the whole sample. Second, there were services, which slowly grew from 20% of licenses in 1912 to 25% in 1927. Third, manufacturing grew from 5% to 10%. Finally, there is a category for whether the license was for owning property such as a car or boat, and those declined from 5% to 3%. Notably absent from this list is agriculture, but fewer than 1% of all licenses were in this category. Because of their insignificant share, I grouped agricultural licenses with the merchants because the few that existed were export-oriented operations. While there were general trends in the industry shares, there were no large shifts at any of the occupation events.

The lack of shifts in manufacturing, agriculture, and property is interesting since the biggest policy change in the occupation was the 1918 constitutional change that allowed foreigners to own land in Haiti. The inability to own land was a significant barrier to developing large-scale agriculture (Palsson 2021), yet the licenses show no evidence of foreigners entering to take advantage of the new law. The closest we can see is the Haitian American Sugar Company (HASCO), which was founded in 1912, expanded employment in 1918. But in 1922 HASCO licenses only accounted for 1% of all licenses. The lack of response supports the hypothesis that the biggest impediment to plantation agriculture was the widespread ownership of small farms (Palsson 2021).

Finally, where were these businesses operating? Figure 4 shows the share of businesses by location. There were two important shifts in the geographical distribution of business licenses. First, there was a large shift immediately after the occupation began. Before 1915, around 35% of licenses operated in the capital, Port-au-Prince. After the occupation began, the share of licenses in Port-au-Prince increased to 45%. This share had plateaued between 1917 and 1921, but then there was a second shift after the reorganization in 1922. The Port-au-Prince share increased rapidly, reaching 65% in 1927. The share in the second largest city, Cap-Haitien, experienced minor fluctuations but stayed roughly constant around 15% through the entire sample period. The third largest city, Cayes, lost some share when the occupation began, shifting from 9% to 6%. The largest changes driving the increase in Port-au-Prince's share was the number of licenses operating in smaller cities.

These patterns reveal the occupation's effect on foreign investment was more inclusive than previously believed. While the American presence in Haiti grew with the American occupation, Americans remained a minority in the business community. And while America remained Haiti's largest source of imports and France the largest destination of exports, many of these licenses from

Figure 4. Share of licenses held by city, 1912-27



Notes: See notes for Figure 2.

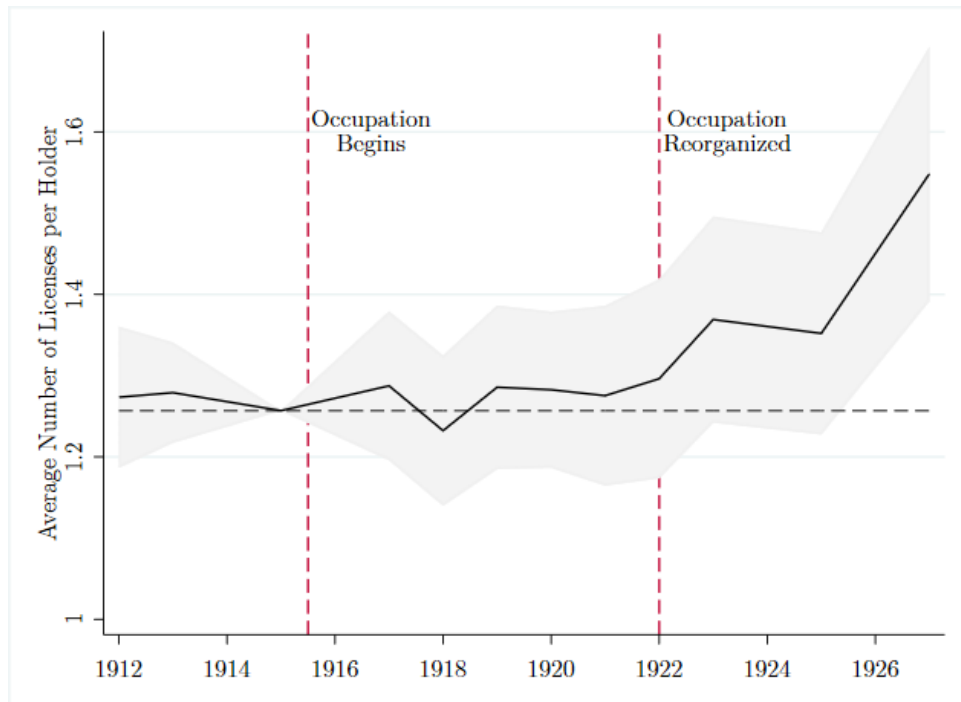
other countries were not focused on foreign trade. Many of the Italians registered as tailors and shoemakers. Most of the Chinese licenses were for local services, like restaurants, bakeries, and hotels. The end of instability was followed by a diversifying economy.

An important question behind the increase in licenses is whether this reflects an increase in competition or concentration. Since the pre-occupation business environment was shaped by government-granted concessions (Schmidt 1971 pp. 169-70), an increase in competition would help reduce rents. But since those businesses were already established, they might have been primely positioned to take advantage of Haiti’s changing stability. These businesses might expand their operations or even branch into new opportunities.

I examine competition versus concentration by looking at the number of licenses held by each license holder. If the growth in licenses is coming from incumbents expanding into new opportunities, the average number of licenses per holder should increase. But if the licenses come from increased competition, the number of licenses per holder should be constant.

The average number of licenses per holder per year is reported in Figure 5. The figure also contains a 95% confidence interval from regressing the number of licenses per holder on a set of year dummies, using 1915 as the omitted year and clustering standard errors at the license holder

Figure 5. The average number of licenses per holder, 1912–1927



Notes: Gray area depicts the 95% confidence interval, obtained from regressing the number of licenses per holder regressed on a set of year dummies, using 1915 as the reference year and clustering standard errors at the license holder level. The horizontal dashed line is the average number of licenses per holder in 1915.

level. Before the occupation began, the average license recipient held 1.3 licenses. In the first phase of the occupation, that average held constant, with no year having a statistically significant different from the pre-occupation average. Then, after reorganization, the average increased, until in 1927 the average recipient held 1.7 licenses. While only the 1927 point estimate is statistically different from the average in 1915, the post-reorganization trend is statistically different from zero.

These results show that the increase in foreign business was first an increase in competition followed by an increase in concentration. As Figure 1 shows, the first phase of the occupation was when the number of licenses grew the most. But since the average number of licenses per holder was constant, it looks like the rapid growth was an increase in competition, not concentration. In the reorganization phase, growth slowed. Schmidt (1971, p. 155) says this is because investors saw limited potential in Haiti, and that is reflected in the growing average of licenses held. This growth was not from new competitors looking for opportunity in Haiti, it was from incumbents who were increasing their reach.

While this confirms there was some increase in concentration, most of the growth came from an increase in competition. What about the occupation induced the early increase in new license holders? In the following sections, I look for mechanisms.

## **4 Mechanisms**

After the U.S. occupation of Haiti began in 1915, foreign-owned businesses roughly doubled. Now I address what about the occupation could have caused this increase. After looking at whether this shift reflected increased competition or concentration, I address hypotheses common to the literature on instability: uncertainty, constraints on the executive, and regional/industrial distortions.

### **4.1 Competition versus Concentration**

### **4.2 Perceptions of Uncertainty**

Instability and conflict increase uncertainty. There are several mechanisms for this. Instability and government turnover change who decides policy, which can increase uncertainty about future policy (Alesina et al. 1996). Conflict also destroys property, which increases uncertainty about property rights, and threatens lives, which increases uncertainty about the supply of labor (Ksoll et al. 2022, Blumenstock et al. 2020). Since uncertainty reduces the expected value of firm profits, we expect to see fewer firms when uncertainty is higher. The goal of this analysis is to see whether the American

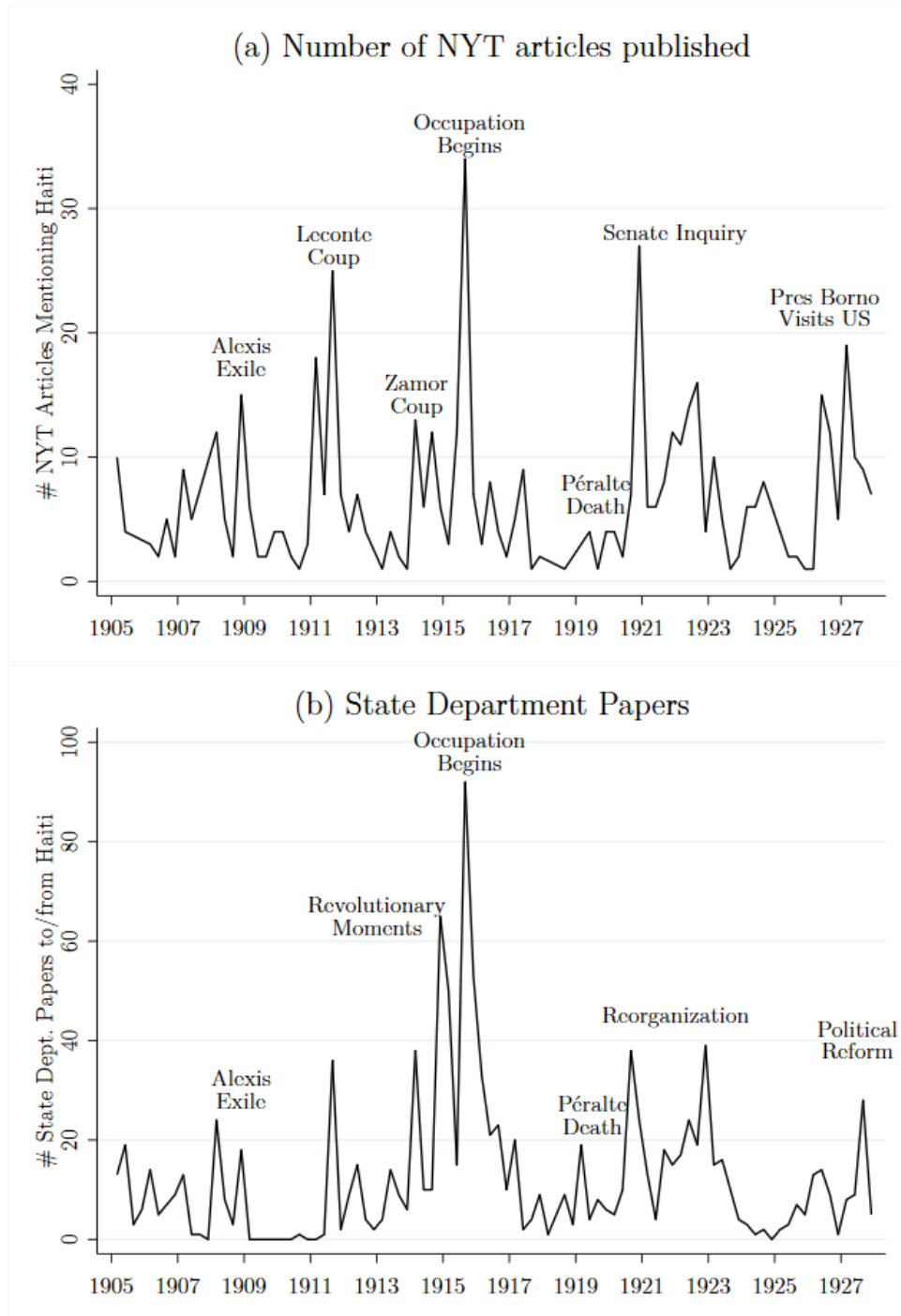
occupation decreased uncertainty.

For instability to affect investment, the foreign investors must know about the problems and understand when the situation changes. Were foreigners aware of Haiti's political instability, and did the occupation change their perceptions? It would be difficult to assess every country's awareness of Haiti, but the American experience provides some insights. The conventional view is that Americans, and American businessmen in particular, were ignorant of Haiti (Schmidt 1971 p. 54). A great example of America's general ignorance of Haiti is Secretary of State William Jennings Bryan, who is infamously reported to have been shocked to learn in 1912 of the Black, French-speaking nation (Schmidt 1971 pp. 47-48). The ignorance of businessmen in particular is evidenced by the small role Haiti played in foreign investments: only 0.32% of American investments in Latin America went to Haiti (Schmidt 1971 p. 41). Yet the existence of investments in Haiti proves that at least some businessmen were aware of Haiti's situation. Indeed, Sommers (2003) has challenged this conventional view, showing that a small group of businessmen and public officials exchanged ideas in the Pan-American Bulletin about investment opportunities in Haiti. Thus, the small level of investments in Haiti may not reflect an ignorance of Haiti; instead, it may indicate Americans knew Haiti's political economy created a rough atmosphere for investments. In fact, investors acknowledged that one of the greatest barriers to investment was political instability (Sommers 2003).

Using the New York Times articles, I look at the frequency and content of articles about Haiti. Figure 6a shows the number of articles mentioning Haiti published each quarter in the New York Times from 1905 to 1927. Before the occupation began, there were regular spikes of coverage that coincided with Haiti's most contentious periods. Notable spikes are the Leconte and Zamor coups in 1911 and 1914, and of course the largest spike is in the quarter when the Marines landed in Haiti. There is a lull in coverage after 1915, and while eventually the number of articles recovered, the nature of them changed. For example, the first collection of spikes starting in 1920 discuss the news surrounding the Senate inquiry into abuses during the occupation. While these articles focused on the violence inflicted by the occupation, the subtext was that Haiti had been stabilized, even if the cost was great. Another spike in 1926 was connected to President Borno visiting the US. The occupation shifted the nature of coverage, which supports the hypothesis that the occupation significantly reduced the perception of Haiti's instability.

While the news coverage correlates well with the periods of instability, it is not perfect. In 1918 and 1919 there were resurgences of Caco resistance, culminating in the death of Charlemagne

Figure 6. Time Series of NYT Articles and State Department Papers Mentioning Haiti, 1905-1927



Notes: Panel (a) includes all articles in the New York Times from 1905 to 1927 that mention Haiti, filtering on the headline to ensure the article was relevant to Haiti and the region (see data section for details). Panel (b) includes all papers about Haiti included in the State Department’s *Foreign Relations of the United States*. Text above the series refers to general themes surrounding the articles and papers.



Péralte in November 1919. Despite the increase in resistance, there was little coverage. Moreover, the little coverage that did exist framed the conflict as a heroic endeavor, not a sign of instability. “Passengers arriving yesterday from Haiti...had a thrilling story to tell about the slaying of the Haitian bandit Charlemangue [sic].”<sup>5</sup> Perhaps the American press was confident that the uptick in violence was not a serious threat to Haitian politics under American supervision. Indeed, when the news finally caught up on reporting on the violence in 1920, as shown by the spike, it did not focus on how the instability affected governance. Instead, the coverage examined abuses from the marines, eventually inspiring a Senate investigation. The focus was on the marines, not the uncertainty. Regardless, these articles are meant to measure perceptions of instability, not realized instability; thus, the absence of news likely conveyed that Haiti was operating as intended and open to investment.

There are some concerns that coverage might have shifted just after the occupation began because of World War I. This is a reasonable alternative hypothesis, since newspapers have limited space and reports on a global war probably sold more papers than updates on a small island neighbor. To verify that there was a shift in coverage, Figure 6b looks at papers in the State Department’s *Foreign Relations of the United States* series. Since these papers are related to significant diplomatic activities, they are not subject to the same issue as the New York Times articles’ profit motive. The pattern in Figure 6b has similar spikes during what the documents describe as “revolutionary moments.” The post-occupation spikes are more muted than in the NYT graph, but they have a similar shift in tone. Many of the papers around 1920-22 discuss the reforms happening during the reorganization of the occupation, and the spikes in 1926-27 discuss changes in the Haitian constitution and electoral process. The State Department papers and the NYT articles both signify the occupation shifted the news coming out of Haiti.

I can get a better sense of how content changed by looking at the text embeddings of the NYT headlines. Table 2 reports how the scores for seven issues changed after the occupation. When looking at how the similarity scores with “uncertainty” shifted after the occupation began, there is no significant difference. In fact, the negative scores indicate that the headlines expressed little uncertainty. This could be because headlines are often more declarative than the article content and might not mention words related to uncertainty. Thus, I explore more issues related to uncertainty that the occupation should change. The highest-scored issue before the occupation was violence, meaning headlines frequently mentioned words and phrases associated with violence. But after the occupation began, the average violence score dropped by 25%, significant at the 1% level. The

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<sup>5</sup>NYT 7 Dec 1919

Table 2. Change in NYT content after the occupation

Issue	Pre-Occupation	Post-Occupation	Difference
uncertainty	-0.0362	-0.0445	-0.00824 [0.0164]
violence	0.218	0.161	-0.0576*** [0.0175]
instability	0.113	0.0638	-0.0489*** [0.0159]
negative	0.0424	0.0468	0.00432 [0.0168]
politics	0.0257	0.0324	0.00667 [0.0187]
economy	0.00369	0.000974	-0.00272 [0.0190]
military	0.0428	0.0487	0.0059 [0.0173]

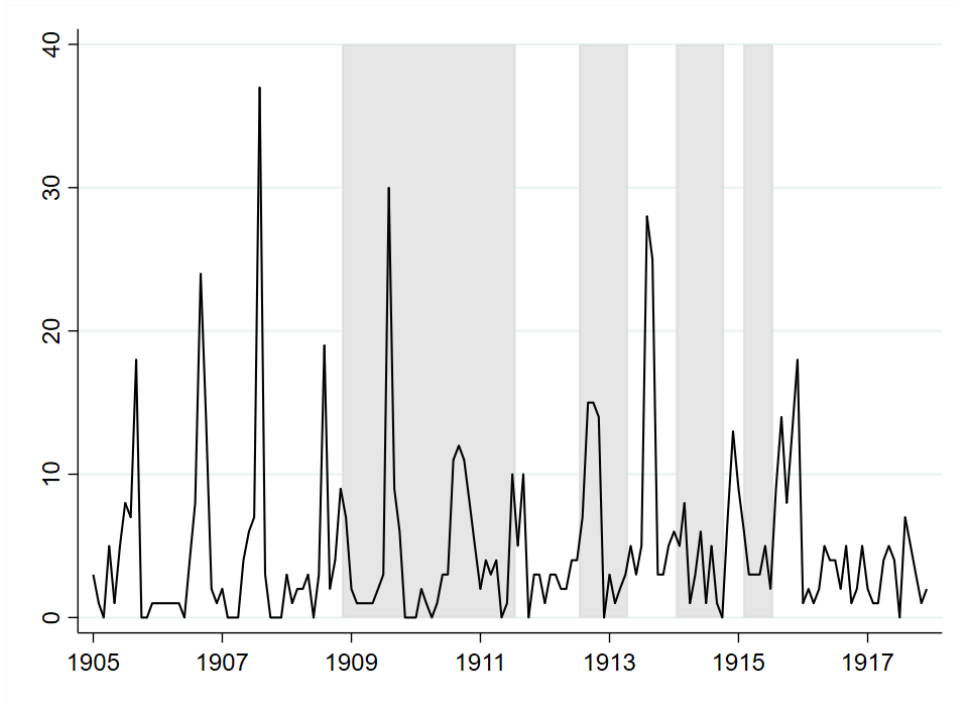
Notes: Similarity scores were produced by getting the text embeddings for NYT headlines and comparing them to the embeddings for the issues in the first column. Similarity scores range from -1 to 1. A score of 1 is maximum similarity, a score of -1 is maximum dissimilarity. \*\*\*  $p < 0.01$

second-highest issue was instability, which dropped by 44% after the occupation, significant at the 1% level. No other issue saw significant changes: headlines before and after were just as likely to discuss Haiti with negative phrases and to mention the politics, the economy, or the military. But the change we do observe was pertinent for investors. For Americans considering Haiti, the press communicated that Haiti was much safer than it was before 1915.

### 4.3 Policy and Constraints on the Executive

While uncertainty about personal safety is a legitimate concern around investing in another country, one of the most common mechanisms for uncertainty to affect investment is through policy (Alesina et al. 1996). If frequent changes in government lead to regular changes in policy, and those policies directly affect business, then investors will avoid the country. Furthermore, regular extra-constitutional changes in government may indicate that there were few constraints on the executive. Although the political disputes were not centered on policy, it is still worth exploring whether there were constraints on the president or whether he could alter policy at will. If, during Haiti’s heightened instability, each new president created a rush of new policies, then businesses still faced significant uncertainty. Furthermore, even when the transitions are not ideologically

Figure 7. Monthly legislative acts, 1905-1917



Notes: Acts include all laws voted by the chamber of legislature as well as decrees, treaties, and contracts of “general interest. The alternating shading indicates presidential tenure (see Table 1).

motivated, if there are few constraints on the executive then the policies will reflect the disposition of the president, not the will of the people. To look for these possibilities, I analyze how legislation is affected by transitions in power.

Figure 7 shows the number of acts passed each month from January 1905 to December 1917. Across all types of acts, there are an average of 60 per year. Also, there is a clear seasonal trend around when the legislative sessions end around August each year. The alternating shading in the background indicates the changes in presidential tenure detailed in Table 1. After most transitions, there is a spike in acts passed. Most of these peaks are small relative to the seasonal legislative spikes, but they are large relative to the off-season. While the data are limited to the pre-occupation period, understanding more about policy in this period can provide insights on what deterred business entry.

To look at whether new presidents cause an increase in government acts, I use a regression analysis. My unit of observation is a calendar day, and the outcome of interest is the number of government acts passed that day. Since the biggest concern is that a new president would take power and change policy, the treatment variable is whether that day is just after a new president takes power. But how do we define the relevant treatment period? The average presidential tenure over

Table 3. Legislation following the installment of a new president, 1905–1917

	(1) All Acts	(2) Laws	(3) Decreases	(4) Finance	(5) Tax	(6) Credits	(7) Pardons
A. First 90 Days	0.071** [0.032]	0.031 [0.026]	0.044*** [0.013]	0.034** [0.015]	0.00013 [0.0045]	0.025*** [0.0059]	0.0019** [0.0008]
B. First 60 Days	0.053 [0.039]	0.020 [0.031]	0.037** [0.015]	0.038** [0.018]	0.0029 [0.0054]	0.026*** [0.007]	0.0028*** [0.0010]
C. First 30 Days	-0.058 [0.053]	-0.094** [0.043]	0.026 [0.021]	-0.023 [0.025]	-0.0075 [0.0074]	0.0091 [0.0097]	0.0053*** [0.0014]
Dep. Var. Mean	0.17	0.092	0.052	0.057	0.0077	0.014	0.00030

Notes: All regressions have 3,391 observations and contain month-of-year fixed effects to account for the legislative season. Column 1 looks at all acts published in the annual directories. Column 2 looks at laws (which required the National Assembly’s approval) and column 3 looks at decrees (executive orders). Column 4 looks at whether the act was classified in the directory as related to finance or commerce. Columns 5 through 7 look at the content of the act, whether it was related to a tax reform, a credit appropriation, or a pardon. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$

this period was between 7 and 8 months (see Table 1), so the window for affecting legislation was narrow. In the US, where most presidents serve their full four-year term, the media often focuses on what a new president accomplishes in the first 100 days. But not only is that an arbitrary cutoff, not every Haitian president in this period served a full 100 days. To avoid a single, arbitrary treatment, I define treatment using three different windows: the first 90 days of a new president taking office, the first 60 days, and the first 30 days. The different windows not only avoid an arbitrary cutoff, the differences in outcomes across treatment windows can reveal how presidents affect legislation.

Table 3 shows the results of the act analysis. Within the first 90 days of a president taking power, there are 0.07 more acts passed per day than outside this window (column 1). Since the average number of acts passed per day is 0.17, that is a 41% increase, and it is statistically significant at the 5% level. When the window is shortened to 60 days, there are 30% more acts passed per day, but this is not statistically different from zero. And when treatment is defined as the first 30 days, the effect is -30%, but it is again not significant. The pattern, however, follows what we would expect from a sudden transition: the first 30 days are disordered, leading to fewer government acts,

but as the new administration is established, it begins to act.

The data allow us to distinguish between laws (which must be voted on by the National Assembly) and decrees (which are given unilaterally from the president). Table 3 shows how presidential transitions affect laws and decrees. In the first 90 days, there is no statistically significant difference in the number of laws passed (column 2). When the window is narrowed to the first 30 days, however, there is a strong negative effect, amounting to a 100% decrease in the number of laws passed. This could be the same story told in the previous paragraph: new presidents initially disrupt the government until a new administration is established. But the results flip when we look at decrees (column 3). Presidents issue 85% more decrees in the first 90 days than they do outside the window. While the point estimate decreases as the window narrows, it remains positive.

The results on laws and decrees reveal that political instability could create concern over constraints on the executive. We can see some constraints on the executive with the results on laws. For a new law to be passed, the National Assembly has to be in session. Furthermore, new legislation takes time to gain support. The new presidents have little power over laws. But that does not mean they are powerless. They can, and do, use decrees to redirect government resources to their agendas. Foreign businessmen might see the lack of constraint and worry what it could mean for their investments.

The lack of constraints could be especially worrying to investors if the acts affect business. To check this, I look at how many acts were issued under finance and commerce. Table 3 shows that acts in this category increased by 60% in the first 90 days. But it is not clear that these acts would distort the business environment. When we look at the number of acts related to taxes, tariffs, or customs (column 5), there is a precisely estimated null effect. But acts that appropriate funds for a new use (column 6) increase by 180%. The acts do not seem to directly affect businesses, but they may alter business expectations through fears that one day the appropriated funds will be collected through taxes or reconfirm the limited constraints on the executive.

The final type of act to analyze are pardons. Presidents frequently passed acts granting amnesty to participants in political dissent. In Table 3, Column 7, the results show that pardons increase by over 600% in the first 90 days. This is the only outcome where the results are larger and statistically stronger when the window is restricted to 30 days. While these pardons are unlikely to affect business, they again demonstrate that presidents had few constraints and could pardon allies.

Although the analysis has provided evidence that before the occupation Haiti had few con-

straints on executive power, it is unlikely that the American occupation changed this. Indeed, Figure 7 shows that the beginning of the occupation was followed by the same spike in acts that we observe in other transitions. Constraints on the executive deteriorated under the occupation. Since independence, the Haitian constitution had forbidden foreigners from owning land (Palsson 2021). In 1917, the Americans pushed for a constitutional reform. When the National Assembly opposed it, the occupation had President Dartiguenave issue a decree to dissolve the Haitian legislature (Schmidt 1971 p. 97). The president ruled by decree until the legislature was reassembled in 1929. The occupation removed some checks on executive power, but it also added the check of American control. If the foreign businessmen were responding to changes in executive power, the most influential change was that the executive was now credibly controlled by an aligned interest.

#### 4.4 Correcting versus Creating Distortions

Reducing uncertainty helps all businesses, but the occupation might have also corrected distortions that affect specific areas or industries. I now turn to whether the occupation changed the spatial and industrial distribution of businesses.

As discussed above, Figure 4 shows that there were significant shifts in where businesses were located. It is unclear, however, whether this was a correction or a new distortion. One of the most common ways instability affects the business environment is by distorting the optimal allocation of resources away from areas of conflict. In conflict areas, workers have a harder time leaving the home to work and may even leave the area to find work somewhere else (Blumenstock et al. 2020, Ksoll et al. 2022), and, as a result, firms avoid areas with high conflict (Camacho and Rodriguez 2013, Blumenstock et al. 2020). Since Haiti's conflict was centered in Port-au-Prince, the end of instability might have corrected the spatial distribution of business. But it is also possible that the significant military and bureaucratic presence in the capital created a new distortion. This is supported by the large increase in Port-au-Prince businesses after the reorganization. Since there were few new businesses, this was primarily a shift of businesses away from the smaller cities and into the capital. The reorganization and commitment to staying in the country reallocated resources to Port-au-Prince. The welfare implications of the shift are ambiguous. On the one hand, the occupation was a relatively short-term phenomenon, and diverting resources to service the occupation may have hurt other communities. On the other hand, getting more people and business to the capital may have reflected agglomeration effects that encouraged economic growth.

Instability and conflict can also distort the distribution of resources across industries. Individ-

uals who are worried their property will be stolen choose occupations that let them watch over their property or refrain from working at all (Field 2007, Agyei-Holmes et al. 2020). Conflict also serves as a barrier to entry, limiting competition in some industries (Guidolin and La Ferrara 2007). Haiti’s instability may have distorted which industries were most profitable. For example, if the revolutionaries targeted fixed assets during their raids, foreign investors might be less willing to invest in manufacturing. The historical records suggest that industrial distortions in Haiti were not a big issue. The insurrections did not target any industries in particular, and the rebels took care to avoid foreign businesses (Plummer 1988 p. 54). Indeed, the evidence from Figure 3 indicates that the occupation and reorganization did not change the distribution of industries.

#### 4.5 Naturalizations

The discussion on licenses to this point has assumed that the only way licenses decrease is if the business owner leaves the country. But these businessmen can continue to operate without a foreign license if they become naturalized Haitian citizens. In fact, naturalizations became a common enough reason for licenses to decrease that the fiscal authority began noting them. In 1926, they noted, “During the fiscal year 46 taxpayers were removed from the rolls as a result of naturalization decrees granted them” (Haiti Bureau du representant fiscal 1926 p. 122). Thus, to complete the picture, I look at how the occupation altered patterns in naturalizations.

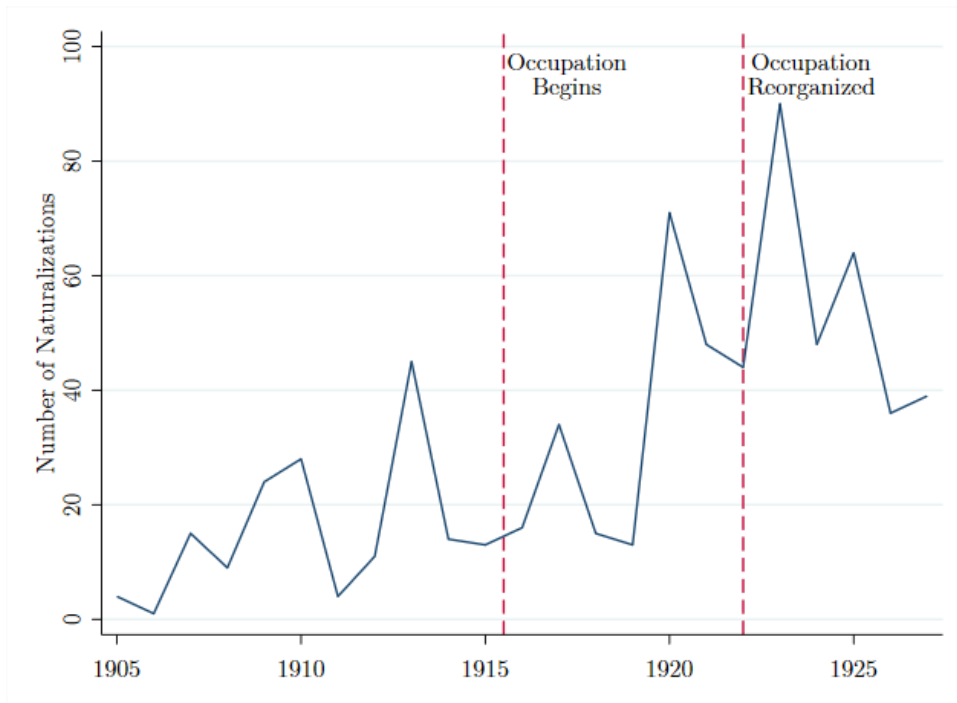
Figure 8 shows the number of foreigners naturalized as Haitian citizens from 1905 to 1927. Naturalizations were rare in Haiti. Before 1920, the average per year was 16. But in 1920, there was a significant shift in levels to 55 per year. While this was a large shift relative to the past trend, naturalizations remained rare.

The naturalizations were focused in a few nationalities. Over this period, 30% of naturalizations were from French citizens, and 17% came from Syrian. The third and fourth highest source of naturalizations were England and Denmark, respectively. American citizens were the seventh highest source, accounting for 4.5% of naturalizations.

While it looks like naturalizations changed around the time of reorganization, this is an artifact of the lag to naturalize. According to Suplice (2009), it takes about five years to naturalize. Thus, we do not see a change in 1915. Instead, we see an increase in levels in 1920.

Why did naturalizations increase? While I cannot directly answer this, there are two hypotheses. One interpretation is that the occupation changed the premium to Haitian citizenship. This would happen if the law treated naturalized citizens differently than foreigners, perhaps in taxes, and if

Figure 8. Naturalizations by year, 1905–1927



Notes: Naturalization figures come from Supplice (2009).

the occupation meant the businesses could secure these benefits longer. Another explanation would be that there were just significantly more foreigners in the country. This is supported by the large increase in foreign businesses shown in Figure 1. Either way, not only did the occupation increase naturalizations, the flattening of the trends in Figure 1 is in part due to foreigners exiting the licenses through naturalization.

## 5 Licenses and Economic Activity

While the licenses suggest an increase in foreign business activity, they are only a proxy. Businessmen could get a permit without having to operate the business. In fact, one businessman, Harris Lifschitz, held a license for a sugar mill but never owned one (Casey 2015). How much of the increase in licenses reflects an increase in economic activity?

To test this, I use data on imports by country. Since the most common profession is merchant, we should expect that imports from a country should correspond to the number of licenses held by businessmen from that country. To test this hypothesis, I regress the log value of imports—adjusted for inflation using Bulmer-Thomas (2012)—on the log number of licenses. The data only allow me to consistently disaggregate imports across four countries: the United States, the United Kingdom,



Table 4. The relationship between imports and licenses by nationality, 1912–1927

	(1)	(2)	(3)	(4)
log(Total Licenses)	0.82**	0.80**		
	[0.17]	[0.18]		
log(Merchant Licenses)			0.89**	0.87**
			[0.22]	[0.23]
N	48	44	48	44
Excludes 1920		X		X
R-squared	0.97	0.96	0.97	0.97

Notes: All regressions control for year and country fixed effects. Standard errors are clustered by year and country. \*\*  $p < 0.05$

France, and Others. To account for differences in levels, the regressions include country fixed effects. Note that the value of imports does not include merchandise for the military since customs did not collect on it (General Receiver of Haitian Customs 1921, p. 5).

Table 4 reports the results. The high R-squared of the regression indicates that, as we should expect, the country and year fixed effects account for most of the variation in imports. But there is still a strong, statistically significant relationship between the total number of licenses and the value of imports from that country: column 1 shows a 10% increase in total licenses is associated with an 8% increase in imports. To test the robustness of the regression, in column 2, I drop the year 1920—where there was a large spike in imports because of an abnormal shipment of cotton and flour—and the results still hold. Since we might expect imports to come through the merchants, in column (3) I restrict the licenses to those held by merchants. These results report a slightly higher coefficient, showing that a 10% increase in licenses is associated with a 9% increase in imports, but the point estimate is not statistically different from the estimate in column (1). This suggests the licenses are not just meaningless pieces of paper. They are related to real economic activity.

While the results from Table 4 show a connection between foreign business licenses and economic activity, they do not explain the direction of causality. It could be that the increase in business licenses led to an increase in economic activity, or it could be that an increase in economic activity attracted more businessmen. Most likely, it is a combination of both. Regardless, there seems to have been an improvement in the business environment that let both imports and business activity increase.

## 6 Conclusion

This paper examines the outcome of a sudden shift in political stability and state capacity in Haiti following the 1915 US occupation and the 1922 reorganization. I find that after the occupation began, the number of business licenses increased by 75% by 1921. But after reorganization, which oriented the American officials towards economic development, the increase was a modest 15%. Many of the patterns that existed before the occupation persisted into the occupation period. The French remained the number one holder of licenses, but the participation of other nationalities grew significantly. The industry shares remained stable. The biggest change in licenses was that the share operating in the capital, Port-au-Prince, increased from 35% to 65%. While the paper is limited in its ability to make strong causal claims, I argue that the increase in business activity came because the occupation reduced uncertainty and put the unconstrained executive power in the hands of Americans, a force that foreigners felt they could trust.

These findings are interesting to consider in the debate on the historical factors that contributed to Haiti's underdevelopment. Lacerte (1981) argues that Haiti's hostility to foreigners was a major contributor to its long-run poverty. But the increase in business activity observed here seems too small to have made a difference to development. As mentioned above, before the occupation, Americans had only \$2 million worth of investments in Haiti (Schmidt 1971 p. 54). The occupation led to roughly four times as many American licenses, but let's suppose that total American private investment in Haiti increased by 10 times, which is a generous estimate. That would bring American investment in Haiti to \$20 million, which would still be less than 10% of what Americans were investing in Cuba. Thus, while hostility and instability decreased foreign investment in Haiti, it is a weak hypothesis for the drought of dollars. Instead, there are several hypotheses for why investment remained low: Haiti's limited infrastructure made transporting goods and crops difficult (Sommers 2003), its land institutions made it hard for foreigners to find enough land to create the scale of agricultural operations they desired (Palsson 2021), its environmental degradation was already making investments unattractive (Lundahl 2011), or the structural roots of its instability remained and would likely cause more problems in the future.

Unfortunately, this paper is limited in the mechanisms it can investigate. For example, an important mechanism to consider is the effect of instability on political connections (Durnev et al. 2015). If political connections are important to operating a business in a developing country, then constant political upheaval could ruin relationship investments or deter businesses from investing in relationships. Indeed, modern work on Haiti shows that social structures are an important

determinant of who supported the 1991 coup against President Aristide (Naidu et al. 2021). Future research might be able to explore whether these businesses relied on political connections and how the instability and occupation affected them.

This paper is important for modern policy questions, especially in relation to Haiti. After the assassination of President Jovenel Moïse in July 2021, the political situation deteriorated, resulting in gangs controlling most of Port-au-Prince and its ports. In October 2022, in response to a plea from Haiti's prime minister, the US and UN discussed sending troops to "break the stranglehold of gangs."<sup>6</sup> This paper shows that while sending troops might establish stability and improve the business environment, the cost of creating stability might make the international community hesitate before sending troops.

## Data Availability

The data and methods underlying this article are available in <https://github.com/palssonc/whirligig>

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<sup>6</sup>U.S. resolution proposing rapid force for Haiti imperiled: 'No one is stepping up', By Michael Wilner And Jacqueline Charles October 25, 2022, Miami Herald.

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