How a French Bank Captured Haiti

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The Ransom

Lire en français Li an Kreyòl

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Every sentence of the invitation ended with an inky flourish, a triple loop of calligraphy befitting a night of dinner, dancing and fireworks at Haiti's national palace.

Debt had smothered the country for more than half a century. Despite ousting its colonial rulers in a war of independence, Haiti had been forced to pay the equivalent of hundreds of millions of dollars to its former French slave masters, a ransom for the freedom it had already won in battle.

But on the night of Sept. 25, 1880, paying off the last of that money finally seemed within reach. No longer would Haiti lurch from one financial crisis to the next, always with a weather eye on the horizon for the return of French warships. The new president, Lysius Salomon, had managed a feat that had eluded the nation since birth.

Salomon had reason for optimism. European national banks had financed railroads and factories, softened the blows of recessions and added certainty to the business of governing. They helped bring life to a majestic version of Paris, one with clean water, sewers and grand avenues — investments that would pay off long into the future.

Now, it was Haiti's turn. Salomon called it "a great event, which will go down in history."

It was all a mirage.

The National Bank of Haiti, on which so many hopes were pinned that night, was national in name only. Far from an instrument of Haiti's salvation, the central bank was, from its very inception, an instrument of French financiers and a way to keep a suffocating grip on a former colony into the next century.

Haiti's central bank was set up by a Parisian bank, Crédit Industriel et Commercial. At a time when the company was helping finance one of the world's best-known landmarks, the Eiffel Tower, as a monument to French liberty, it was choking Haiti's economy, taking much of the young nation's income back to Paris and impairing its ability to start schools, hospitals and the other building blocks of an independent country.

Crédit Industriel, known in France as C.I.C., is now a $355 billion subsidiary of one of Europe's largest financial conglomerates. But its exploits in Haiti left a crippling legacy of financial extraction and dashed hopes — even by the standards of a nation with a long history of both.

Haiti was the first modern nation to win its independence after a slave uprising, only to be financially shackled for generations by the reparations demanded by the French government for most of the 19th century.

And just when that money was nearly paid, Crédit Industriel and its national bank — the very instruments that seemed to hold the promise of financial independence — locked Haiti into a new vortex of debt for decades more to come.

French elites, including a descendant of one of the wealthiest slaveholders in Haiti's history, controlled Haiti's national bank from the French capital. Their ledgers show no investments in Haitian businesses, much less the kinds of ambitious projects that modernized Europe.

Instead, original records uncovered by The New York Times show that Crédit Industriel siphoned tens of millions of dollars out of Haiti and into the pockets of French investors.

The national bank that Crédit Industriel created charged fees on nearly every transaction the Haitian government made. French shareholders earned so much money that in some years, their profits exceeded the Haitian government's entire public works budget for a country of 1.5 million people.

That history has been all but erased. Scholars say most of Crédit Industriel's archives have been destroyed, and Haiti does not appear on the timeline used to publicize the company's history as one of France's oldest lenders. When it commissioned an official history to commemorate its 150th birthday in 2009, Haiti barely warranted a mention. The scholar who wrote that history, Nicolas Stoskopf, called the company "a bank without a memory."

A spokesman said the bank had no information about this period and declined repeated requests to discuss it. "The bank that we manage today is very different," the spokesman, Paul Gibert, said. (After this article was published, the chairman of the bank's parent company said it would hire researchers to delve into the bank's history in Haiti and any role it may have played in "financial colonization.")

Today, the brazen assassination of Haiti's president in his own bedroom, the rampant kidnappings and the gangland lawlessness in the capital have given fresh urgency to a question that has long bedeviled the Western world: Why does Haiti seem perpetually stuck in crisis, with staggering illiteracy, $2-a-day wages, hunger and disease? A country without public transportation, reliable electricity, garbage collection or sewage systems?

The Ransom

How much did Haiti's independence from France truly cost? A team of Times reporters tried to put a number on it.

Persistent corruption by Haiti's leaders is surely part of any answer. But another part can be found in long-forgotten documents sprinkled in archives and libraries across Haiti and France.

The Times sifted through 19th-century texts, diplomatic records and bank documents that have seldom, if ever, been studied by historians. Together, the documents make clear that Crédit Industriel, working with corrupt members of the Haitian elite, left the country with barely anything to operate, let alone build a nation.

By the early 20th century, half of the taxes on Haiti's coffee crop, by far its most important source of revenue, went to French investors at C.I.C. and the national bank. After Haiti's other debts were deducted, its government was left with pennies — 6 cents of every $3 collected — to run the country.

The documents help explain why Haiti remained on the sidelines during a period so rich with modernization and optimism that Americans dubbed it the Gilded Age and the French called it the Belle Époque. This extraordinary growth benefited both faraway powers and developing neighbors, yet Haiti had vanishingly little to invest in basics like running water, electricity or education.

The damage was lasting. Over three decades, French shareholders made profits of at least $136 million in today's dollars from Haiti's national bank — about an entire year's worth of the country's tax revenues at the time, the documents show.

The Times vetted its methodology and sources for these calculations with economic historians and accountants. The financial historian Éric Monnet of the Paris School of Economics summed up the national bank's role as "pure extraction."

But the cumulative losses to Haiti were far greater: Had the wealth siphoned off by Haiti's national bank stayed in the country, it would have added at least $1.7 billion to Haiti's economy over the years — more than all of the government's revenues in 2021.

And that's if the money had simply remained in the Haitian economy, circulating among its farmers, laborers and merchants, without being invested in bridges, schools or factories, the sort of projects that help nations prosper.

More important, the toll Haiti’s national bank took came after generations of payments to former slaveholders that inflicted as much as $115 billion in losses to the Haitian economy over the last two centuries.

It did not take long after the fireworks and feasting at the palace for Haitians to realize that something was not right. The national bank extracted so much and returned so little that Haitians quickly called it “the financial Bastille,” equating it with the notorious prison that became a symbol of a despotic French monarchy.

“Isn’t it funny,” the Haitian politician and economist Edmond Paul wrote of the national bank in 1880, “that a bank that claims to come to the rescue of a depleted public treasury begins not by depositing money but by withdrawing everything of value?”

Hopes and Aspirations

Haiti’s president was not the only one with heady aspirations. In Paris, the president of Crédit Industriel, Henri Durrieu, had ambitions of his own.

Durrieu was not born into the world of high finance. He started his career as a tax collector, like his father, before striking off in his 40s to join a new bank, C.I.C. But the early years were tough. The bank had introduced the checking account to France, yet the novelty had not taken off and, by the 1870s, the company remained stuck in the second tier of French finance.

Crédit Industriel enjoyed an advantage, though. It was the preferred bank for much of the nation’s Catholic bourgeoisie, clients who had money to invest and expected returns.

Durrieu, with a taste for risk taking, drew inspiration from state-led banks in French colonies like Senegal and Martinique. He and his colleagues were enthralled by the idea of “creating a bank in these rich but distant countries,” as they described it in handwritten notes found in the French National Archives.

These banks “generally give brilliant results,” the founding fathers of the National Bank of Haiti said.

Haiti — “a country new to credit markets, a country of renowned wealth,” the national bank’s executives concluded — seemed a good bet.

“Wealth” might seem a peculiar word for a Parisien banker to use to describe Haiti at the time. Its capital, Port-au-Prince, was overrun by trash and human waste that washed into the harbor. Streets and infrastructure were so neglected that Haitians had a saying: “Go ’round a bridge, but never cross it.”

But while Haitians themselves were poor, Haiti could make you rich. As a British diplomat, Spenser St. John, wrote in 1884: “No country possesses greater capabilities, or a better geographical position, or more variety of soil, of climate, or of production.”

Slaveholders had taken that wealth for themselves, first with the whip, then with a flotilla of French warships, demanding compensation for plantations, land and what France considered its other lost property: the Haitian people. It was the first and only instance in which generations of free people had to pay the descendants of their former slave masters.

A half-century later, Durrieu and C.I.C. approached Haiti with a different tactic: the outstretched hand of a business partner.

‘We Owe More Than Before’

Durrieu knew how to sell a dream.

Five years earlier, C.I.C. and a now-defunct partner had issued Haiti a loan of 36 million francs, or about $174 million today. The money was supposed to build bridges, marketplaces, railroads and lighthouses.

It was a time of worldwide investment. England built new schools and passed laws on mandatory education. Paris opened a 97-mile aqueduct carrying clean drinking water to the capital. In New York, the iconic arches of the Brooklyn Bridge rose above the East River, an engineering marvel that would forever transform the city’s economy.

Beyond bricks and steel, Haiti earmarked about 20 percent of the French loan to pay off the last of the debt linked to France’s original ransom, according to the loan contract. “The country will finally come out of its malaise,” the Haitian government’s annual report predicted that year. “Our finances will prosper.”

None of that happened. Right off the top, French bankers took 40 percent of the loan in commissions and fees. The rest paid off old debts, or disappeared into the pockets of corrupt Haitian politicians.

“None of the goals has been achieved,” one Haitian senator declared in 1877. “We owe more than before.”

The 1875 loan from Crédit Industriel and its partner left two major legacies. First is what the economist Thomas Piketty called the transition from “brutal colonialism” to “neocolonialism through debt.”

Haiti took on millions in new interest, hoping to finally shed the burden of paying its former slave masters. In that way, the loan helped prolong the misery of Haiti’s financial indentureship to France. Long after the former slaveholding families considered the debt settled, Haiti would still be paying — only now to Crédit Industriel.

Haitian leaders, of course, share the responsibility, and some scholars have argued that this loan shows that politicians cared more about lining their pockets than developing a nation.

The second legacy was felt more immediately. The loan initially obligated the Haitian government to pay C.I.C. and its partner nearly half of all the taxes the government collected on exports, like coffee, until the debt was settled, effectively choking off the nation's primary source of income.

That was the first step, giving Durrieu and his French bank a claim to much of Haiti's financial future. He soon set his sights on even more.

The National Bank

Haiti had tried to start a national bank for years. Salomon's predecessor had even bought bank vaults. But in 1880, Haiti's longing for financial independence aligned neatly with Durrieu's plans.

The contract establishing Haiti's national bank reads like a series of giveaways. Durrieu and his colleagues took over the country's treasury operations — things like printing money, receiving taxes and paying government salaries. Every time the Haitian government so much as deposited money or paid a bill, the national bank took a commission.

Lest there be any doubt where that money was headed, the contract said the National Bank of Haiti would be chartered in France and exempted from Haitian taxes and laws. All power was put in the hands of the board of directors in Paris. Haiti had no say in the operation of its own national bank.

The national bank's headquarters — which also happened to be Crédit Industriel's headquarters — sat in the Ninth Arrondissement of Paris, in the shadow of the lavish Palais Garnier opera house.

Durrieu was the first chairman of a board that included French bankers and businessmen, including Édouard Delessert, a great-grandson of one of the biggest slaveholders in Haiti's colonial history, Jean-Joseph de Laborde.

Handwritten notes from the national bank show, from the beginning, who was in charge. As the Paris Financial Association wrote in 1896: "The National Bank of Haiti is a French financial institution whose headquarters, which is open to bondholders, is in Paris. Its offices in Haiti are only branches, placed under the authority and control of the head office."

Durrieu's gamble paid off. At a time when typical French investment returns hovered around 5 percent, board members and shareholders in the National Bank of Haiti earned an average of about 15 percent a year, according to a New York Times analysis of the bank's financial statements. Some years, those returns approached 24 percent.

Durrieu made out handsomely. His contract with Haiti granted him thousands of special shares in the national bank, worth millions in today’s dollars.The same year he christened Haiti’s national bank, he was named a commander of the Légion d’Honneur, an order of merit awarded for service to France.

‘Betrayed by Their Own Brothers’

The fact that Haiti would agree to such debilitating terms — particularly with the same bank behind an earlier loan so publicly condemned — shows its desperation. But it also highlights a recurring figure in Haitian history: the self-serving member of Haitian society who prospers as his country suffers.

In the case of the national bank, Haiti’s chief negotiator was Charles Laforestrie, a Haitian official who had spent most of his life in Paris. The French newspaper La Petite Presse described him at the time as a man whom “fortune had always taken by the hand and led to the best seats in government.”

When Parisian bankers held a party to celebrate the 1875 loan from Crédit Industriel, Laforestrie made a grand entrance. At a time when Haitian coffee farmers raised families on roughly 70 cents a day, Laforestrie arrived elegantly dressed, passing out expensive cigars, according to Paul, the Haitian economist, who described the gala a few years later.

Laforestrie pushed so hard to get the national bank approved that the president of Haiti called him out by name during the palace celebration, according to a diplomat’s handwritten notes of the party. But Laforestrie did not stick around for the fallout. Dogged by corruption allegations, he resigned and retired to France.

Laforestrie’s critics ruefully noted that he retired with a generous pension from the Haitian government. He later padded that retirement with another job: as a board member of the National Bank of Haiti.

“That’s not the first case of a Haitian official selling the interest of his country for personal gains,” said Georges Michel, a Haitian historian. “I would say it’s almost a rule.”

That’s why, historians say, Haitians cannot blame French or American meddling alone for their misfortunes.

“They were betrayed by their own brothers,” Mr. Michel said, “and then by foreign powers.”

Dashed Hopes

Soon after the fireworks display at the national palace, Haitians began realizing they had received a raw deal.

The national bank offered no savings accounts to Haitian people or businesses. And though the contract allowed it to loan money to businesses — and Haitians clearly hoped it would — bank ledgers from an archive in Roubaix, France, showed that seldom, if ever, happened.

"It is not from the Bank of Haiti, as it functions, that Haitians can expect their recovery," Haiti's finance secretary, Frédéric Marcelin, wrote at the time.

Marcelin, the mustachioed son of a successful Haitian merchant, emerged as the bank's most passionate opponent. A businessman, journalist and politician, he spent years trying to wrest control of the national bank from Paris.

The relationship was so lopsided that, Marcelin wrote, "at the National Bank of Haiti, the only positions reserved for Haitiens are the cashier boys."

Yet Another Loan

The second half of the 19th century should have offered Haiti an enormous opportunity. Global demand for coffee was high, and Haiti's economy was built around it.

Across the Caribbean Sea, Costa Ricans were putting their coffee wealth to work building schools, sewage systems and the first municipal electrified lighting system in Latin America. Haiti, by contrast, obligated much of its coffee taxes to paying France — first to its former slaveholders, then to Crédit Industriel.

Despite all that, Haiti was a middle-of-the-road Caribbean economy, thanks to high coffee prices. But when the market tanked in the 1890s, Haiti's coffee taxes exceeded the price of the coffee itself. The entire economic model was on the brink of collapse.

It was time for yet another loan: 50 million francs (about $310 million today) from the National Bank of Haiti in 1896. It was, once again, guaranteed by coffee taxes, the country's most reliable source of money.

Haitians had been poor for generations. But this moment — when the country was tethered to coffee, C.I.C. and the national bank — is when Haiti began its steep decline relative to the rest of the region, according to data compiled by Victor Bulmer-Thomas, a British economist who studies Caribbean history.

"Haiti made plenty of its own mistakes," he said, like taking on new debt and failing to diversify its economy. "But there's no doubt, a lot of its problems from the late 19th Century onward can be attributed to these imperial powers."

The Fall of the National Bank

Durrieu died in 1890, before the unraveling of the national bank he created.

The Haitian authorities began accusing the bank in 1903 of fraudulent overbilling, double-charging loan interest and working against the best interest of the country. But the bank reminded them of an important detail: It was chartered in France, and considered such disputes beyond the reach of Haitian courts.

Undeterred, Marcelin persuaded Parliament to retake control of the government treasury. Haiti would print its own money and pay its own bills.

But records in the French Diplomatic Archives show that the national bank still had a powerful ally in its corner: the French government.

In January 1908, France's envoy to Haiti, Pierre Carteron, met with Marcelin and urged him to restore normal relations with the bank. Marcelin refused. The National Bank of Haiti, should it survive at all, would actually need to work toward the economic development of Haiti, he said.

That might be possible, Carteron replied. Of course, he added, Haiti would first have to return its treasury to French control. And besides: "You need money," Carteron said, according to his own notes. "Where are you going to find it?"

As his handwritten messages show, Carteron suspected Marcelin would never agree to that. So he encouraged his colleagues in Paris to come up with a new plan.

"It is of the highest importance that we study how to set up a new French credit establishment in Port-au-Prince," Carteron wrote, adding: "Without any close link to the Haitian government."

That new institution opened in 1910 with a slight tweak to the name: the National Bank of the Republic of Haiti. France still had a stake, but, after 30 years, Crédit Industriel et Commercial was out.

By then, there was a new center of gravity in the financial world: Wall Street, and a swaggering group of bankers from the National City Bank of New York, which ultimately became Citigroup**.**

The American financiers continued operating from Durrieu's playbook and became the dominant power, leading to a consequence even more lasting than the debt he helped orchestrate.

After all, Wall Street wielded a weapon more powerful than a French diplomat making oblique threats. American bankers called on their friends in Washington and, 35 years after Durrieu's bank came into existence, the United States military invaded Haiti.

It was one of the longest military occupations in American history, enabling the United States to seize control over Haiti's finances and shape its future for decades to come.

Once again, the country had been undermined by the institution President Salomon had so proudly feted that night at the palace: Haiti's national bank.

Reporting was contributed by Daphné Anglès and Claire Khelfaoui in Paris; Sarah Hurtes and Milan Schreuer in Brussels; Kristen Bayrakdarian in New York; Ricardo Lambert, Harold Isaac and Charles Archin in Port-au-Prince. Photo editing by Craig Allen. Produced by Rumsey Taylor. Additional production by Gray Beltran.