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Revisiting The First Economic Boom Of Mauritius: The Sugar Boom Of 1973

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***Abstract*—The economic boom concept comes back again to the table regarding the positioning of Mauritius, an island nation in the South-West of the Indian Ocean. In today's context, the Prime Minister is forwarding the view that Mauritius can expect a second economic miracle since the first one was sought as the 'textile' economic miracle that took place between 1986 and 1990. This review article goes the other way to explain that there was a first miracle back in 1973 during the oil crisis which incidentally favoured the boom of the sugar industry, so far considered as the backbone of the local economy. The researcher analyses the situations that created the first economic boom and how it impacted positively on the Mauritian economy, its industry people and eventually its population. It supports the idea that economic booms are short-lived and the aftermath remains difficult. Economic booms might be good augur for the economy but should not be necessarily considered as levers for economic prosperity and advancement. Their short spells indicate a period of sudden recovery and opportunities for good living. In no case, economic booms can guarantee the long-term well-being of a nation. The explanation of the first economic boom in Mauritius during the era of welfare provision could be a suitable example to understand for business people and society members that prosperity is usually short-lived and that economic booms can be often fraught with painful situations once they are over.**

Keywords—economic boom, sugar industry, prosperity, aftermath

INTRODUCTION

A lot has been recently said of the new economic miracle that is being sought by the new government coming to power in December 2014. Prime Minister Sir Anerood Jugnauth believes that there is an opportunity to create a new 'economic miracle' which he considers to be the second one after the first that occurred, according to him, in the mid-1980s. Although, this perception is reasonable, history evidences that there have been economic booms in the past but the first economic boom of post-colonial Mauritius took place in 1973 and lasted one year. This review article relates how the economic boom was created and why it should be considered as the first economic miracle.

LITERATURE REVIEW

Teething years of post-independence

After gaining independence in 1968, Mauritius was in a difficult situation like many other nations in Africa, Caribbean or the Pacific (ACP) that were also colonies of Great Britain. Shedding off administrative and financial ties with a former colonist was tough with contrasting perceptions of Mauritians. There was large immigration to Australia and those supporting independence found it a major challenge. Tensions in social relations led to racial disputes in the country during 1967-68 followed by the major strike in the sugar and port sectors in 1971 where industrial relations were clearly put to stake. This was also accompanied by press censorship between 1971 and 1973 including the voting of the Industrial Relations Act (1973) which aimed to regulate industrial relations by making strikes known as 'grève sauvage' illegal [1]. Clearly, that phase of the Mauritian economy was critical for the future of the economy. Nobel writer, V.S. Naipaul, during his visit to Mauritius, criticised the island as the 'overcrowded barracoon'. Mauritius entered the post-colonial era like so many newly independent nations, islands of poverty whose "problems defy solution" [2]. The future then looked dim.

The 'petrol shock' of 1973 and the sugar boom

The Guardian points out that the 1970s oil crisis knocked the wind out of the global economy and helped trigger a stock market crash, soaring inflation and high unemployment [3]. The most significant started in 1973 when Arab oil producers imposed an embargo. The decision to boycott America and punish the West in response to support for Israel in the Yom Kippur war against Egypt led the price of crude oil rise from $3 per barrel to $12 by 1974. The price of petrol rocketed, making all transport more expensive. Major producers like Cuba and Brazil, in particular, favoured the development of biofuels which could be a substitute for the 'petrol shock' or oil crisis.

Cooper and Lawrence (1975) state that an extraordinary increase in commodity prices occurred in 1973-74. Even leaving aside crude oil as a special case, primary commodity prices on one index more than doubled between mid-1972 and mid-1974, while the prices of some individual commodities, such as sugar and urea (nitrogenous fertilizer), rose more than five times [4].

Peretz et al (2001) explain that although the situation was not bright politically and financially between 1972 and 1975, the price of sugar started rising from $40 to $330 a tonne. The Mauritian quota under the European Economic Community Sugar Protocol-former EU-increased from 380 000 tonnes to 505 000 tonnes at a guaranteed price of £260 per tonne from the previous price of $57 per tonne. By 1974, sugar exports had risen to Rs 1584.2 million more than five-fold from 1971 [5].

In this way, the sugar boom cushioned the petrol shock and created the belief that Mauritius was on the path to recovery after being guaranteed a fixed price for sugar exports by the EEC in 1973 followed by similar agreement under the Lomé Convention in Togo in 1976.

OUTCOMES OF THE ECONOMIC BOOM

Consolidation of the Welfare State

To develop strong belief and acceptance of the elected government under the Labour Party-PMSD coalition of 1967, former Prime Minister, Sir Seewosagur Ramgoolam promoted the concept of 'welfare state', an important concept of Fabian School that Nobel Prize Winner, Amartya Sen reviewed as 'welfare economics' for India decades later. The Welfare State forwarded policies like universal pension, free health care, social security provisions, subsidies on staple food, etc. particularly for the vulnerable groups. Basant Roi (2014) comments that the Welfare State, as it evolved over the years since the 1970s, has led to a rise in Government's share of the national economy [6]. Despite political turmoil in the early 1970s, the then government firmly believed that the sugar boom could be a possibility of consolidating the welfare state.

The following are certain vivid examples. The SSR National Hospital was developed as a modern public hospital after the former Civil Hospital that accommodated patients from all-over Mauritius. Road infrastructure was improved with more connections to remote small villages that were so far known as 'habitations' or 'camps sucriers'. Electricity supply was extended to both municipal conurbations and villages including street lighting that was perceived as a luxury at that time. Subsidies were consistently maintained on staple foods like rice and flour.

Introducing COLA-The Cost of Living Allowance

A key development that took place during the 1973 sugar boom was the provision of compensation in a universal way-a first initiative after independence. Substantial wage increases, as well as end-of-year bonuses ranging from 1 to 22 months were granted to compensate the workers for the austerity endured since 1968 [7]. In Mauritius, common people spoke of COLA, a close term to Coca-Cola drink, which apparently meant higher earnings during the sugar boom and the possibility of greater spending from the working class. In November and December 1973, legislation by way of Wages Orders was passed in relation to Agricultural and. Non-Agricultural workers of the Sugar Industry as well as in relation to workers of the Construction Industry which consecrated the principle of a Cost of Living Allowance becoming payable whenever the cost of living rose [8]. This was incidentally viewed as a victory for trade unions under the MMM-GWF coalition which negotiated along with a craft union confederation like Sugar Industry Labour Union-Union of Artisans of the Sugar Industry (SILU-UASI) which, to some extent, granted such paternity as their personal struggle.

Nath and Madhoo (2003) state that the growth and composition of government expenditure during the boom period clearly reflected the government's priorities and its general drive towards income redistribution [9]. This financial gloom was characterised by heavy state expenditure which rose from 22% of the GDP to a soaring 32% in 1978. In the meanwhile, the Organisation Commune Africaine Malgache et Mauricienne Conference (OCAMM) was hosted by Mauritius in 1973 followed by the Organisation of African Union Conference in 1976 with lavish spending for such events and where, in the latter case, Sir Seewoosagur Ramgoolam, was president of the OAU for a year [10].

The boom effect on industry

The sugar boom effect was initially highly beneficial to the sugar industry which had 21 sugar factories in operation at that time. Since the average economic growth was on average 5.6% during the 1970s, agriculture was the core sector of the Mauritian economy. Surpluses stemming from the sugar earnings were used to finance the economic diversification and projects having spill-over effects on the economy. Sugar producers allocated the surpluses to the development of the tourism sector. Furthermore, sugar earnings were taxed by the State in order to finance the reinforcement of the country's infrastructure and production capacity [11].

The idea of economic diversification was put to action. At that time, three sectors predominated the economy namely sugar, tea and aloe. Sugar was the main export but the tea sector flourished with producers like Dubreuil, Bois Chéri or La Chartreuse. Given that there was high yield on sugar earnings, the young generation was encouraged to work in the agricultural sector. Movements like Young Farmers and the Rural Youth Movement of Mauritius (RYMOM) were consequently developed.

The sugar boom and the common citizen

Although the sugar boom clearly spells out a first 'miracle' for Mauritius, little has been said of how it influenced the common citizen. Selvon (2001) stated that a Joint Economic Council survey in 1973 found out that 62% of Mauritian citizens wanted to migrate and 42% were in search of an office job. At a time when the average earnings per inhabitant were some Rs 1,500, labourers could earn up to Rs 400 per month, teachers in schools up to Rs 700 and top earners or executives earned less than Rs 10 000. The sugar boom with its foreign revenue nevertheless allowed people to earn and save more [12]. Government encouraged an 'économie d'épargne' for primary school students under the Post Office Savings Bank Scheme (POSB) through the weekly purchase of a 25-cent OCAM stamp.

Better earnings and the COLA claimed greater need for better living. Iron-sheeted houses were partly renovated with concrete base and walls and the first 'maisons béton', cosier and more spacious than 'Longtill houses'-which were subsidised for survivors of Carol Cyclone (1960) -appeared in villages and towns. At that time the Longtill Company was awarded the contract for the construction of the small houses [13]. Additionally, black and white television sets of 'Sanyo', 'Sierra', 'Pye' or 'Bush' brands were more privately owned by people at a time when watching TV in public was still common at social welfare centres. Greater consumption of commodities took place with the entry of certain luxuries like frozen meat- 'boneless'- and soft drinks-the one-litre version of Pepsi and Coca-Cola at Re 1. or little less became family drinks.

Secondary education was mainly privatised through lots of private colleges and only four State colleges namely QEC, RCC, RCPL and John Kennedy College. The University of Mauritius offered diploma courses in limited areas like sugar technology and agriculture. The 1973 sugar boom incidentally initiated the first movement of students to Indian universities in Chandigarh, Pune by 1975 with studies fully paid by meticulous private savings of the family.

AFTERMATH OF THE ECONOMIC BOOM

The short-lived prosperity

Moody's report (2015) explains that Mauritius maintains a certain level of vulnerability to external shock that is common to all small island economies [14]. This vulnerability, which would best be characterised as a form of concentration risk, stems from the possibility of one large event impacting the entire economy in a systemic fashion. King sugar offered a moment of respite for an economy that was growing steadily at 8% a year but this was curbed by heavy deficit in public expenditure. On the external front, balance-of-payments deficits had become quite common as from 1976, which was a watershed year [15]. Increased disposable incomes had resulted in increases in consumption in the economy, which, in turn, had led to large increases in imports, since the latter amounts to quite a high proportion of GNP (about 50%). The simultaneous pursuit of both import substitution in the home market and export promotion strategies led to some policy contradictions. The high rates of growth were not sustainable as they rested on the sudden windfall gain of the sugar boom. In addition, the sugar boom was wasted through extravagant public sector projects, generous wage awards, social transfers and subsidies [16]. From the internal economic side, Cyclone Gervaise with devastating winds of 280 km per hour destroyed most sugar plantations in early 1975 followed by a long period of electrical blackout, food rationing, makeshift primary and secondary schools and dire austerity. Unemployment rose again in a fragile economy and the term 'chômeur' spoken as 'somer' literally meant the return of bad days. In a time of despair, the population secretly developed resilience after the unexpected sugar boom of 1973 which nevertheless once gleamed like a flash of a fry pan in times of turbulence.

CONCLUSION

The first economic boom of Mauritius is typical of times of hope for developing economies where there is a general feeling that the country is moving to an elevated standard of living with benefits and opportunities that will be reaped by all people. It is to be expected that perceptions of progress, development, and underdevelopment will shift from class to class [17]. This is something that government expects in developing a 'feel good factor' for the community within which it operates. Economic cycles are not permanent or enduring, they will have to cease at a particular time. Yeung Lam Ko (1998) states that Mauritius, like other countries which had just shaken off their shackles of colonisation, did have to face the various problems of an underdeveloped or a poor economy. These mainly were: (1) a low level of gross domestic or national output coupled with a low level of saving insufficient to generate sufficient funds for investment purposes in order to bring about economic development (2) a relatively low level of technological know-how (except for the sugar-producing sector) (3) a relatively low level of management and technical skills generated through the educational sector which was too academically biased [18]. These factors compounded to the aftermath of the economic boom which was more a causal factor than a planned success strategy. A similar economic boom was followed during the mid-1980s in Mauritius and its sequels are still being borne by Mauritians especially when unemployment is now common feature in the economy and means to solve them since the boom period remain difficult.

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