

Sugar, Immigration, and Population Increase

The first commercially-viable sugar plantation, Ladd and Co., was started on Kaua'i in 1835, and the sugar industry achieved moderate growth through the 1850s. Hawai'i's sugar exports to California soared during the U.S. Civil War, but the end of hostilities in 1865 also meant the end of the sugar boom. The U.S. tariff on sugar posed a major obstacle to expanding sugar production in Hawai'i during peacetime, as the high tariff, ranging from 20 to 42 percent between 1850 and 1870, limited the extent of profitable sugar cultivation in the islands. Sugar interests helped elect King Kalakaua to the Hawaiian throne over the British-leaning Queen Emma in February 1874, and Kalakaua immediately sought a trade agreement with the United States. The 1876 reciprocity treaty between Hawai'i and the United States allowed duty-free sales of Hawai'i sugar and other selected agricultural products in the United States as well as duty-free sales of most U.S. manufactured goods in Hawai'i. Sugar exports from Hawai'i to the United States soared after the treaty's promulgation, rising from 21 million pounds in 1876 to 114 million pounds in 1883 to 224.5 million pounds in 1890 (Table 2).

Table 2: Hawai'i Sugar Production (1000 short tons)

Year	Exports	Year	Production	Year	Production
1850	.4	1900	289.5	1950	961
1860	.7	1910	529.9	1960	935.7
1870	9.4	1920	560.4	1970	1162.1
1880	31.8	1930	939.3	1990	819.6
1890	129.9	1940	976.7	1999	367.5

Sources: Data for 1850-1970 are from Schmitt (1977), pp. 418-420. Data for 1990 and 1999 are from <http://www.hawaii.gov/dbedt/db99/index.html>, Table 22.09. Data for 1850-1880 are exports. Data for 1910-1990 are converted to 96° raw value.

The reciprocity treaty set the tone for Hawai'i's economy and society over the next 80 years by establishing the sugar industry as the Hawai'i's leading industry and altering the demographic

composition of the Islands via the industry's labor demands. Rapid expansion of the sugar industry after reciprocity sharply increased its demand for labor: Plantation employment rose from 3,921 in 1872 to 10,243 in 1882 to 20,536 in 1892. The increase in labor demand occurred while the native Hawaiian population continued its precipitous decline, and the Hawai'i government responded to labor shortages by allowing sugar planters to bring in overseas contract laborers bound to serve at fixed wages for 3-5 year periods. The enormous increase in the plantation workforce consisted of first Chinese, then Japanese, then Portuguese contract laborers.

The extensive investment in sugar industry lands and irrigations systems coupled with the rapid influx of overseas contract laborers changed the bargaining positions of Hawai'i and the United States when the reciprocity treaty was due for renegotiation in 1883. La Croix and Christopher Grandy (1997) argued that the profitability of the planters' new investment was dependent on access to the U.S. market, and this improved the bargaining position of the United States. As a condition for renewal of the treaty, the United States demanded access to Pearl Bay [now Pearl Harbor]. King Kalakaua opposed this demand, and in July 1887, opponents of the government forced the king to accept a new constitution and cabinet. With the election of a new pro-American government in September 1887, the king signed an extension of the reciprocity treaty in October 1887 that granted access rights to Pearl Bay to the United States for the life of the treaty.

Annexation and the Sugar Economy

In 1890, the U.S. Congress enacted the McKinley Tariff, which allowed raw sugar to enter the United States free of duty and established a two-cent per pound bounty for domestic producers. The overall effect of the McKinley Tariff was to completely erase the advantages that the reciprocity treaty had provided to Hawaiian sugar producers over other foreign sugar producers selling in the U.S. market. The value of Hawaiian merchandise exports plunged from \$13 million in 1890 to \$10 million in 1891 to a low point of \$8 million in 1892.

La Croix and Grandy (1997) argued that the McKinley Tariff threatened the wealth of the planters and induced important changes in Hawai'i's domestic politics. King Kalakaua died in January 1891, and his sister succeeded him. After Queen Lili'uokalani proposed to declare a new constitution in January 1893, a group of U.S. residents, with the incautious assistance of the U.S. Minister and troops from a U.S. warship, overthrew the monarchy. The new government, dominated by the white minority, offered Hawai'i for annexation by the United States from 1893. Annexation was first opposed by U.S. President Cleveland, and then, during U.S. President McKinley's term, failed to obtain Congressional approval.