Settler Colonialism and Financial Exclusion of Banks in the English Caribbean

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According to Peter James Hudson (2014), the history of banking should be seen as a history of racial capitalism through which the history and practices of North American banking in the Caribbean were always embedded in and shaped by ideologies of white supremacy. Thus, Hudson is sure that colonial banking history not only racializes, but also obstructs economic development today, in the Caribbean. This strikes up two important questions: first, where does race fit in to the history of banking, particularly in the Caribbean? And second, how are practices of race based financial exclusion, by financial intermediaries (banks), intrinsic to the practice of banking itself within the region? These two questions prompt a third, and more interesting question related to sovereignty and nationhood: How is the practice of exclusion by banks related to capitalism and sovereignty? Therefore, who creates the 'Caribbean nation' and its financial norms, are the topic of this paper.

What are the Dominant Theories on Financial Exclusion?

The study of financial exclusion is still relatively young, with the first analyses of the topic occurring in the US and UK in the 1990's, and in Canada in the 2000s. This is not to say that financial exclusion has not been studied before, but as a phenomenon having its own literature, the topic is still relatively new. According to Buckland (2013), political philosophy shapes the theorizing about financial exclusion, which he defines as "a situation faced by people who have no relationship, or an insufficient relationship, with a mainstream financial institution, such as a bank or credit union, to meet all their financial service needs" (Buckland 2013, 3). Financial exclusion is most often theorized as both rational and as a choice that individual agents make for themselves. This pushes against this, arguing that for some agents in the Caribbean, the choice is already pre-made via historical racism within their societies. As such, of the three broad categories of financial exclusion literature—economic, interdisciplinary, and political economy—identified, the interdisciplinary approach to theory to be more useful for relating settler colonialism to financial exclusion in the Caribbean today. The set-back in utilizing this approach is that although it captures more history and behavioral economics, it is less critical in terms of the implications of findings.

Economic Theory on Financial Exclusion

Neoclassical economics today is the most influential theory in terms of policy making. Premised on rational individualism and perfectly competitive markets, not only has this theory informed today's popular neoliberal policies, but have also highlighted the role of the individual in terms of their choice and interaction with the market. Unsurprisingly, neoliberal policies accent the role of markets and minimize the role of the state in promoting/enacting policies and practices that enhance the 'good' to all individuals and groups in society. Theorists in this school, find that the absence or underdevelopment of markets and rational individualism is the principal constraint of well-being. It is through the market where rationally, self-interested, well informed, and competitive agents (firms and consumers) are able to interact together to further society's well-being. The role of the state is thus to simply provide for and ensure the protection of property rights, of these rational agents.

According to theorists in this school, financial exclusion is thus the result of consumer choice or mistaken government policy. As such, consumers may be choosing to not participate in mainstream markets because the benefits are lower than the economic costs. Thus, it would make sense that people use informal or fringe financial services. A second motive for exclusion according to these theorists are government policies which force distortions to occur on the market, which automatically excludes certain segments of society. This analysis of exclusion is void of any historical trends which may impact agent choice and government policy. It also leaves no room for instances of discrimination which may occur and also impact consumer choice. For instance, historically in the Caribbean the local banks were undercapitalized and unable to compete with foreign banks. However, the local banks still serviced Black and Indian customers who could not utilize foreign banks, because they did not lend credits or conduct business with non-whites. There is no recorded state policy which endorsed this discrimination, yet in terms of banks that Blacks and Indians could potentially lend their business to—it was the failing local banks with high interest rates. Thus, as Dymski's new-Keynesian model would suggest "the [African and Indian Caribbean] borrower begins as a fragile unit and moves inexorably towards being a Ponzi unit" (Buckland 2013, 69-71).

The conditions for which a market arises under should be scrutinized when utilizing this approach to talk about financial exclusion. Not surprisingly, purely economic theories are not embraced by non-economist social sciences who point out power imbalances which exist in society that negatively impact those with less power.

Interdisciplinary Theory on Financial Exclusion

Behavioral economics seek to unpack some of the assumptions within neoclassical economics about human rationality. This is not to say that they think people are irrational, but rather, they believe that by focusing on bounded rationality a more complete image of human behavior can be made. Behavioral economics finds that human behavior faces important limitations to the neoclassical economics notion of perfect rationality. By making the human rationality assumption more flexible, these theorists aim to unpack the consumer side of the financial exclusion question. They suggest that "the behavioral patterns of the poor may be neither perfectly calculating nor especially deviant…[because] in poverty the margins of error are narrow" (Buckland 2013, 73-74). With this in mind, the following subsects of interdisciplinary theories all relax the notion of rationality as presented by the economic theorists.

Institutional theories come in many forms, rooted in politics, sociology, and economics. In general, these analyses tend to seek to understand the broad context and the key institutions involved in the social reality being studied. New Institutional Economics (NIE), challenge neoclassical economics assumption about information collection. Put shortly, some agents have more information than others, which impacts their participation in the market. These theorists utilize history (path dependence) and contemporary economics. More directly related to the topic of finances, these theorists have examined the ways in which different forms of community-based credit, fill financial service voids. For example, in many Caribbean states, African and Indian descendants have filled their exclusion void through credit and savings forums known as 'box' or 'susu.' These theorists shed light on community-based means for promoting financial inclusion through studying the role of history in specific markets, as well the role of institutions, governments, and communities.

The Institutional Theory of Savings (ITS) rejects the assumption that all consumers (poor or rich) operate within frictionless and competitive markets. It also rejects culture-of-poverty theories that the poor are different than the non-poor. Instead these theorists acknowledge that poor people behave like non-poor people, even though they face a different set of institutions. With this broad understanding, ITS scholars point to a range of problems which impact financial exclusion. More importantly, these theorists can account for discrimination historically and presently in their analyses.

Political Economy Theory on Financial Exclusion

Political Economy Theory (PET) refers to those theories that examine the social world, cognizant of social, state, and political structures. Flowing from the Marxist tradition, this approach is sometimes referred to as a neo-Gramscian approach. To these theorists, within a historical structure, three elements reciprocally interact: ideas, material capabilities and institutions. According to Buckland, this theoretical framework often begins by contextualizing the macroeconomic policies instituted since the Second World War, with particular attention being paid to neoliberal policies since the 1980s. With respect to financial exclusion, these theorists find that “the neoliberal policy environment has created the context in which some firms, and consumers, find themselves serving or being served outside of the mainstream banking system” (Buckland 2013, 79). However, in the Caribbean context well before the 1980’s and the broad implantation of neoliberal policies, the social, political, and economic environment decisively favored servings whites, and those close to white, whilst the others (Africans and Indians) served.

In spite of its timeline, the political economy framework is crucial and critical to understanding financial exclusion, as it segments the most marginal customers in the least attractive services. PET is crucial for understanding how “the deregulation of financial services and the shifting role of the state and financial service providers” bring about unequal relationships” (Buckland 2013, 81). Its deep and critical contextual process, Buckland notes, may “overstate the role of power in the social world and thereby understate the importance of human agency and community capacity” (Buckland 2013, 81). The latter of which is important for coming up with solutions according to the interdisciplinary approach.

Historical Overview in the Caribbean: A Look at the Literature

European banks economic colonization of much of the globe helped to foster imperial banking systems which were immense in terms of variety and cohesion. By the time European powers imposed political control abroad, at home they had well established banking systems which were intrinsic to their lives as colonizing powers; Thus, economic life preceded political control abroad—along with raw forms of imperialism. Banking abroad is thus referred to as “gentlemanly capitalism”—or something “natural” which would have occurred (Bonin and Valerio 2015). However, this claim is questionable in regards to British colonies, as most transactions and high business were being conducted in London. One potential explanation which could explain the proliferation of overseas banking in the Caribbean is that after the 1830’s, former slaves in Britain’s colonies were granted freedom. Thus, would be able to earn a wage and demand a banking presence. However, this claim falls short, as former slaves would not have been deemed credit worthy enough to conduct business with—let alone enough business— for a foreign bank to open up solely on their potential earned wages (Monteith, 2008).

Instead, glamorous compensations for the abolition of slavery to former slave holders in the Caribbean, who used most of their compensation to reduce previous indebtness to British creditors was very important to banks entrance decision in the region during 1836. Essentially, a credit worthy clientele was established in the region. Unsurprisingly, the majority of those who became credit worthy were white, due to their former slave holding status. The historicity of the “peculiar intersection of race and money or more precisely race as a form of money and vice versa” thus becomes interesting (Day 2016, 3). Is it really racism (/racial exclusion) or is it just history, which determines the unsettling relationship between capital and race?

According to Day, the two cannot be separated. In his work, Asian racialization is connected with capitalism and settler colonialism— no matter how hard you try to separate the two. Economic efficiency via “human capital” is thus the basis for exclusion (“yellow peril”) or assimilation (“model minority”) and both are heavily racialized and dependent on their ability to create a specific value (Day 2016, 7). Thus, there is a racialized differentiation of labour which cannot be ignored. Equally as true, as Marx suggest, is that this differentiation still depends on capital’s need to abstract in order to create value. Racial distinctions are thus essential for capitalism and capitalist expansion. Thus, the history of capitalism is a racialized history.

So how exactly does settler colonialism appear in the history of banking in the Caribbean? It becomes clear that in order to gain access and clients as a bank engaging in overseas practices in the Caribbean (and colonial spaces), you go through the local elite. Why? Because they are automatically creditworthy clients, the first clientele, and are a part of the successful industries already. They are also able to introduce the bank to potential clients. After the abolition of slavery and after the granting of independence, the local elite are faced with a problem: ‘How are they to uphold racial imaginaries and simultaneously benefit from it?’

'Who are the Caribbean local elite?' then becomes an important question as they seem to hold the key to racial capitalism in the region. The local elite also become important, as they seek to use the banks for their own preferential ends. According to Hudson, North American banks entrance into the Caribbean region included them participating in "the creation, replication, and reordering of Caribbean economies on racial lines while helping to reproduce racist imaginaries and cultures in which finance capital was embedded and through which bankers functioned," at home and now abroad (Hudson 2017, loc 155).

According to Monteith (2008), the recruitment practices of the banks reflected the racial and class divisions in Caribbean societies which "naturally bore the social legacies of British imperial and colonial rule, and, as a result, were highly stratified along racial and class lines…territories like Barbados and the Bahamas, which had large white creole populations, were overtly racist in spite of the absence of an official system of segregation. In Jamaica and in Trinidad and Tobago, blacks and browns were considered socially inferior to whites and others considered near white [19th century Syrian and Chinese immigrants] …In Trinidad and Tobago, the "French creoles", who were really descendants of early French, Spanish, Italian, German and Irish settlers, formed the planter and mercantile elite. Similarly, in British Guiana, the planter and mercantile elite was dominated by the white minority group which was essentially of British and Portuguese ancestry.

In other words, in all the West Indies, the elite which formed the core of the bank's clientele was invariably white, or considered white by the general population, since they were not black and were rarely brown in complexion…before 1950 the recruitment of locals in the West Indies was generally restricted to whites, or to persons who could "pass" for white" (Monteith 2008, 236). This reveals that in the Caribbean, financial development for the nation was historically determined by a small, majority white, elite class who foreigners recognized as being 'Caribbean.' This descriptive perception of race, however, led to false prescriptions of representation after emancipation. According to Day, the superimposing of multicultural iconography onto associations of capital (what he terms "romantic anticapitalism") only solves problems of aesthetic representation (Day 2016, 8). Bringing locals with no ties to the white beneficiaries of settler colonialism does not solve race-based financial exclusion in the Caribbean as the banking practices stay the same.

Present Day Ramifications

A 2012 Inter-American Commission on Human Rights (IACHR) report, entitled "The Situation of People of African Descent in the Americas," found that in the Caribbean, those of African descent were subtlety discriminated against (IACHR 2011). The study by the IACHR found that "in the Caribbean, racial discrimination against African descendents is linked to the darkness of skin, poverty and the control of economic resources" [sic] (IACHR 2011). This fact, according to Rosemarie Belle Antoine, the IACHR's rapporteur on the Rights of People of African Descent, is not surprising given that "financial power is still largely in the hands of white minorities in the region because of business patterns that have shifted little in centuries" (PCUSA 2012). She points out that in Barbados "black entrepreneurs have greater difficulty in securing business loans and capital than their white counterparts, which placed them at a disadvantage from the outset" [sic] (PCUSA 2012).

The report speaks to the larger trends identified by John (2017): foreign banks in the English-speaking Caribbean are still tapped in to beneficial sectors of society which traditional elites dominate. And today, it is still hard for small, local business to access loans, particularly due to the racialized history in the region. This history includes the institutionalization of racist banking practices in the region, which are shaped by ideologies of white supremacy and foreign superiority in conducting business in the region.

Constituting a 'Local Elite' in the Caribbean through Settler Colonialism

Settler colonialism "reflects the common social, cultural, and political racial destiny of "white men's countries" (Day 2016, 16-17). Thus, although "settler societies represented a particularly complex and resilient form of European colonial expansion," it is often not recognized as imperial conquest by its own agents "precisely because they claim to do more than extract wealth and then return to the metropolitan space" (Day 2016, 18). This assertion ignored that the primary objective of settler colonies, was land acquisition, which was often attained violently. Unsurprisingly, Day writes that “because white settlement was an intentional aspect of colonization…neither the revolutionary or the nonrevolutionary processes of detaching from British imperial rule—becoming “postcolonial,” as it were—significantly altered or ended the colonial relationship between settlers and the indigenous population” (Day 2016, 18). It also did not change their attitudes on slavery and owning slaves.

In fact, the detachment from British imperialism and a claim to something more local or unique to settler colonists, often involved an investment in “appropriating Indigeneity” (Day 2016, 18). This is a mode of white settler identification that Shari Huhndorf calls “going Native,” which “functions to cover over colonial invasion and reimagine a natural affiliation to the land” (Day 2016, 19). This phenomenon allowed settler colonists to be constituted, and lay claim to landed identities—such as American, Australian, and Caribbean. By incorporating indigenous, enslaved, and indentured attributes into a national “culture.” Because capitalist expansion lay at the heart of settler colonialism, the first ‘Caribbean elite’ was intentionally white. Day writes that “mixing alien labor with Indigenous land to expand white property was the basis and objective of settler colonialism” (Day 2016, 31). Thus, race was heterogeneous under settler colonialism, since it thrived “on the exploitation of a racialized labor force” (Day 2016, 33). In settler colonies, exclusion was thus a prerequisite for white advancement, and appropriation a prerequisite for cultural advancements directed by whites. This becomes apparent during fights for equality in settler colonies, where white nationalism almost always served as the ideological policy response to nonwhite incorporation and nonwhite immigration (Day 2016, 29).

How are Settler Colonialism and Financial Exclusion Linked?

During 1834, British emancipation started in its Caribbean colonies, which meant that blacks born after 1834 would be born as free individuals. By 1836, emancipation had been granted to slaves in all of Britain’s Caribbean colonies, and former slaveholders were compensated lavishly. During this same year, foreign banks, first British, viewed the region as a good place to conduct business in. According to business historians, “the lending policies of the British banks were highly selective and restrictive—that, in terms of clientele they fostered, the banks engaged in a certain amount of discriminatory practice” (Monteith 2008, 75). Thus, British banks clientele in the Caribbean were almost exclusively the ruling merchant-planter elite who still controlled plantation land.

North American banks expansion into the Caribbean in the late 1890’s and early 1900s was thus grafted onto this “post-emancipation history of economics and finance as it intersected with questions of national sovereignty, political governance, and the political economy of race, labor, and citizenship” (Hudson 2017, loc 131). The flexibility and of race and racism for investment by North American bankers to banks in the region can be read in their journals and pamphlets. In some cases, North American bankers debunked “stereotypes as a means to encourage investment” and in others, “replicat[ed] and reconstitute[ed] racial stereotypes to further the expansion of white supremacist control [in] the region” (Hudson 2017, loc 331). Hudson points to white supremacy, because the data shows that the returns for racial stereotyping was “found not in the rational extraction of values, but in the ledger of white racial dominance” (Hudson 2017, loc 331).

For North American investors, a positive value was associated with white investment. Business historians similarly note that whilst economic criteria “were an important factor in the decision to extend or deny credit to any particular class of persons, circumstantial evidence suggests that assessments of risk and creditworthiness were also based on assumptions about ethnicity. These assumptions were that non-whites in general lacked monetary responsibility and business acumen and therefore were unsuitable clients” (Monteith 2008, 101). This white investment played out dramatically during white, North American investors visits to the region, in which banks who had only white staff were seen as the better banks to do business with. This left ‘local banks,’ or banks who did conduct business with the formerly enslaved and indentured, “short-lived,” as they were “undercapitalized, overextended and generally mismanaged” (Monteith 2008, 19). The temporary solution to solve these problems often times included higher interest rates, although they were already serving the lowest rungs of society (Monteith 2008, 20). The failures of these local banks, both to foreign North American whites and the white Caribbean elite, affirmed their theories of racialized incompetence and inferior intelligence with respect to business and finance.

Within the Caribbean context, especially when we look at modern Caribbean society and its benefactors who are racially distinct from white settler colonists, racial stratification becomes extremely important. “While considered socially inferior to whites…because of their phenotype” Lebanese, Syrian, and Chinese migrants to the Caribbean in the early 20th century “were able to gain a foothold in the dry goods and haberdashery trade” (Monteith 2008, 102). These migrants were “considered superior to blacks, coloureds and Indians” which spawned ethnic stereotyping (Monteith 2008, 102). Public opinion further “relegated blacks and coloureds below Indians, even if they occupied the same social and economic status” (Monteith 2008, 102). These racialized notions about one’s ability to interact with the financial system in the Caribbean region still haunt the region today. Although nonwhites were allowed to work within these financial institutions after the 1960’s ramifications from settler colonialism were still at work.

During the 1960’s, 70’s, and 80’s almost all Caribbean states had achieved independence. Being majority non-white states, where many people were able to pinpoint racial discrimination and self-determination as being the call for independence, “the pre-independence, colonial elites lost visible control of the political and judicial arenas” (McLetchie 2013, 2-3). However, “they retained their place in the economic sector,” as such, today “local Whites, descendants (legitimate and illegitimate) of planters and European colonial officials… [and] ethnic Chinese and Syrian/Lebanese immigrants” make up, in large portions, the Caribbean capitalist class (McLetchie 2013, 3). There is a third, small, group of elites, which are comprised of “ethnic African and Indians whose ancestors came to the islands as slaves and indentured laborers. Pre-independence, members of these groups achieved success mostly as a result of their access to education…Post-independence saw the rise of this group in the political and judicial arenas where they would dominate while increasing their presence in the capitalist sphere” (McLetchie 2013, 3). Their capitalist presence is in large part attributed to “their ties to state (government) companies or other civil appointments” (McLetchie 2013, 3).

Interestingly, this small capitalist and political class of Africans and Indian recognize the importance of the traditional elite, particularly their economic influence and financial dominance in their states. As such, created imaginaries in the region from settler colonialism have not changed much and have instead been upheld. According to McLetchie, in order for Caribbean states to “sustain a democratic system for fifty years, national governments, which are comprised mostly of individuals of African and East Indian heritage, acknowledge the need to appease various sectors of the society, including the capitalist elites (mostly, Whites, Near-whites, Chinese and Syrian/Lebanese)” (McLetchie 2013, 5). This acknowledgement—similar to Day’s analysis on imposing national iconography—has solved problems of aesthetic representation, but not those of capital, race, and class within the regions financial sector.

Conclusion

When studying financial exclusion by banks in the Caribbean, two things become clear. First, that a white settler elite class in the Caribbean determined the financial imaginaries which were created in the region during the 19th century. And second, by laying claim to the land and constituting themselves as ‘Caribbean,’ post-emancipation, they determined the financial trajectory of Caribbean societies. Direct racism and discrimination founded on white supremacy allowed for former slaves and indentured servants to be excluded from Caribbean financial imaginaries, as they were thought, by both local white elite and foreign whites, to be financially incompetent. To cement these notions of African and Indian inferiority to whiteness, their lack of credit worthiness and inability to manage (by raising enough capital) local banks, were used as proof.

Post-independence from Britain in the 20th century, financial dominance of white elites and Chinese, Lebanese, and Syrian migrants did not change. The exclusive imagination was allowed to repeat itself well into the 21st century due to embedded colonial ties to finance that whites secured (along with Chinese, Lebanese, and Syrian migrants). Today, although modern Caribbean societies look drastically different than they did under settler colonialism, the Caribbean elite does not. Although a small group of educated Africans and Indians have been able to secure the political and judicial arenas, they have been intent on up keeping the traditional financial architecture to become incorporated into the capitalist class.

Although this paper highlights how ideas about race and finance under settler colonialism continue to inform financial exclusion of foreign banks in the Caribbean, one question that belies this paper is: how does exclusive ownership of financial institutions, particularly banks, hurt state and human (entrepreneurial) development?

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