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Thesis Proposal

Several European powers, beginning as early as the 15th century, began expanding overseas and establishing colonies in Africa, the Americas, and Asia. Faced with the indigenous populations of these colonies, the Europeans set up a vast array of differing institutions in order to settle, extract goods from the lands, or both. Centuries later, the majority of these former colonies won their independence from the Europeans, but many of the European-established political institutions remained embedded in these new countries. Considering that the great European colonial powers (Britain, France, Spain, Portugal, and Belgium, for example) each controlled several different territories during their imperial reigns, what can account for the discrepancies in modern economic development amongst these former colonies? For example, most of Africa lacks the economic development of the rest of the world, while the former colonies of the United States and Canada are indisputably among the most developed. The two former British island colonies of Singapore and Jamaica have realized practically opposite economic results. Economic performance has also proven to vary between the former British colonies of Somalia and Botswana, of which I will discuss later. In other words, if the institutions implemented by the Europeans have really had a lasting impact on their former colonies, why does there exist such great modern disparities even amongst colonies of the same colonial power?

The question I will be asking is whether the divergence between pre-existing political institutions of the Americas and their post-colonial institutions has affected the economic performance of these countries. Specifically, did countries whose state legitimacy suffered because of this divergence perform worse economically after independence?

Literature Review

Acemoglu, Johnson, and Robinson (2001), study the different *types* of institutions implemented in the colonies by the Europeans. They argue against the “geography hypothesis” espoused by such thinkers as Niccoló Machiavelli, Charles de Montesquieu, Alfred Marshall, and Ellsworth Huntington (among others), which claims “geographic, climatic, or ecological differences across countries”(1) largely determine economic performance. Acemoglu, Johnson, and Robinson suggest that countries that were rich before colonization, if the geography hypothesis holds, should be rich today. However, they find that this assertion is not true. They even find that distance from the equator has no relationship to economic development, meaning that the simplified notion that the tropics foster underdevelopment, while snow promotes economic development, is unfounded. Acemoglu et al. develop a hypothesis that the differing types of institutions imposed by the Europeans on the colonies did however have lasting economic effects that are still pertinent in the present day. They find a correlation between urbanization and population density of the colonies before 1500 and GDP per capita in 1995. Their conclusions support their hypothesis that rich, highly populated or urbanized territories led Europeans to implement extraction-oriented institutions. These densely populated territories also provided a large population which could be used as forced labor. These urbanized territories often harbored diseases which settlers could not survive. Considering this fact, less developed territories “discovered” by the Europeans with low urbanization patterns or low populations were favored by the European settlers. These settlers, in turn, demanded the creation of institutions that resembled those of their home countries. Where more settlers settled, there was more protection of property rights, and thus the countries home to settlers fared better economically in the long run.

Kenneth L. Sokoloff and Stanley L. Engerman (2000) focus specifically on North and South America in their research on institutions and economic development. Sokoloff and Engerman suggest that the presence of cash crops in some of the regions in the Americas influenced the institutions that the Europeans implemented. Sokoloff and

Engerman propose that though the high-grossing economic performance of most of South America and the Caribbean beat out that of the United States and Canada until the late eighteenth century, South America and the Caribbean did not have the political institutions capable of sustaining a high GDP per capita after industrialization. Their conclusion is not in conflict with that of Acemoglu et al., but it does point to another pre-colonial characteristic of colonies as an indicator of modern economic performance.

Though Acemoglu et al. look at the population and urbanization of the colonies before colonization, which they use to predict economic performance, they do not look at the pre-existing institutions that these territories had upon “discovery” by the Europeans. Sokoloff and Engerman look at the pre-existing resources of the Americas, but they also neglect to explore the institutions already held by the indigenous people of the region. Would the pre-colonial histories of these lands have any effect on their contemporary economic performance? One study implies that it does. Pierre Englebert (2000), finds that in Sub-Saharan Africa, European powers not only imposed different types of institutions on their colonies, but also that these institutions implemented by the Europeans were replacing established institutions of various kinds. The Europeans created in Sub-Saharan Africa colonies that largely ignored both the pre-existing institutions and established boundaries of that region. Upon the independence of these colonies, the population found little legitimacy in “the state” and had little loyalty to its leaders. The amount to which pre- and post-colonial institutions diverged, Englebert finds, affects both the legitimacy of the state and its economic performance. For example, Somalia, which was colonized by Britain and afterwards France, was carved out of territory populated by Somali clans. The pre-existing institutions of the clans conflicted with the centralized institutions implemented by the Europeans. As in much of Africa, borders were created for the new colony, and large Somali populations found themselves part of neighboring colonies Kenya and Djibouti. Englebert finds that Somalia has a low score for his index on state legitimacy, which in turn he sees as affecting economic performance. On the other hand, the present-day country (and former British territory) of Botswana was already a federation of kingdoms when the Europeans arrived. That is, the institutions of Botswana were more centralized and hierarchical than those of Somalia. Britain also assumed the established territorial boundaries of

Botswana. After independence, Botswana's state legitimacy ranking remained high, and its economy fared much better than other countries in the region.

Englebert's research makes a connection between state legitimacy – the extent to which the pre-colonial institutions of Africa differed from the post-colonial and post-independence institutions – and good governance. He argues that if leaders of former colonies are faced with a populace that is hostile or skeptical of the legitimacy of the state, these “ruling elites” have less incentive to implement policies that would support aid, stabilization, and structural adjustment programs for the masses. Instead, the ruling elites would be drawn to institutions that enhance their own personal economic motives because their rule is perceived as less stable, and they can be ousted rather suddenly. In order to avoid losing political power, Englebert writes, “The ruling elites of low legitimacy states find it therefore less destabilizing to adopt neo-patrimonial strategies of power with their attendant propensity for corruption, clientelism, nepotism, or regionalism”(12). Englebert further links state legitimacy to economic growth. If the ruling elites of a country are not able to provide their populations with reliable and transparent economic and political institutions, due to the ruling elites' instability and propensity for corruption, the foundations needed for economic growth go missing. These corrupt policies “hijack the financial, legal, and bureaucratic resources of the state for particularistic interests”(23). Using data from up to 40 Sub-Saharan African countries, Englebert finds an empirical correlation between state legitimacy and good governance, as well as state legitimacy and economic performance.

Englebert's research suggests that the histories of pre-colonial institutions in Sub-Saharan Africa have a correlation with their modern day economic performance. His research focuses only on Sub-Saharan Africa, and does not look to other regions of the world that were colonized by the Europeans. There is no research on the pre-existing institutions of the Americas upon European colonization, and what effects this “clash” of institutions has had on contemporary economic performance in the region. Acemoglu et al. find that, like Africa, South America and the Caribbean had highly populated areas, presumably possessing various types of institutions long before the Europeans arrived on their shores. Considering that there still exist large populations descending from “indigenous blood” in the Americas, have there been effects due to pre-existing cultural

and political institutions on the legitimacy of North and South American states and their economic performance after independence from colonial rule?

Causal Model

According to anthropologists Julian H. Steward and Louis C. Faron in their book, Native Peoples of South America, the occupation of the Caribbean and South America by the Spanish and Portuguese began in 1492. The colonial settlements expanded up until 1800, covering most of South America and expanding up into North America, as far north as San Francisco, California. Between San Francisco and the southernmost tip of South America at the Strait of Magellan, between the years of 1492 and 1800, there existed a vast array of indigenous civilizations. These civilizations ranged from simple bands of hunters and gatherers found in North America and southern South America, to the empires of the Maya and Aztecs in present-day Mexico and the Inca of Peru. Across these many civilizations existed various forms of irrigation and agricultural development. Some societies included large cities of upwards of 100,000 inhabitants. Others were composed of small, isolated villages.

The characteristics of this spectrum of civilizations across the American continents did prove a factor in which new institutions the colonizers would implement. Steward and Faron report that the colonial powers tended to exterminate, assimilate, or confine small populations of indigenous people where they encountered them. Moderately populated areas were converted to plantation societies, and densely populated civilizations were turned into forced labor in mines and public works. The amount of slave labor imported from Africa into regions of the New World depended on how much labor was already available, and Acemoglu et al. already found that high urbanization and disease rates correlate with low European settlement. After colonization, the conquered regions of the Americas were operated under distinct blends of European-influenced institutions.

Previous studies conclude that institutions are ultimately the best test for economic development and success, as opposed to theories proposing that geographic or social factors dominate a country's economic fate. After independence from its European colonizer, each new country was left with its existing institutions influenced by the Europeans and a population that consisted of a mixture of immigrant and indigenous descent. And to varying degrees in each of these new countries, movements were made to restore or redistribute rights within the populace. New countries then had the choice to adopt in full those institutions left in place by the colonizers, restore the institutions in place before colonization, draft entirely new ones, or a combination of all of these choices.

The colonizers who claimed large chunks of North and South America created large, artificial boundaries for their territories (except in the case of islands, which have clear and distinct territorial boundaries, namely the sea). We can assume that where borders drawn by the colonizers ran completely afoul of the pre-colonial territorial boundaries, state legitimacy would be perceived as lower than those colonies where the Europeans respected territorial borders. Englebort (2000) demonstrates how the artificial borders of Sub-Saharan African countries contributed to a perception of state illegitimacy after independence, and further, when the perception of state illegitimacy is higher, the worse is the economic performance of a country.

If citizens of former colonies perceived the new state as illegitimate, it is possible that economic performance would be affected. Thus, where the conflict between pre- and post-colonial institutions was less severe, the spectrum from which to choose institutions for a newly independent country was in turn less extreme, and higher levels of legitimacy should be witnessed. Also, where pre- and post-colonial territorial boundaries were similar, the state's claim over its citizens should be more legitimate than those places where the territorial boundaries experienced drastic alterations at the hands of foreign conquerors.

Testable Hypothesis

Using the above model, I predict that the greater the conflict between pre-colonial institutions and post-colonial institutions for a country, the greater the perception of state illegitimacy and economic stagnation upon independence. When there existed decentralized indigenous institutions, the implementation of centralized political institutions would do more economic damage to a colony upon independence than where there already existed, pre-colonization, a centralized, hierarchical society, or none at all.

I expect to find that post-independence economic growth will have a correlation with state legitimacy. This prediction can be summarized by the equation:

$$y = B_1 \cdot D + B_2 \cdot T + _$$

Post-independence economic growth is represented by y , and both B_1 and B_2 are coefficients for the divergence of institutions before and after colonization (D) and the divergence of territorial boundaries before and after colonization (T). The variable $_$ represents a disturbance term. I hypothesize that the less divergent the pre- and post-colonial institutions and territorial boundaries, the higher will be y .

Data

My data will test whether or not the incongruence between pre-existing political institutions and post-colonial institutions has had an effect on economic growth in the former colonies of the Americas and the Caribbean. In order to test this hypothesis, I will use six case studies of former colonies in this region. Englebert (2000) conducted a similar study in Sub-Saharan Africa, and I will be using many of his variables and indicators, applied to the Americas.

The dependent variable will be average per capita GDP growth from the date of independence of each former colony until 2003. Englebert measures this dependent variable against two independent variables in separate regressions. The first independent

variable in the Englebert study is “good governance”; the second is “state legitimacy”. I will only be testing the effects of state legitimacy on economic growth.

The independent variable, state legitimacy, will score the discrepancy between pre- and post-colonial institutions. Each state will be measured on three point scale of state legitimacy. The stages of this test are as follows: a country will be assigned a score of 0 if it was never colonized. Also, a colonized country receives a score of 0 if it had no prior human settlement, or its indigenous population was entirely eradicated. In the last stage of the state legitimacy test, a country will receive a 1 if the post-colonial institutions were not in serious conflict with the pre-existing institutions, 2 if there was serious conflict. To summarize:

| State Legitimacy Ranking | |
|--------------------------|-----------------------------------------------------------------------------------------|
| 0 | No colonization/ no prior human settlement / entire indigenous population eradicated |
| 1 | Little or no divergence between pre- and post-colonial institutions |
| 2 | Large divergence between pre- and post- colonial institutions |

This last stage of the test, deciding whether a case will be assigned a value of 1 or 2, will ultimately have unavoidable bias, and incorporate some kind of threshold to determine the point in which colonial institutions did in fact conflict with pre-existing institutions, and which did not. To decide whether a colony experienced serious conflict in regards to its pre- and post-colonial institutions, I will look at four factors for this point alone, namely, the respect which pre-existing territorial boundaries were given by the colonizers, the population of indigenous peoples upon a country’s independence (which relies upon the assumption that this is the group that would carry on the culture and tradition of the pre-colonial institutions), whether or not a modern state incorporated multiple pre-colonial political systems, and whether or not the pre-colonial institutions of a modern state were centralized or de-centralized. Centralized states would include

empires and advanced chiefdoms/organized civilizations while de-centralized institutions would include nomadic tribes or simple autonomous village societies.

The data used to measure GDP can be found from the World Development Indicators from the World Bank (www.worldbank.org) from the years 1960 -2003. Since several of the case studies I will be using gained their independence well before 1960, I will have to find a source of GDP estimates for the countries I have chosen, normalized to a specific year. Data that pertains to the independent variable, state legitimacy, will be found in texts concerning the histories and anthropology of the particular countries: boundary disputes, the existence of indigenous people and their previous political institutions before colonization. The Library of Congress' Area Handbook Series (<http://lcweb2.loc.gov/frd/cs>) also provides basic facts and information on the countries I will be using.

Methods

The six cases to be studied will be chosen in order to maximize the variance amongst the countries with respect to the variable of state legitimacy. That is, I want my selection to incorporate countries where there had both centralized and de-centralized pre-colonial institutions before the imposition of the centralized European political institutions. I would also like to look at cases where there were both changes to territorial boundaries upon colonization and where there were none. The cases I have decided to choose are the following:

1. Mexico
2. Peru
3. Nicaragua
4. Bolivia
5. Paraguay
6. Guyana

According to Steward and Faron, of the above-mentioned countries, some were operating under a highly advanced civilization at the time of European colonization (Mexico, Peru, some parts of Bolivia). Other countries from the sample were sparsely

populated with simple societies of hunters and gatherers (Paraguay, Guyana, some parts of Bolivia). Nicaragua was populated for the most part by confederations and chiefdoms – small collections of centralized societies, but distinct and fragmented from each other. Of the countries listed, several have been engaged in armed conflict over territorial lines within the last century involving casualties (Peru, Bolivia, Paraguay, Guyana) and a fifth (Nicaragua) has been involved in multiple military interventions, according to Jorge I. Domínguez in his paper “Boundary Disputes in Latin America”(2003). In the introduction to Domínguez’s paper, these instances of war or military action are described as “arguments over land boundaries that date from colonial times”(9). According to the causal models of both Englebert and myself, respect for pre-colonial boundaries affects state legitimacy. I believe that these case studies will represent a fair spectrum of countries with differing pre-colonial institutions, present day indigenous populations, economic performance, and citizens’ perception of state legitimacy.

Conclusion

My study will hopefully demonstrate the amount to which the divergence between pre-colonial institutions and the post-colonial institutions in the Americas affected the extent to which the newly independent states were perceived as legitimate. This work may also show whether this state legitimacy had an effect on the economic performance of countries after independence. In addition to studying the importance of pre-colonial political institutions, this study may shine light on the endurance of pre-colonial culture.

Because my work takes off from that of Englebert, who posed the same question for Sub-Saharan Africa, I feel that there are differences between the colonization of Africa and the colonization of the Americas that need to be addressed. First of all, the colonization of the Americas began much earlier, centuries earlier, than that of Africa. Time may take a toll when looking at the importance of pre-colonial and post-colonial institutions in comparison to the present day of 500 years later, but we should remember that Acemoglu et al. still were able to find correlations between the years of 1500 and 1995. Also, in South America and the Caribbean, instances of inter-marriage and racial mixing between Europeans and indigenous people occurred with much more frequency

than in Africa. Whether these instances of racial mixing succeeded in erasing the customs and cultures of the indigenous people of the Americas is up to debate. The Spanish and Portuguese colonizers of the Americas devoted an extraordinary amount of energy and resources to the promotion of Catholicism and the religious conversion of the indigenous people. In the regions where indigenous populations were not entirely or almost entirely exterminated, large colonial campaigns attempted to exterminate the indigenous culture, and replace it with a Spanish or Portuguese culture. Whether they succeeded or not is also questionable. When looking at the Americas we should keep these historical points in mind, and acknowledge that they may affect the results of the same question about state legitimacy and economic performance applied to Africa.

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