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Tracing the institutional roots of economic development

The impact of colonial extraction

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Point(s) of departure: Institutions matter

- Provide explanation to current-day economic performance (conditioning opportunities and incentives)
- Fair, just and equal

Or

- Exclusive and extractive



Point(s) of departure: Institutions matter

- Institutions tend to be persistent (but can change both incrementally and dramatically)
- Institutions governing or conditioning access to productive resources
- As well as conditioning the possibilities of being rewarded the fruits of your productive action.



The research project: the impact of colonial institutions

1. Determinants of the institutional set-up by the time of independence, in terms of inequality and elite capture of surplus.
 - Based on processes at work during colonialism
2. Post-independence institutional change.



Analytical tool

- Calculate Inequality Possibility Frontier and Inequality Extraction Ratio (Milanovic, Lindert, Williamson 2007)
 - How much surplus was extracted by the elites in relation to maximum possible extraction (given subsistence income)?



Analytical tool

- Degree of Inequality Extraction Ratio - The organising principle – is used for scrutinising hypotheses about institutions – land holding structure - development path
 - Unimodal vs. Bimodal
 - Institutional persistence vs. change



Data requirements

- Mean income
- Size of social classes, esp elites and the least advantaged.
- Mean income of social classes.
- Land distribution



This allows us to:

- Explore different dynamics of growth and equality of opportunity over time
- Shed light on the colonial legacy on current development
- Highlight the need for specific types of institutional reform



Intermixing quantitative and qualitative methods and data sources

- Case studies and construction of time series to identify:
 - shifts in income distribution
 - institutional determinants
 - effects of inequality and extraction



Case-selection criteria

- Large selection (to create a variance)
- Must have been colonies
 - (China, Thailand, Ethiopia excluded)
- Type of colonies
 - Settler or trade-oriented
 - Length of colonial period
 - Colonial master
 - Demography
 - Climate



Data collection

- The type of data may vary from case to case
- Income data
 - Government revenue
 - Landholders
 - Labour
 - Traders/middlemen
 - Foreign enterprises



Data Collection

- Household income data
 - Rates of taxation
 - Producer/retail prices
 - Land distribution
 - Wages
 - Profits



Data collection

- Sources
 - Colonial archives
 - Company archives
 - Older (colonial) studies
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- Partial data collection
 - Botswana, Ghana, Malaysia, Indonesia, Vietnam, Taiwan, Chile, Malawi, Tanzania

