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Sovereignty and Material Welfare in Small Island Jurisdictions

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Abstract: *Across the world's small island economies, sovereign independent political status is negatively associated with present-day per capita income. Does this reflect a causal link whereby political sovereignty has held development back since decolonisation, or does it indicate the persistence of pre-decolonisation differentials? If the latter, is there any reason why poorer colonies might have tended to end up independent while richer ones tended to remain non-sovereign? These issues are explored in this paper by inspecting time-series data on income, life expectancy, and imports for small islands that identified by the UN General Assembly in the 1940s as candidates for decolonisation. Data at this stage of the research programme are still very incomplete and the results are inconclusive, but suggest three hypotheses for future work. First, sovereign and non-sovereign island economies appear to have had the same growth rates of income since 1970. Second, there may have been a period up to 2000 when non-sovereigns outperformed sovereigns, followed by a period in which the pattern was reversed. Third, longer-run data back to the 1940s seems to indicate persistent differentials of income and imports but convergence of life expectancy (and potentially, therefore, other social and health indicators). No generalised development-related reasons to change the political status quo have been identified at this stage of what is an ongoing research programme, leaving political status a matter to be determined by the non-economic specifics of particular cases.*

Keywords: non/sovereign jusridictions, decolonisation, per-capita income

Introduction

Small islands have special interest for social scientists because of the way they throw up surprises that remind us of the limitations of common assumptions and theories. My own initial encounter with small-island reality was in 1979 in Tuvalu, then a newly-independent country of 8,000 people, with effectively no export earnings other than philatelic revenue from the sale of stamps issued by the new government to collectors around the world. Before arriving there I was inclined to think of both the enterprise of sovereign independence, and the prospect of achieving any standard of living above the subsistence provided by local village agriculture and fishing, as 'unsustainable' – a favourite economists' term for things that seem to defy gravity but nonetheless manage to continue.

Within an hour of stepping off the plane I had abandoned those preconceptions and had begun to appreciate how a very small - but ethnically and culturally close-knit – community could achieve things that much larger countries around the developing world were struggling to manage. With a seat in the UN General Assembly, and a diplomatic presence that was obvious to anyone watching the 2009 world climate-change summit in Copenhagen, Tuvalu confounds conventional wisdom in both its politics and its economy. Three pillars of development 'conventional wisdom' have come under threat from the empirical record in small island economies. The three are:

- The view that developmental success in a small open economy (that is, an economy that is exposed to global markets) requires strong export performance to sustain material standards of living

- The presumption that there are crucial economies of scope and scale in economic development (implying that very small economic units are at a developmental disadvantage)
- The proposition that sovereign independent statehood is positively related to the achievement of gains in material welfare for the population

In research over the past three decades I and a number of other scholars around the world have worked our way down that list, using data on a widening set of small islands. At each stage the key insights have come from confronting conventional wisdom with the empirical evidence, and finding the former wanting. Export-led growth is not necessary for achieving prosperity; smallness is not inherently a drag on prosperity; and sovereign independence, which potentially limits development options and imposes large cost burdens not faced by sub-national island jurisdictions, is not associated with any clear economic advantage – rather the opposite. This paper summarises these research findings before reporting some new data on the relationship between decolonisation and material welfare.

Growth need not be export led

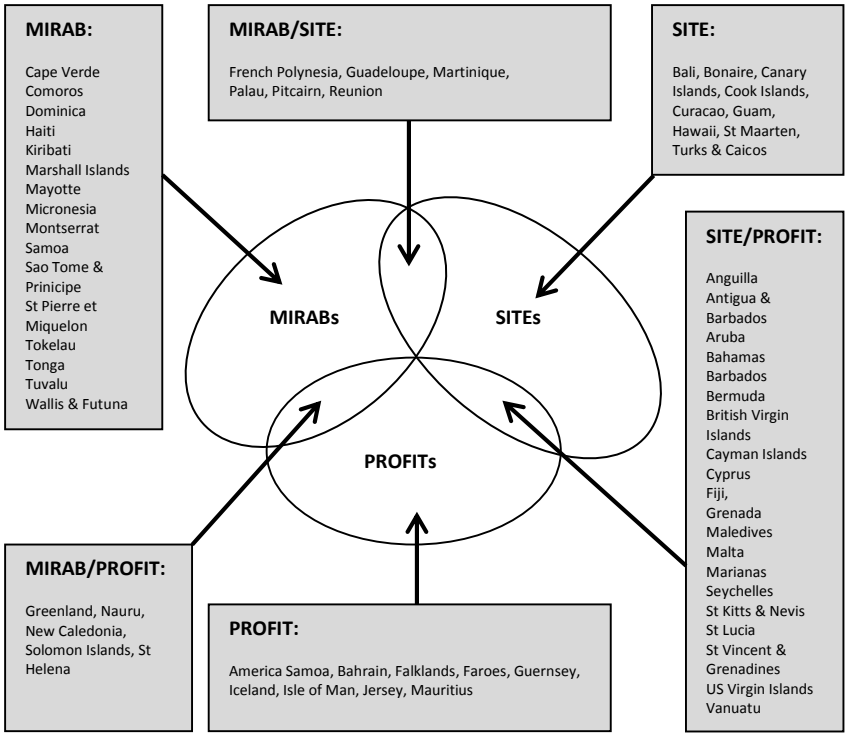
The first pillar to fall was the supposed importance of exporting success. The MIRAB model[1] (Bertram and Watters 1985; Bertram 1986, 1993, 1998) was developed to explain the obvious dominance of *import*-led development across much of the small-island Pacific, with balance-of-payments figures showing very large trade deficits which persisted for decades without

[1] The initials stand for ***MI***gration, ***R***emittances, ***A***id and ***B***ureaucracy (see also Tisdell in this volume).

triggering signs of economic stress such as rising indebtedness. In an earlier publication I demonstrated the goods and services balances of seventeen Pacific economies over the period 1975-2004 (see Bertram 2013:329; Figure 27.1).

In MIRAB economies, the imports that sustain islanders' standards of living are financed from a combination of migrant remittances and official aid transfers. Since the original MIRAB work was published, two other general small-island development strategies have been recognised as enabling trade deficits to be sustainably financed. One of these is tourism, whose rapid rise in both tropical and cold-water island destinations has been documented and analysed by Baldacchino (2006), McElroy (2006), McElroy and Parry (2010), McElroy and Hamma (2010), and Milne (1992). The other is the exploitation of niches of jurisdictional opportunity in a globalising world – what Baldacchino (2004) has labelled the 'PROFIT' strategy based on "the resourcefulness of jurisdiction" (Baldacchino/Milne 2000) – involving a wide range of leading sectors: offshore financial centres and tax havens (Shaxson 2011), rentals from foreign-controlled fishery and mineral activities in expanded exclusive economic zones, provision of strategic geopolitical services including military bases and weapons testing (see Poirine 1995; Drezner 2001; Baldacchino 2006b). The resulting three-way classification of development paths into MIRAB, SITE and PROFIT models, with export-led growth merely a subset of the PROFIT group, is summarised in Bertram (2006) and Baldacchino and Bertram (2009, from which figure 1 has been reproduced). A more detailed classification by Bertram and Poirine (2007: Table 8 and Figure 12, 353-364) identified nine developmental paths across 80 small island economies, with export-led growth being only one of the nine.

Figure 1: A three-fold taxonomy of small-island economies



Source: Baldacchino and Bertram (2009:152, figure 1)

Smallness is not a handicap

There is a strong school of thought that regards small countries as inherently vulnerable simply on account of their size (Briguglio 1995; Streeten 1993) but this "vulnerability paradigm" does not perform well empirically (Baldacchino/Bertram 2009:146-148). *Vulnerability* as measured by its proponents has turned out to be positively, not negatively, related to income per capita (Armstrong et al 1998; Easterly/Kraay 2002; Sampson 2005). Small islands, rather, seem characterised by *strategic flexibility*, with

non-sovereign island jurisdictions leading the way (Baldacchino/Bertram 2009). Work by numerous researchers since 1990 has focused on the relatively strong development performance of very small, often island, economies relative to larger entities – a finding that throws doubt on the extent to which diseconomies of scale and scope necessarily constrain material welfare. Table 1 shows the top fifteen economies in the world on the basis of Gross National Income (GNI) per capita in 2007, according to the World Bank's development indicators. The list includes five very small countries (less than 100,000 population), and three island economies, two of them very small ones. The World Development Indicators lack data on many

Table 1: World Bank Development Indicators Top Fifteen

	GNI per capita	Population
Monaco	161.470	35.013
Bermuda	117.640	64.888
Liechtenstein	111.790	35.308
Luxembourg	79.670	479.993
Norway	76.950	4.709.153
Qatar	63.440	1.152.459
Switzerland	59.040	7.551.117
Iceland	58.780	311.566
Denmark	54.700	5.461.438
Ireland	49.150	4.356.931
Sweden	48.900	9.148.092
United States	48.640	301.231.207
Isle of Man	48.550	81.812
San Marino	46.880	30.377
Netherlands	46.310	16.381.696

Source: http://data.worldbank.org/indicator/NY.GNP.PCAP.CD/countries?page=1&display=default and http://data.worldbank.org/indicator/SP.POP.TOTL?page=1 (23 January 2014).

of the smallest island economies several of which (such as Aruba, Sint Maarten, Cayman Islands, US Virgin Islands) belong among the world's highest-income economies. In short, at the very small end of the size spectrum we encounter the world's richest economies in terms of GNI per capita. As Easterly and Kraay conclude (2002:2015), "*if we control for the location by continent of all countries, whether they are oil producers, and whether they belong to the OECD, then small states are actually significantly richer than other states*". Diseconomies of scale and scope due to small size have not proved crippling.

Sovereign independence has not been a developmental advantage

A by-product of the statistical work on size and income was the explanatory power of political status in relation to modern income levels. Many small island jurisdictions are sub-national jurisdictions within larger metropolitan economies, rather than sovereign independent nation states. Intuitively it seems quite probable that in very small units, there would be diseconomies of scope and scale in running a full-service government, and that this might be expected to be a drag on economic performance. In other words, non-sovereign jurisdictions are able to 'travel light' in terms of the resources that have to be allocated to operating the public sector. This intuition runs counter to the strong belief among world opinion leaders in the second half of the twentieth century that liberation of a people from 'colonial rule' should unleash creative and productive potential, and enable a greater share of the economic surplus to be retained to finance development. Given that some trade-offs can be expected, the issue is ultimately an empirical one.

Strong statistical evidence that, among small economies at least, non-sovereign status is positively related to the level of per capita GDP, was

found by Armstrong et al. (1998), Armstrong and Read (2000, 2002), Bertram (2004), McElroy and Pearce (2006), McElroy and Parry (2012) and Sampson (2005:7). Sampson found, however, no significant effect of sovereignty status on the growth rate, and a negative effect on growth of being a small state after controlling for sovereignty. Higher incomes today, in other words, may be explained by past, not current, economic prosperity. If so, it may be that during the decolonisation era there was a tendency for poorer colonies to become independent and for richer ones to remain non-sovereign; if that were to be the case, then causality could run from relative wealth to political status, not from political status to relative wealth. This question is central to the present paper.

Bertram (1986) reviewed the various options for decolonisation - sovereign independence, integration with another state, self-government in free association, and possible unspecified other options – and argued that sovereign independence was likely to be an inferior option for very small islands. In later statistical work on small islands Bertram (2004) estimated that integrated political status added between $5,600 and $7,500 in US dollars to per capita income, relative to sovereign independence. He concluded that sovereignty operates as a tax on material welfare, and hypothesised that non-sovereign political status confers advantages in political-economy terms because by being integrated with a larger, usually richer, economy, a small island community can secure more favourable treatment in terms of financial aid, migration access, other market access, and ability to leverage off some functions of large-country government services such as education and health.

Poirine (1999) demonstrated that in the 1990s not only did island economies in general receive more aid per capita than larger, non-island

countries, but that non-sovereign islands secured 36 times more bilateral aid than comparable sovereign independent island states.

All of these studies essentially used modern-day cross-section comparisons of income levels across countries, with regression analysis based on panel data, to draw the conclusion that non-sovereignty seemed to pay off. What was lacking in that first generation of research was engagement with the long-run historical determinants of modern political and economic outcomes. As the wider development literature is giving increasing attention to economic history and especially to the long-run impacts of colonialism and biogeography on the modern world, it is time to gather more historical material together.

A 2009 statistical exercise by Feyer and Sacerdote investigated the long-term effects of colonialism across a sample of 81 islands. Most of their paper was concerned with finding an instrumental variable for date of colonisation, which they hypothesised was an important determinant of modern income levels (they used wind direction because most European colonisation of small islands took place in the age of sailing ships, which meant that the geographical intensity of search and discovery was influenced by prevailing winds). But their data set showed a pattern that ran against the conventional wisdom on decolonisation: the number of centuries an island economy had been a colony was positively, not negatively, related to modern per capita income (Feyrer/Sacerdote 2009: Figure 1, 251). They commented (ibid.:248) that "*there is a robust positive relationship between colonial tenure and modern outcomes. The obvious question is why? More intensive involvement with Europeans or longer colonial rule might have left islands with a more stable or better structured government. This theory is most associated with*

Acemoglu, Johnson, and Robinson… Unfortunately, it is not easy to identify which governmental institutions are the most critical, and measuring institutional quality is extremely difficult. Furthermore, even if we had a modern index of say, expropriation risk or corruption for these islands, one might worry that good modern institutions were caused by high incomes rather than the other way around. We offer two partial (and admittedly imperfect) solutions to this conundrum."

The answers tested were who was the coloniser, and when did colonisation occur? Along the way, their econometric work included the end date of colonialism in each case as well as the initial date, which meant that they had a set of cases in their sample (the modern non-sovereigns) with no end date. Their regression that included this information threw up the finding that "*(b)eing a colony at the end of the twentieth century remains very positively associated with income [even though] [c]onditional on making it to the end of the century as a colony, years as a colony in the twentieth century are negatively associated with income*" (ibid.).

Decolonisation options

By "remaining a colony", Feyrer and Sacerdote (2009) meant being subordinated to a larger metropolitan power. But this misconstrues the issue. Decolonisation does not necessarily have to consist of moving to a sovereign independent nation state, and sub-national status is not synonymous with colonial status. On the contrary, small islands have been the laboratory for exploring various ways of exiting from the colonial era, and sub-national status in the early twenty-first century is fully compatible with the genuine exercise of autonomous local agency in economic and social development, as

Godfrey Baldacchino and I have been arguing (Baldacchino/Bertram 2009). The confusion of sub-national jurisdictions with 'colonies' may be understandable given the pro-independence rhetoric of the United Nations Committee on Decolonisation over the past half-century, but misses the point that the test of decolonisation laid down by UN Resolution 1514 (December 1960) was not sovereign independence but simply "a full measure of self-government", which could be consistent with "integration with an independent State" or "free association with an independent state", as viable post-colonial alternatives to sovereign independence. The real issue is the extent of local autonomy, agency and initiative. Decolonisation in a sub-national context is a change in degree rather than in kind on these dimensions.

Decolonisation was one of the great historical transformations of the mid-twentieth century in Asia and Africa, but it is often overlooked that in the Americas there was a similar political upheaval in the years 1775 to 1825, as a colonial order established on the North and South American continents by Britain, Spain, Portugal and France was supplanted by a swarm of new sovereign nation states. The dominant process then, as in twentieth century decolonisation, was the installation of sovereign national governments in place of the colonial administrators among the large nations of the two continents. But foreshadowing twentieth-century experience, the sovereign-independence model ran aground in the small islands of the Caribbean. There is a striking contrast between the continental American drive to sovereign national independence and the survival of colonial rule in the islands of the Caribbean.

Only in relatively-large Haiti did an independent nation state emerge, following a slave revolt (related to the Revolution in the metropolitan power,

France) that displaced the previous ruling groups. In much of the Caribbean the continuation of colonial rule was favoured by the ruling slave-owning elites, reinforced by the superior military power the colonial powers could wield against small territories. No genuinely indigenous population or culture had survived from pre-colonial times to provide a basis for self-conscious national identity, and the transition out of slavery helped to defuse political activism amongst the black populations.

Effectively, the social contract that developed was one in which the elites controlling the Caribbean islands threw in their lot with the metropolitan colonial powers as a matter of straightforward self-interest. Over time the range of groups that benefited from holding onto the colonial relationship encompassed a growing proportion of the islander population, especially in the British, French and Dutch Caribbean. Eventually this provided the basis for the great post-World War II burst of West Indian migration to Britain: between 1948 and 1970 about half a million people moved, out of a population in the British West Indies of 3-4 million – about 15% out-migration. When decolonisation finally got underway in the Caribbean in the 1950s and 1960s, a substantial number of the island territories turned down the option of sovereign nationhood and opted instead for sub-national status. Bermuda, Anguilla, the British Virgin Islands, the Cayman Islands, and the Netherland Antilles including Aruba, joined Puerto Rico and the US Virgin Islands (see below) as post-colonial sub-national jurisdictions in the region.

Meantime Spanish colonial rule in the Caribbean had been broken not by popular resistance but by the USA in its 1898 war with Spain, the outcome of which was one nation state (Cuba) and one sub-national jurisdiction (Puerto Rico) which has remained non-sovereign since and has become increasingly

closely linked into the US economy. The USA subsequently moved on to buy the US Virgin Islands from Denmark in 1917; these are still an 'unincorporated organized territory' of the USA. Table 2 lists the inhabited island territories that have sub-national status within the USA[2]. None of these think of themselves as 'colonies' any longer (if they ever did).

Table 2: Inhabited US Island Territories

	Since	Other history
US State		
Hawai'i	1959	Annexed by US 1898
Commonwealths of the United States		
Puerto Rico	1952	US colony 1898-1952
Northern Mariana Islands	1978	UN Trust Territory 1946-78
Unincorporated organized territories		
Guam	1898	Conquered from Spain
US Virgin Islands	1917	Purchased from Denmark
Unincorporated unorganized territory		
Guantanamo Bay	1903	

Source: http://en.wikipedia.org/wiki/Territories_of_the_United_States (19 March 2014).

As the worldwide decolonisation era got underway after the Second World War, it became conventional wisdom that the correct path for former colonies to follow was the same as that of the continental American colonies before them, leading to the establishment of sovereign nation states on the Westphalian model. In the metropolitan countries themselves, governments accepted this as inevitable and encouraged the United Nations to evolve into a major driving force for decolonisation, with newly independent states in Africa and Asia gaining General Assembly seats and pushing with increasing determination for the elimination of all remaining 'colonies'.

[2] Detailed definitions of the different jurisdictional arrangements are at http://en.wikipedia.org/wiki/Territories_of_the_United_States.

Two fundamental issues were apparent from the outset of this process. One was the difficulty of matching the concept of 'nation' (a matter of cultural and ethnic identity and self-identification) with the concept of 'state' (a matter of political control over a defined territory and the ability to act in a sovereign fashion in asserting that control in a global community of nations). Many post-colonial states, especially in Africa, were patchworks of tribal identities and ancient loyalties that did not fit the colonial borders imposed in the nineteenth century. Others, such as India and Pakistan, were deliberately constructed to separate conflicting religious domains, but struggled to encapsulate this in the form of territorial borders. The attempt by the British in the Caribbean to usher a large group of colonies through to independence under the title of 'West Indies Federation' (1958-1962) failed because of the obvious diversity of the communities involved and the strength of popular resistance to being thus shoehorned into a new nation state big enough to fit metropolitan aspirations.

The second fundamental issue for decolonisation was the general situation of small island territories around the world, where the economic basis for full sovereign statehood seemed shaky and where the tide of decolonisation ideology often ran out of momentum, given the absence or weakness of popular anti-colonial movements. It is true that in some small islands the local elite saw benefit to themselves in establishing and staffing a sovereign national government, and therefore acted as a local vested interest group supporting a full-sovereignty decolonisation bargain with the colonial power; examples were Jamaica and Trinidad and Tobago, in the Caribbean; Iceland (1944) in the North Atlantic; Malta (1964) and Cyprus (1960) in the Mediterranean; Nauru (1968), Vanuatu (1980) and Western Samoa (1962) in the Pacific.

Other small islands were effectively dropped overboard by the colonial power and left to fend for themselves, with varying degrees of ongoing support from the metropole. In the Pacific the outstanding cases were the Gilbert and Ellice Islands (1978-79) (now Kiribati and Tuvalu) and the Solomon Islands (1976); in the Indian Ocean Mauritius (1968) and the Seychelles (1976); in the Caribbean the Windward Islands (Grenada (1974), St Vincent (1979), Dominica (1978), Antigua (1981), St Kitts and Nevis (1983), and St Lucia (1979).

This left many small island territories where local enthusiasm for full sovereign statehood was muted or absent, support for continuing integration with the colonial power was strong, and the decolonisation process was diverted into other channels. One of those channels was the concept of 'associated statehood' championed by New Zealand at the United Nations in the 1960s to cater for the unwillingness of the Cook Islands, Niue and Tokelau to move to full independence. Self-government in free association was applied in the Cook Islands (1965) and Niue (1974), by the British briefly in the Windward Islands after the collapse of the West Indies Federation, and by the United States in its Pacific Island Trust Territories.

Another outcome envisaged in the UN decolonisation documents was political integration with the metropole. This was applied most systematically by France (see table 3), which removed its island colonies from United Nations decolonisation oversight in 1947 and subsequently made them into Departements d'Outre-Mer and Territoires d'Outre-Mer (DOMTOMs). This applied to New Caledonia, Wallis and Futuna, and French Polynesia in the Pacific; Reunion and Mayotte in the Indian Ocean; St Pierre et Miquelon in the Atlantic, and Martinique and Guadeloupe in the Caribbean. These became

integral parts of France, each with a substantial degree of local autonomy to run local government but all formally subordinated to a central government department in Paris.

Table 3: French Overseas Territories and Departments that are islands

Overseas Departments		**Other history**
	Since	
Guadeloupe	1946	
Martinique	1946	
Reunion	1946	
Mayotte	2011	TOM 1976-2003
Overseas Collectivities		
French Polynesia	2003	TOM 1946-2003
Saint-Pierre et Miquelon	2003	TOM 1976-2003
Wallis and Futuna	2003	TOM 1961-2003
St Martin	2003	Formerly part of Guadeloupe
St Barthelemy	2003	Formerly part of Guadeloupe
Special Collectivity		
New Caledonia	1999	TOM 1946-1998

Source: http://en.wikipedia.org/wiki/Overseas_departments_and_territories_of_France (1 August 2011)

The formal integration route was adopted also by the United States for Hawaii (statehood in 1959) and partially for the Northern Marianas (commonwealth status 1975) in the Pacific, and for Puerto Rico (commonwealth status 1952) in the Caribbean (see Table 2 above).

Constructing an island sample for the decolonisation period

To see how political status has related to the material welfare of small-island populations over time it is necessary to identify a sample of economies that were all non-self-governing before the great decolonisation boom in the second half of the twentieth century and which followed different political trajectories thereafter. These divergent decolonisation histories provide a

natural experiment in the economic effects of alternative trajectories. Similar work to this, with a substantial data set for the most recent decades, is in McElroy and Parry (2012). Chapter XI of the United Nations Charter contains a 'Declaration Regarding Non-Self-Governing Territories', within which Article 73 requires the administering powers of non-self-governing territories to "*transmit regularly to the Secretary-General for information purposes, subject to such limitation as security and constitutional considerations may require, statistical and other information of a technical nature relating to economic, social, and educational conditions in the territories for which they are respectively responsible…*"

This placed a reporting requirement on administering powers which put their performance under an international spotlight. Reporting obligations also applied to states administering UN mandates or trusts over non-self-governing territories captured during the two World Wars, under Chapter XII of the Charter. In 1946 the eight 'administering powers'[3] submitted a list of 74 territories under their control which were to be subject to Chapter XI[4]. In addition, under Chapter XII of the Charter eleven territories were listed as trust territories[5]. Subsequent additions to the UN's list of non-self-governing territories brought the total up to 97 entities[6], of which 36 are islands or groups of islands with populations under 5 million. In terms of the current world political map these 36 entities comprise 61 individual islands or

[3] Australia, Belgium, Denmark, France, the Netherlands, New Zealand, the United Kingdom and the United States. Notably missing was Portugal, whose dependent territories were not included in the UN list until 1963.
[4] The list can be found in General Assembly Resolution 66(1) 'Transmission of information under Article 73e of the Charter', 9 February 1946, at http://daccess-ods.un.org/TMP/3443695.60480118.html (accessed 27 January 2014).
[5] These are described at http://www.un.org/en/decolonization/its.shtml and listed at http://www.un.org/en/decolonization/selfdet.shtml (both accessed 27 January 2014).
[6] Listed at http://www.un.org/en/decolonization/nonselfgov.shtml (accessed 27 January 2014).

closely-linked archipelagos, as shown in Table 4 (see next page), or 57 if the Netherlands Antilles except for Aruba are treated as an entity. These islands provide the sample for the statistical comparisons that follow.[7] The research programme, from which this chapter gives some early results, takes the small island countries in Table 4 as a representative sample of candidates for 'decolonisation' after the Second World War, divides them between those that (as of 2012) have moved to become sovereign states and those that have become *sub-national island jurisdictions* (SNIJs), and then compares the two groups over time on indicators such as population, income per head, life expectancy, early childhood mortality, and imports per head.

Decolonisation outcomes and economic trajectories

A preliminary question is whether, among the 61 islands in Table 4, it was the small ones that became sub-national and the large ones that became sovereign. Figure 2 shows the pattern across the sample. A tendency for non-sovereign status to be more common among very small units is suggested, and possibly some tendency for sovereign status to be more common in the population range 500,000 - 1 million, but there is no statistically significant conclusion to be drawn. The average population of sovereigns in the sample is 437,500 and that of non-sovereigns is 243,300 but the standard deviations in both cases are bigger than the means.

[7] Sources: Islands list compiled from http://www.un.org/en/decolonization/nonselfgov.shtml, plus the 1946 list at http://www.statehoodhawaii.org/hist/nsgt.html and UN Resolution 66(1) 9 February 1946 at http://daccess-ods.un.org/TMP/3443695.60480118.html (all accessed January 2014). Population from UN Demographic Yearbook 2012 Table 5 at http://unstats.un.org/unsd/demographic/products/dyb/dyb2012.htm, accessed January 2014, with gaps filled using Wikipedia entries for individual islands. WDI income data from World Bank, World Development Indicators, http://wdi.worldbank.org/table/1.1#, accessed 29 January 2014. UN income data from http://unstats.un.org/unsd/snaama/resQuery.asp, accessed 29 January 2014. CIA income data from https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html accessed 29 January 2014.

Table 4: Islands that were listed as 'non-self-governing territories' or 'trust territories' by the UN at some time since 1946

Island territory at 1946	Component islands	Metropolitan power	Political Status at 2012	Population 2010	Per capita income at 2012 according to three databases		
					WDI 2012	UN Statistical Division	CIA World Factbook
American Samoa	American Samoa	USA	SNIJ[8]	66,000			8,000
Bahamas	Bahamas	UK	Sovereign	346,900	20,600	21,102	31,300
Barbados	Barbados	UK	Sovereign	276,302	15,080	14,739	25,000
Bermuda	Bermuda	UK	SNIJ	64,566	104,590	105,171	86,000
Cape Verde	Cape Verde	Portugal	Sovereign	517,831	3,830	3,731	4,400
Cocos (Keeling) Islands	Cocos (Keeling) Islands	Australia	SNIJ	600			
Cook Islands	Cook Islands	New Zealand	SNIJ	23,600		14,918	9,100
	Niue	New Zealand	SNIJ	1,496			5,800
Cyprus	Cyprus	UK	Sovereign	827,697	26,110	25,580	26,800
Fiji	Fiji	UK	Sovereign	857,000	4,110	4,507	4,700
French Establishments in Oceania	French Polynesia	France	SNIJ	268,500		26,113	22,000
	Wallis and Futuna	France	SNIJ	15,000			3,800
Greenland	Greenland	Denmark	SNIJ	56,534		40,303	37,400
Guadeloupe	Guadeloupe	France	SNIJ	401,784			
Hawaii	Hawaii	USA	SNIJ	1,360,301			
High Commission Territories of the Western Pacific	Kiribati	UK	Sovereign	100,000	2,520	2,077	6,200
	Tuvalu	UK	Sovereign	10,924	5,650	7,051	3,400
	Solomon Islands	UK	Sovereign	530,669	1,130	1,543	3,300
	Pitcairn	UK	SNIJ	58			
Jamaica	Jamaica	UK	Sovereign	2,702,310	5,120	5,187	8,900
	Cayman Islands	UK	SNIJ	54,878		53,393	

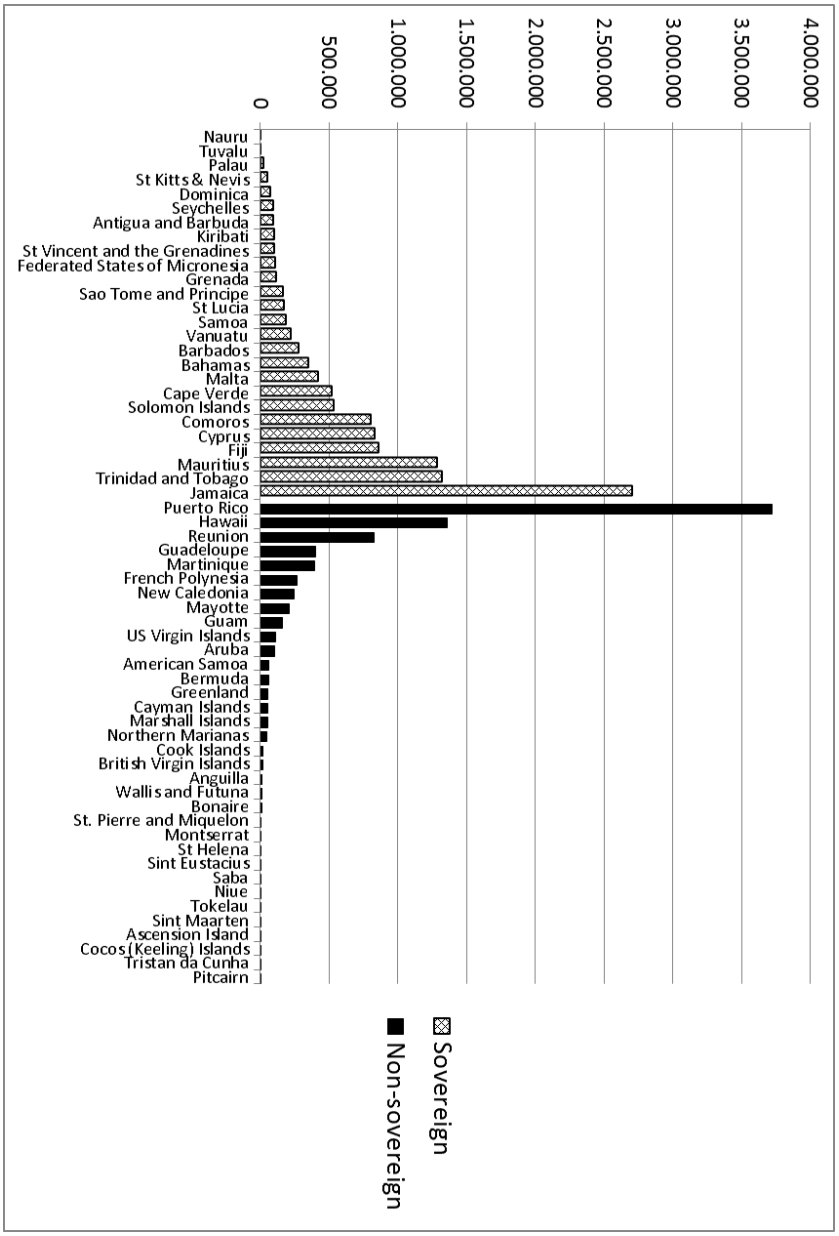
[8] SNIJ = sub-national island jurisdictions.

Island territory at 1946	Component islands	Metropolitan power	Political Status at 2012	Population 2010	Per capita income at 2012 according to three databases		
					WDI 2012	UN Statistical Division	CIA World Factbook
Leeward Islands	Antigua and Barbuda	UK	Sovereign	90,801	12,480	12,740	17,800
	British Virgin Islands	UK	SNIJ	21,689		29,436	42,300
	Montserrat	UK	SNIJ	5,020		12,049	8,500
	St Kitts & Nevis	UK	Sovereign	51,970	13,610	13,777	16,100
	Anguilla	UK	SNIJ	16,373		19,895	12,200
Madagascar and dependencies	Mayotte	France	SNIJ	212,645			
	Comoros	France	Sovereign	798,000	840	830	1,300
Malta	Malta	UK	Sovereign	415,275	19,760	19,265	26,900
Martinique	Martinique	France	SNIJ	396,308			
Mauritius	Mauritius	UK	Sovereign	1,280,924	8,570	9,337	15,400
Nauru	Nauru	Australia	Sovereign	9,378		12,577	5,000
New Caledonia and dependencies	New Caledonia	France	SNIJ	250,040		38,869	37,700
New Hebrides	Vanuatu	France & UK	Sovereign	221,417	3,000	2,869	4,800
Netherlands Antilles	Aruba	Netherlands	SNIJ	101,860		23,367	25,300
	Bonaire	Netherlands	SNIJ	14,006		18,168	
	Curacao						15,000
	Sint Maarten	Netherlands	SNIJ	917		18,168	15.400
	Saba	Netherlands	SNIJ	1,991		18,168	
	Sint Eustacius	Netherlands	SNIJ	3,543		18,168	
Puerto Rico	Puerto Rico	USA	SNIJ	3,721,208	18,000	18,634	16,300
Pacific Islands Trust Territories	Marshall Islands	USA	SNIJ	54,305	4,040	4,748	8,600
	Federated States of Micronesia	USA	Sovereign	107,839	3,230	3,317	7,100
	Palau	USA	Sovereign	21,388	9,860	8,853	10,500
	Northern Marianas	USA	SNIJ	48,317			13,600

Island territory at 1946	Component islands	Metropolitan power	Political Status at 2012	Population 2010	Per capita income at 2012 according to three databases		
					WDI 2012	UN Statistical Division	CIA World Factbook
Reunion	Reunion	France	SNIJ	828,054			
Samoa	Samoa	New Zealand	Sovereign	184,032	3,260	3,436	6,200
Sao Tome and Principe	Sao Tome and Principe	Portugal	Sovereign	163,783		1,397	2,100
Seychelles	Seychelles	UK	Sovereign	89,770	12,260	10,198	25,000
St. Pierre and Miquelon	St. Pierre and Miquelon	France	SNIJ	6,080			34,900
St Helena and dependencies	St Helena	UK	SNIJ	4,250			7,800
	Tristan da Cunha	UK	SNIJ	263			7,800
	Ascension	UK	SNIJ	702			7,800
Tokelau Islands	Tokelau	New Zealand	SNIJ	1,400			1,000
Trinidad and Tobago	Trinidad and Tobago	UK	Sovereign	1,317,714	14,710	18,067	19,800
US Virgin Islands	US Virgin Islands	USA	SNIJ	110,000			14,500
Windward Islands	Dominica	UK	Sovereign	69,017	6,440	6,710	14,000
	Grenada	UK	Sovereign	110,821	7,220	6,989	13,500
	St Lucia	UK	Sovereign	172,370	6,890	7,204	13,000
	St Vincent and the Grenadines	UK	Sovereign	100,892	6,400	6,314	11,800

In fact the key conclusion to be drawn from Figure 2 is that the choice of political status has been wide open across the size range of the sample. A second point to emerge from the detail of Figure 2 is that the UK has been far less amenable than France and the USA to conceding non-sovereign status for its larger territories. The largest non-sovereign with the UK as its metropole is Bermuda, with a population of 65,000; above this level all the islands that were under UK rule in 1946 have moved through to sovereign independence.

Figure 2: Political status and population size of small islands



The next question to ask is how income per capita compares today after half a century of divergent political evolution in the two sets of islands. A major problem is data: the big international agencies which prepare consistent national accounting measures across economies commonly do not collect and publish figures for very small territories, especially if those territories are non-sovereign (hence not members of the UN or the World Bank). Of the 61 island economies in Table 4, only 27 have their Gross National Income per capita reported in the World Bank's 'World Development Indicators' and these are all sovereigns with the sole exception of Bermuda. The Penn World Tables 6.3 covers none of the non-sovereign islands in the sample. The UN Statistical Agency's national accounts database has better coverage: 42 of the 61 islands in the sample, of which 26 are sovereigns and 16 are non-sovereigns. The CIA World Factbook covers 50 of the 61 islands, comprising 26 sovereigns and 24 non-sovereigns, but is less methodologically rigorous than the other international organisations. The reliability of the sources, in fact, is inversely related to their coverage of non-sovereign territories, but data availability prevails, for the moment, over strict rigour. Table 4 shows the UN and CIA figures, and Figures 3 and 4 plot the data.

The impression given by both these charts (in common with the previous literature reviewed above, which generally analyses data for territorial units without adjusting for population size) - that non-sovereigns among the sample tend to exhibit higher income levels than sovereigns today – could be misleading if the charts have been biased by giving undue weight to a large number of very small economies. Table 5 and Figure 5 show the comparison of aggregated income per capita across all the sovereign island populations and across the non-sovereigns. This population-weighted calculation confirms the proposition that non-sovereigns have an advantage.

Figure 3: Political status and income per head at 2012 according to the UN Statistical Agency

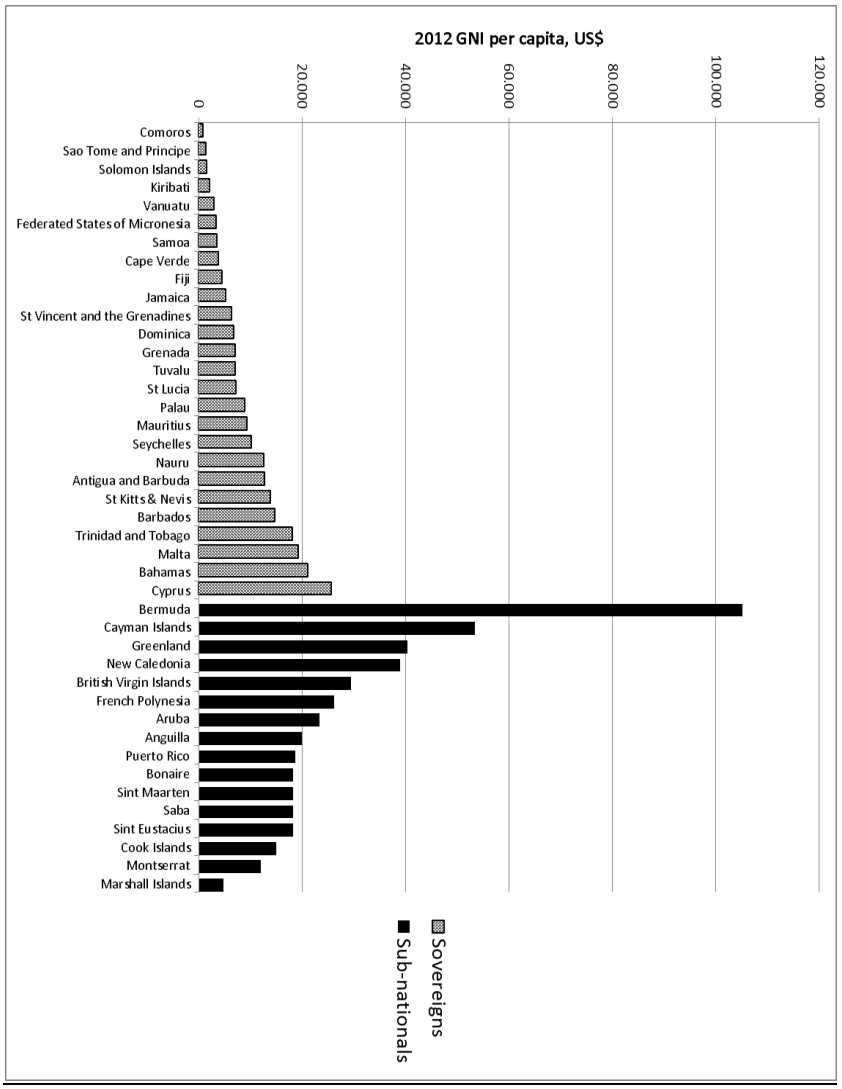


Figure 4: Political status and income per head at 2012 according to the CIA World Factbook

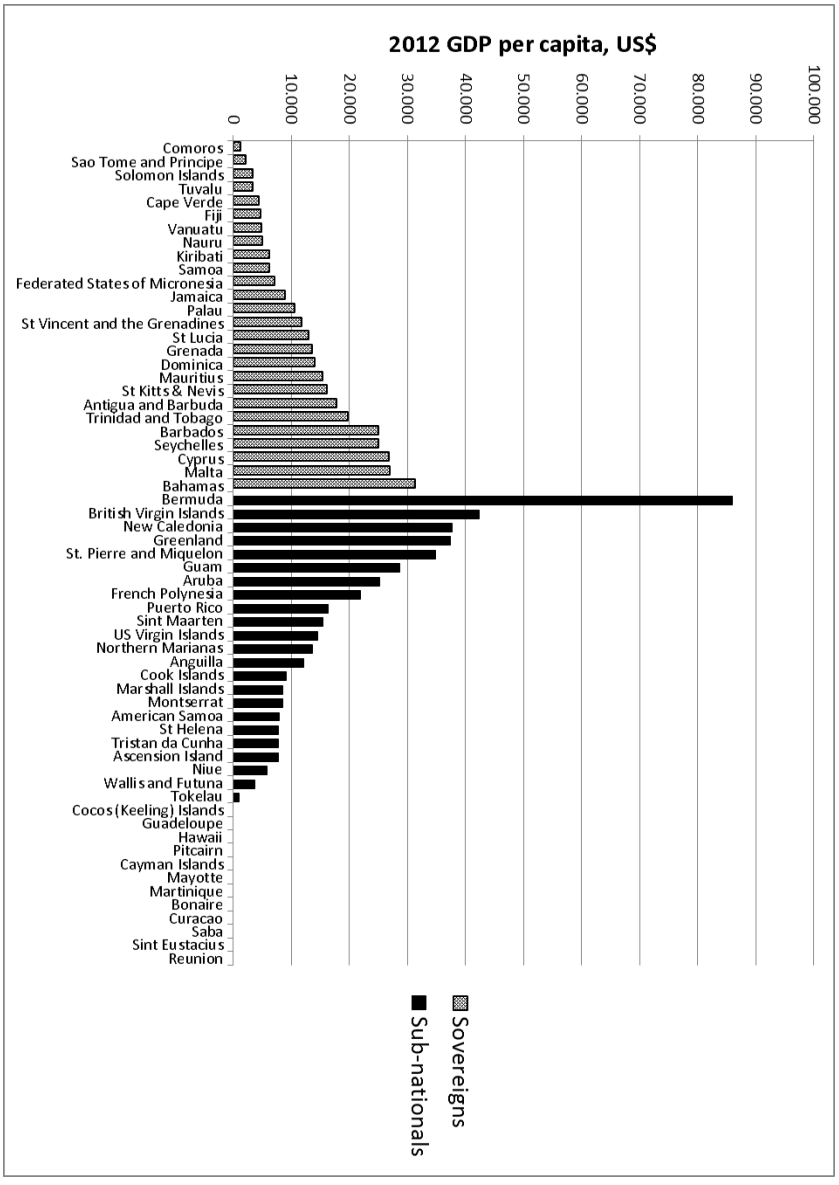
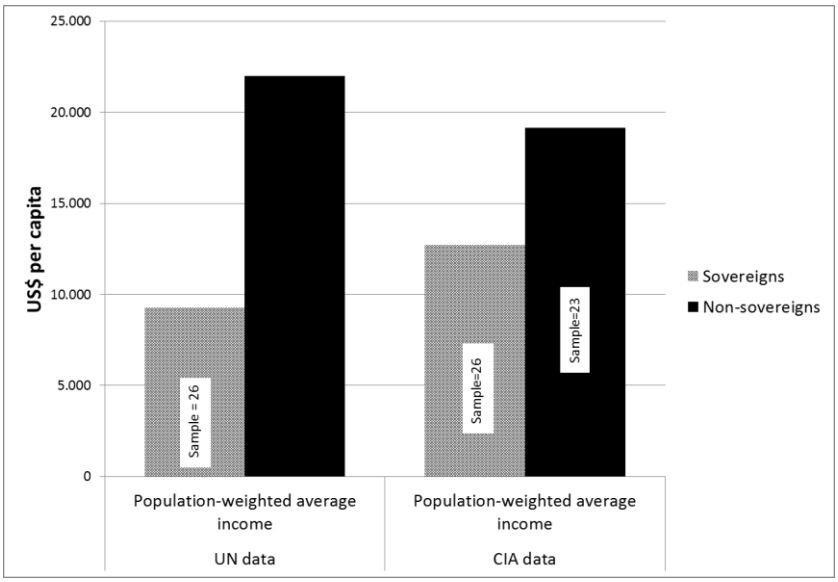


Table 5: Population-weighted per capita income 2012 compared between sovereign and non-sovereign islands

	UN data		CIA data	
	Number of islands	Population-weighted average income	Number of islands	Population-weighted average income
Sovereigns	26	9.316	26	12.740
Non-sovereigns	16	21.991	23	19.163

Source: Derived from data in Table 4.

Figure 5: Population-weighted comparisons of income per head using two datasets



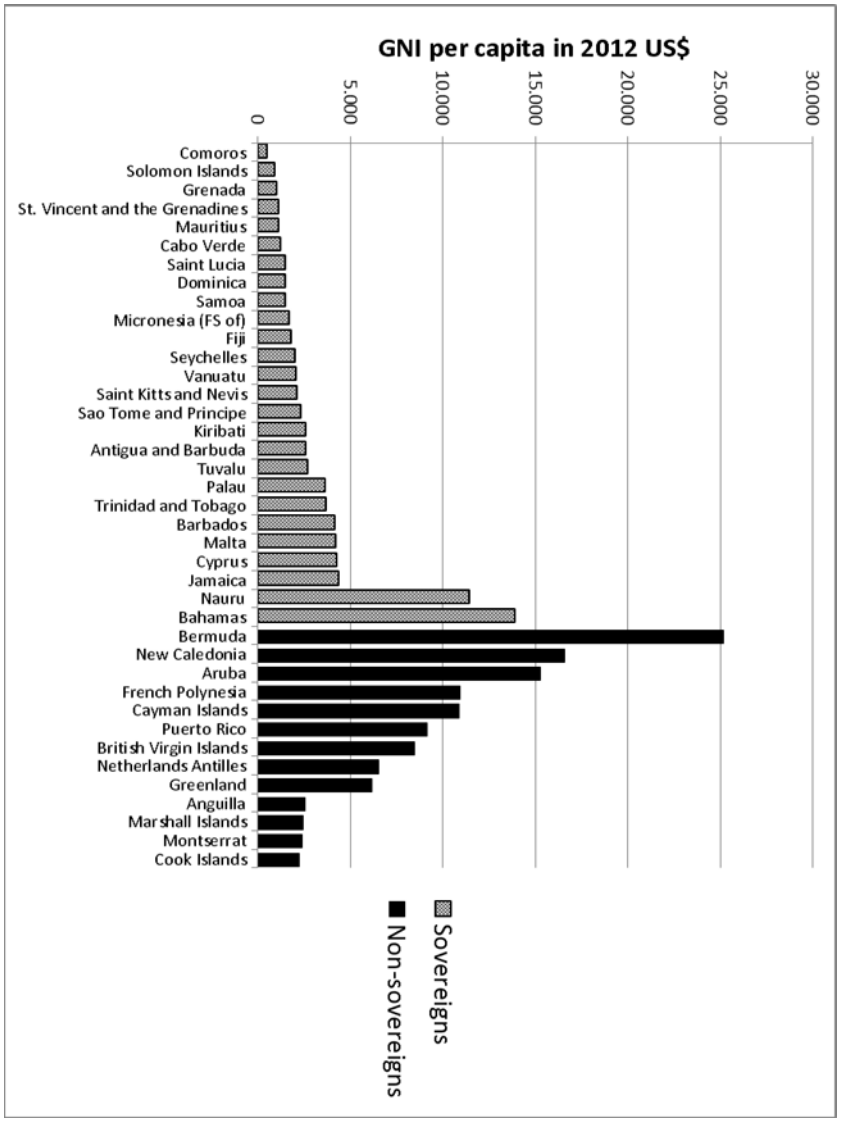
Source: Derived from data in Table 4.

To this point, the statistical information on our islands sample simply confirms previous work showing a positive cross-section relationship between non-sovereignty and income (McElroy/Parry 2012). The obvious question that follows is whether this disparity emerged during and after the

decolonisation process, or existed prior to decolonisation. For this, we require either time series data going back to 1946, or at least a data set showing income across the islands at 1946 or 1950, that would enable us to see whether the modern income disparity was present or absent at the beginning of decolonisation. Such income data is not at this stage available on a worldwide basis.

As a first step I have used the UN Statistical Division's macroeconomic database to trace per capita income over the 40-year period 1970-2010 for 26 of the sovereign islands in the sample and 13 of the non-sovereigns. For each economy covered I take Gross National Income per capita in US dollars and deflate to 2012 US dollars using the US GDP deflator. I then calculate the population-weighted average per capita real GNI for the sovereigns and non-sovereigns and plot the results at five-yearly intervals. The results of this exercise are shown in Figures 6 and 7. In Figure 6, the 1970 distribution of per capita income is plotted on the same basis as the 2012 distribution in Figure 3 above, showing that the shape of the distribution hardly changed over the 40 years, although the detailed ranking of individual economies has changed, and the leading 1970 sovereign cases Bahamas and Nauru clearly fell behind relative to the leading 2012 non-sovereigns Bermuda and the Cayman Islands.

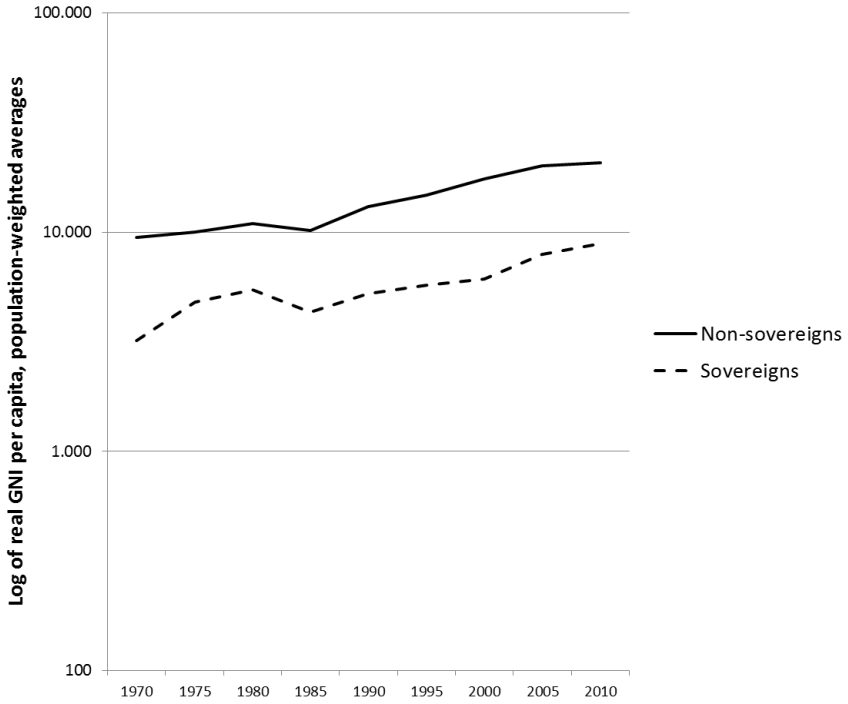
Figure 6: Political status and income per head at 1970 according to the UN Statistical Agency



Source: Data from UN Statistical Division national accounts database at http://unstats.un.org/unsd/snaama/dnlList.asp, weighted using population data from http://en.wikipedia.org/wiki/List_of_countries_by_past_and_future_population, (30 Jan. 2014).

Figure 7 traces the population-weighted per capita real income of the sovereign and non-sovereign groups over the 40-year period and shows that the higher incomes of non-sovereigns goes back at least to 1970, and that since 1970 the two groups of economies have exhibited virtually identical aggregated rates of growth – strong confirmation for Sampson's (2005) finding that recent growth rates are not statistically related to political status. (There are signs in the chart that the early-1980s global downturn hit the sovereigns harder than the non-sovereigns, but this followed a period when the former's growth had been outpacing the latter's.) This suggests that the

Figure 7: Trajectories of real per capita GNI in 26 sovereign versus 13 non-sovereign island economies 1970-2010, population-weighted averages (Source: as for Figure 4)



difference in material welfare between the two types of political status was established already at 1970, which means that either something happened very early in the decolonisation era to separate the two groups of islands, or the hypothesis of a causal relation running from political status to income differentials (advanced, e.g., by Bertram 2004) loses ground to the competing hypothesis that wealthier territories were more successful in avoiding independence.

Another way to measure convergence or divergence over time between the two groups of island economies is the ratio of per capita income. This is shown in Figure 8 over the four decades 1970-2010. The pattern that shows

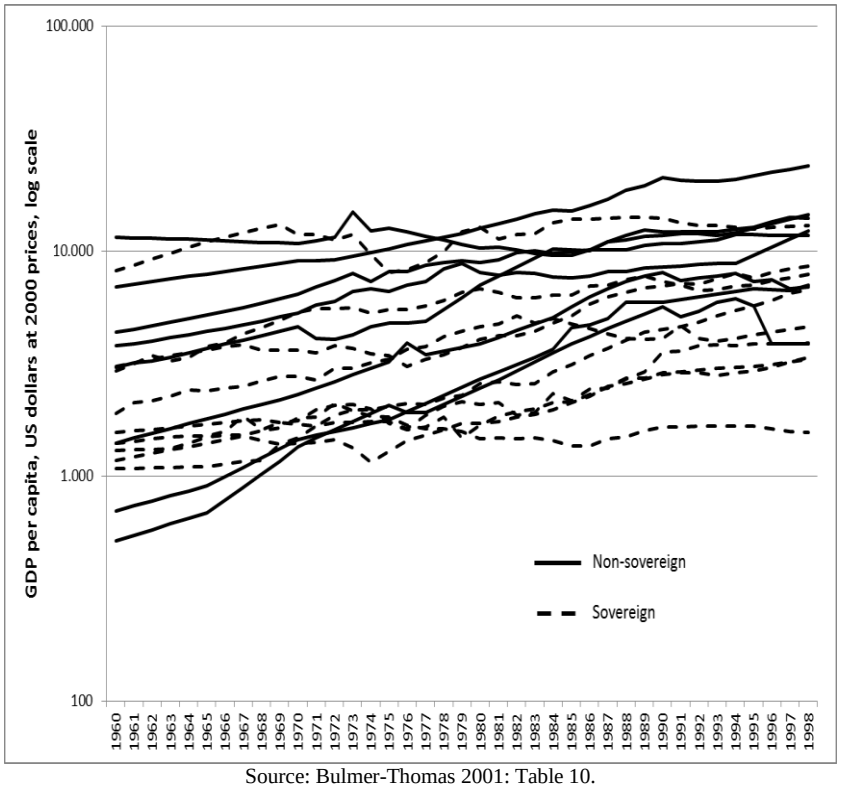
Figure 8: Ratio of population-weighted GNI per capita between 26 sovereign and 13 non-sovereign island economies, 1970-2010 (Source: as for Figure 4)

up is of non-sovereigns falling behind relative to sovereigns during the 1970s, but pulling away again in the 1980s before dropping back again in the

2000s. Over the forty-year period there is no clear secular trend, but the steep drop in the early 1970s makes it all the more important to push the analysis further back to see whether the 1970 data may be an anomaly.

For one region it is possible to carry income comparisons back a further decade. A long-run study of the Caribbean islands has been published with a database going back to the early nineteenth century, which offers GDP estimates for the period 1960-1998 (Bulmer-Thomas 2001: Table 10). Figure 9 compares the time paths of individual islands over that 1960-1998 period,

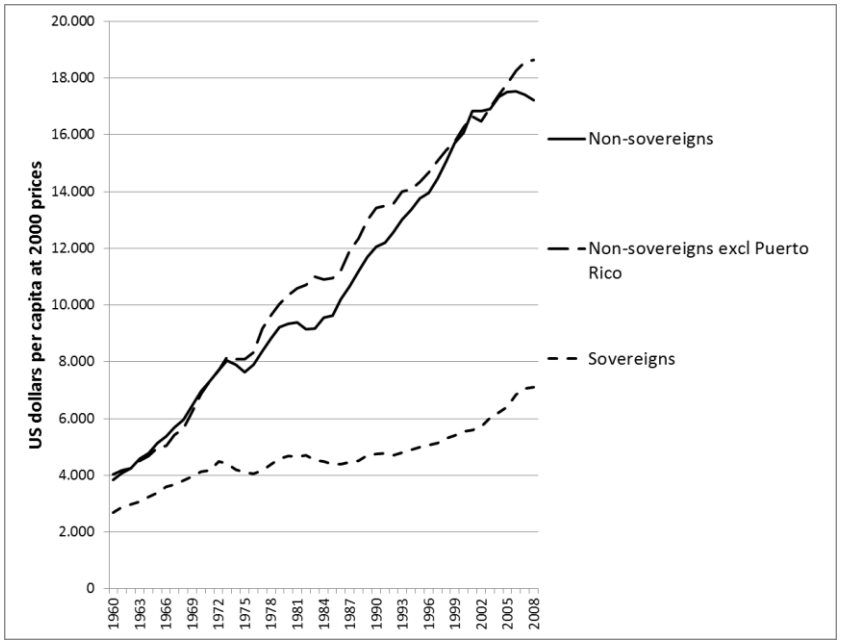
Figure 9: GDP per capita of 12 sovereign and 11 non-sovereign Caribbean island economies, 1960-1998



Source: Bulmer-Thomas 2001: Table 10.

with those that became sovereign during the period shown with dashed lines and those that remained non-sovereign shown as solid lines. Island economies that have remained non-sovereigns tended to converge at the upper end of the distribution over time, whereas islands that became sovereigns grew more slowly overall and without apparent convergence. Figure 10 compares the path of population-weighted GDP per capita between

Figure 10: Population-weighted real GDP per capita 12 sovereign and 11 non-sovereign Caribbean island economies, 1960-98 (Source: ibid. Tables 2 & 10)



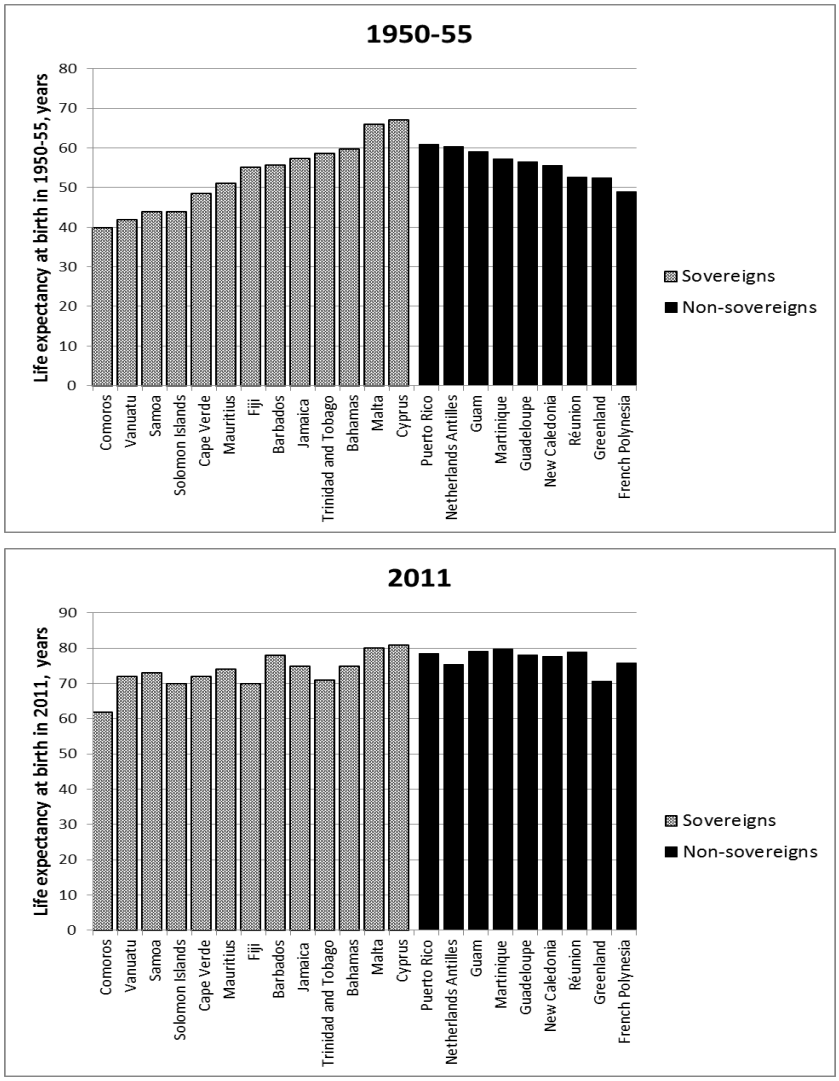
the two Caribbean groups, indicating both that the islands heading for non-sovereign status were collectively ahead at 1960 and that thereafter they diverged from the sovereign island states. This leaves the issue of causality still wide open, but could indicate two-way causality: both that the more prosperous islands avoided sovereignty, and that non-sovereignty may have boosted their economic performance. However, whether the Caribbean

experience can be generalised to islands in other regions remains to be explored. I turn now to two other measures that are more readily available for longer time periods: life expectancy, and imports.

The UN Demographic Yearbook and its historical supplements have information on life expectancy at birth for 22 of the 61 islands in Table 4 over six decades from 1950-55 to 2011. Figure 11 (next page) compares the distributions for these two periods, showing that across the two groups of islands for which long-run data is available, life expectancy rose substantially (by roughly a decade) and there was clear convergence as the laggards caught up. At the beginning and end of the period the two economies with highest life expectancy were, not surprisingly, the two (now-sovereign) European ones in the sample: Malta and Cyprus. Across the 22 economies, the visual impression is of a slight overall edge in favour of non-sovereigns, but there may well be bias in the samples, especially the non-sovereign sample, where higher living standards probably produced more statistical reporting.

The conclusion here appears to be that differences in life expectancy associated with eventual political status, which may have existed in the early 1950s, were increasingly eliminated over time as all island economies converged toward the 80-year level at which gains in life expectancy seem to level off. This potentially supports the possibility that today's non-sovereigns may have started out somewhat ahead of today's sovereigns among our island sample, but does not sustain the idea that non-sovereign status confers any clear advantage in relation to health outcomes. When average life expectancy across the two groups is tracked on a population-weighted basis, the outcome depends on the inclusion or exclusion of Puerto Rico – the largest of the non-sovereigns for which data was available, which already by 1950 had life

Figure 11: Total life expectancy at birth in 13 sovereign and nine non-sovereign island economies 1950-55 and 2011



Sources: Most data from UN Demographic Yearbook Historical Supplement http://unstats.un.org/unsd/demographic/products/dyb/dybhist.htm. 1990s and 2000s data from http://unstats.un.org/unsd/demographic/products/dyb/dyb2012/Table21.xls, http://unstats.un.org/unsd/demographic/products/dyb/dyb2012/Table04.xls, and http://apps.who.int/gho/athena/data/data.xls?target=GHO/WHOSIS_000001

expectancy of over 60 years after half a century of close connection to the USA. The calculation is crude, and prone to errors arising from gaps in the data and sample selection bias (only islands for which data was available are included). Data was located for 22 sovereigns and 14 non-sovereigns – a total of 36 of the 61 islands in Table 4. The results are in Figure 12, first with Puerto Rico included and then with it excluded. With Puerto Rico excluded, the remaining 13 non-sovereigns started out behind the sovereigns in 1950 but had caught up by 1970 and moved well ahead by 2010.

The life expectancy evidence, therefore, is inconclusive with respect to the key question of causality – whether relative wealth preceded political dependence, or vice versa. The second panel of Figure 12 is the best evidence at this point for the second position. We turn, therefore, to imports per head – probably the best proxy for consumption standards for which long-run data is available.

Figure 12: Population-weighted average life expectancy at birth, 22 sovereigns compared with 14 non-sovereigns including Puerto Rico

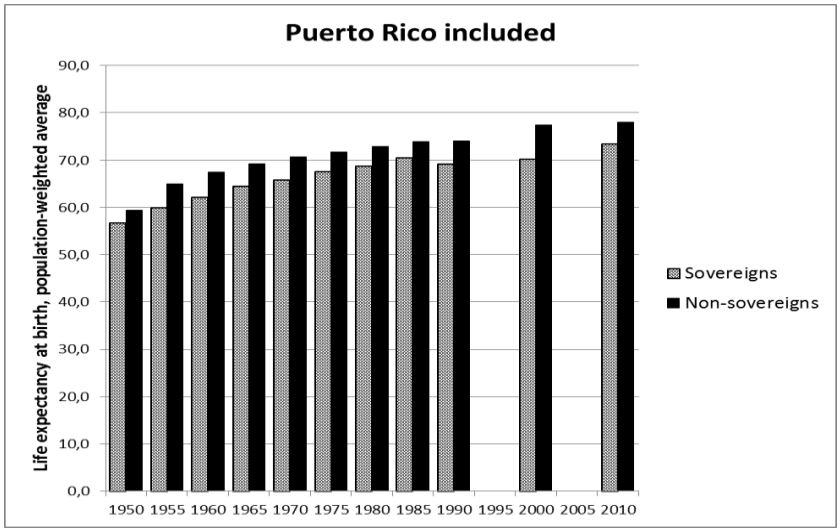
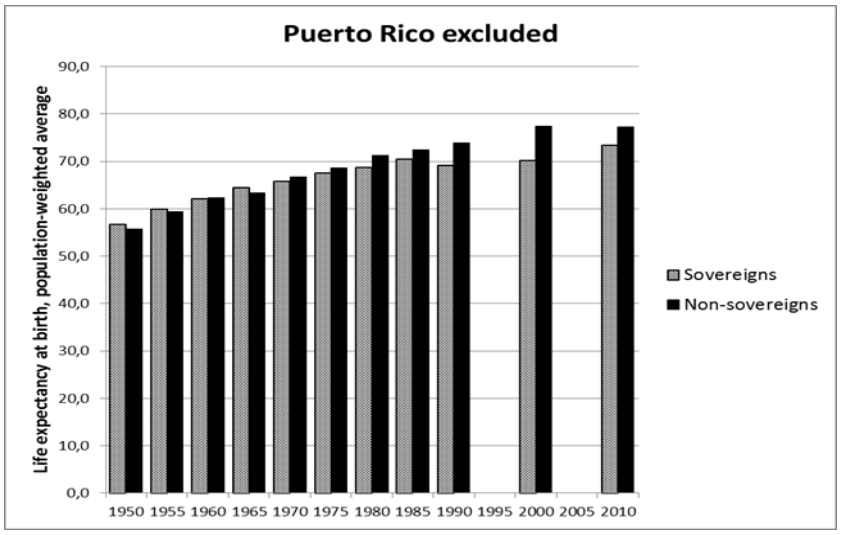


Figure 12 cont.



Trade data

Statistics of merchandise trade were collected and published for most small island territories throughout the colonial era, and have continued to appear for both sovereign and non-sovereign islands since decolonisation. The World Trade Organisation's online database begins in 1948, but is almost completely restricted to sovereign states, and for a number of the sovereign islands in the Table 4 sample only shorter runs of data for more recent dates are provided. Other sources fill some of the gaps, and provide figures for some non-sovereign islands. In this section a preliminary analysis is undertaken by assembling per capita import figures in US dollars for as many as possible of the islands in our sample at ten-yearly intervals from 1950 to 2010.

At this stage (early 2014) it has been possible to locate data on merchandise imports per capita in US dollars for only 22 sovereign small-island economies and eleven non-sovereigns – a total of 33, just over half the economies in the Table 4 sample. Future research will be directed to substantially increasing the representation of non-sovereigns. Figure 13 plots the data, first with the Netherlands Antilles included and then with this outlier excluded. (Imports to the Netherlands Antilles at that time were dominated by oil passing through the refineries on Aruba and re-exported after processing – in other words, were mainly intermediate goods rather than destined for final consumption.)

No clear-cut general conclusions are possible from this exercise. Obviously two or three individual non-sovereigns (Bermuda, New Caledonia, Netherlands Antilles) stand out ahead of the bunch at 1950 but across the remainder of the islands covered there is no strong pattern. Provisionally Figure 13 could be consistent with the hypothesis that the gap between sovereign and non-sovereign groups opened up during or after decolonisation and was not pre-existing - but the fact that the three top cases in the import data at 1950 were all economies that later retained non-sovereign status keeps alive the alternative hypothesis that for at least part of the sample causality may have run from economic to political status.

Repeating the exercise for two post-decolonisation years, 1990 and 2010, produces the results in Figures 14 (for 1990) and 15 (for 2010) on the following pages for essentially the same sets of islands (American Samoa is added in 1990, Aruba appears separately from the rest of the Netherlands Antilles, and a couple of other non-sovereigns enter or leave the set as a result of data availability).

Figure 13: Imports per capita in US dollars in 1950: 22 sovereign and 11 non-sovereign small island economies

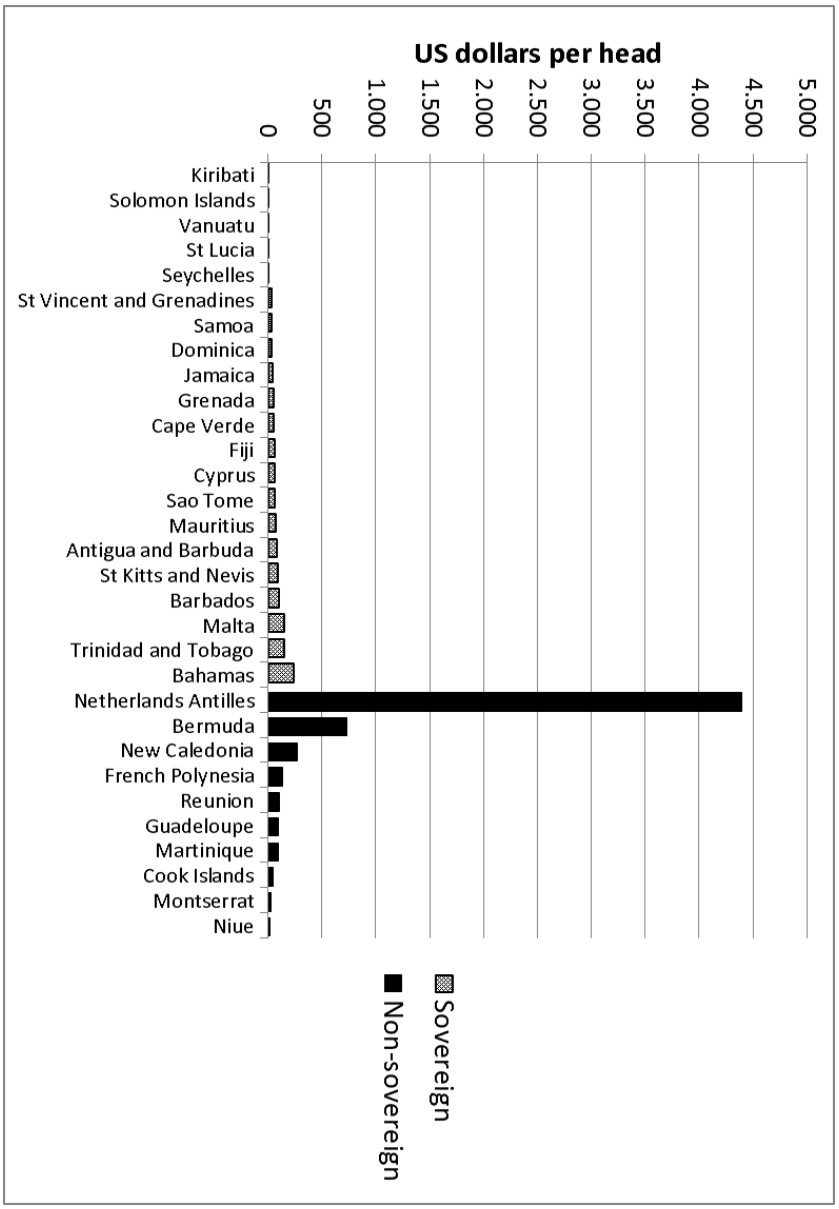


Figure 13 cont.

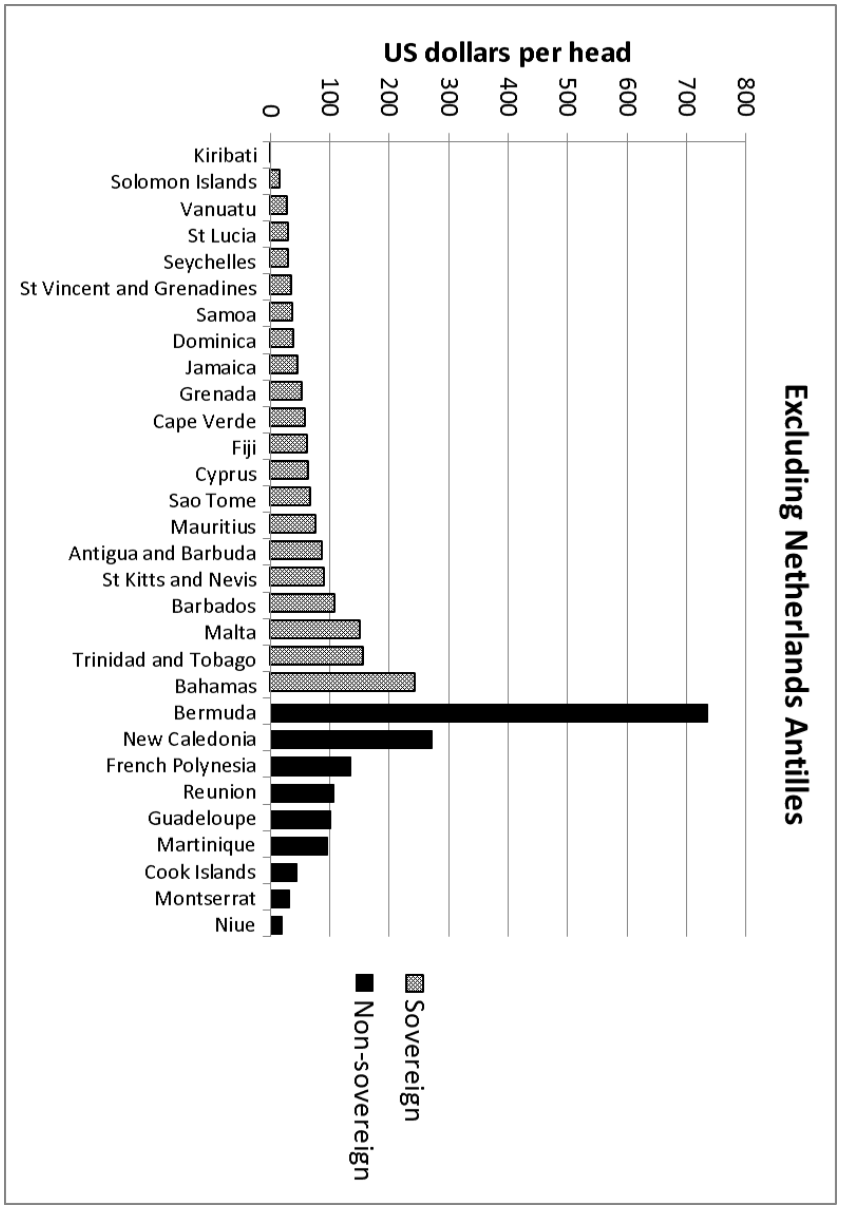


Figure 14: Imports per capita in US dollars in 1990: 22 sovereign and 12 non-sovereign small island economies

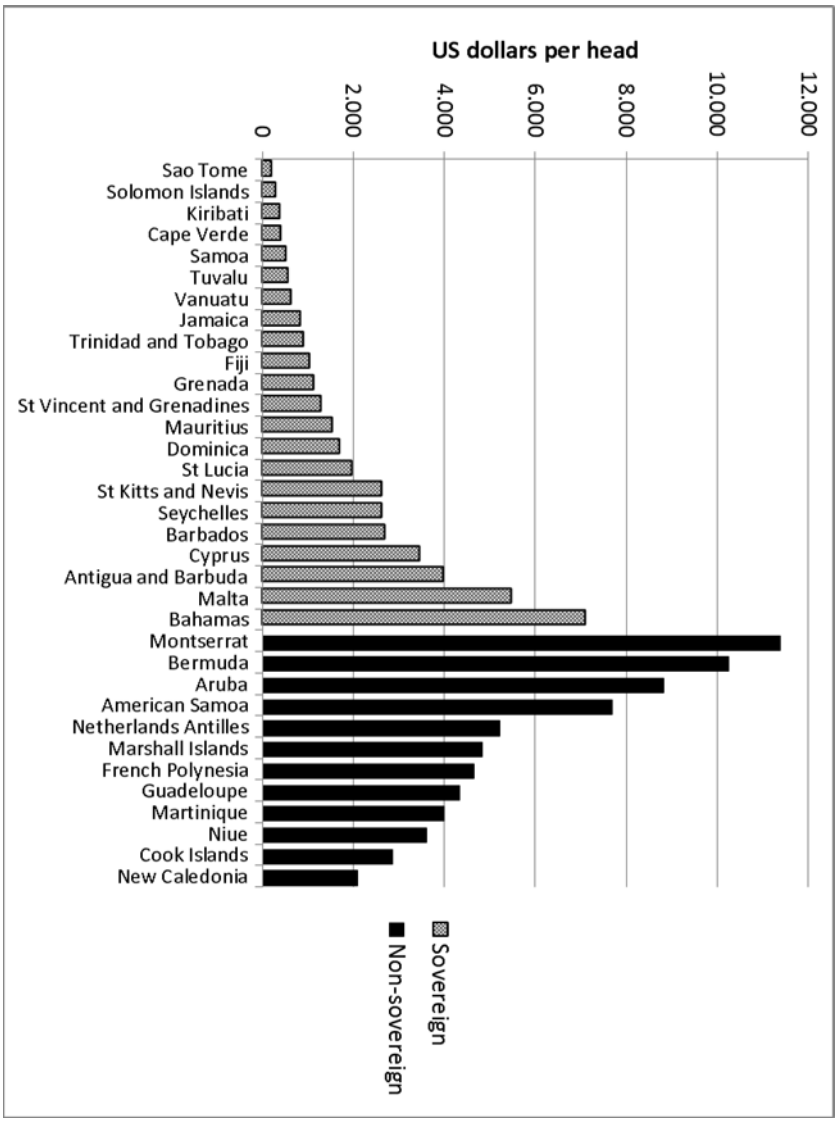
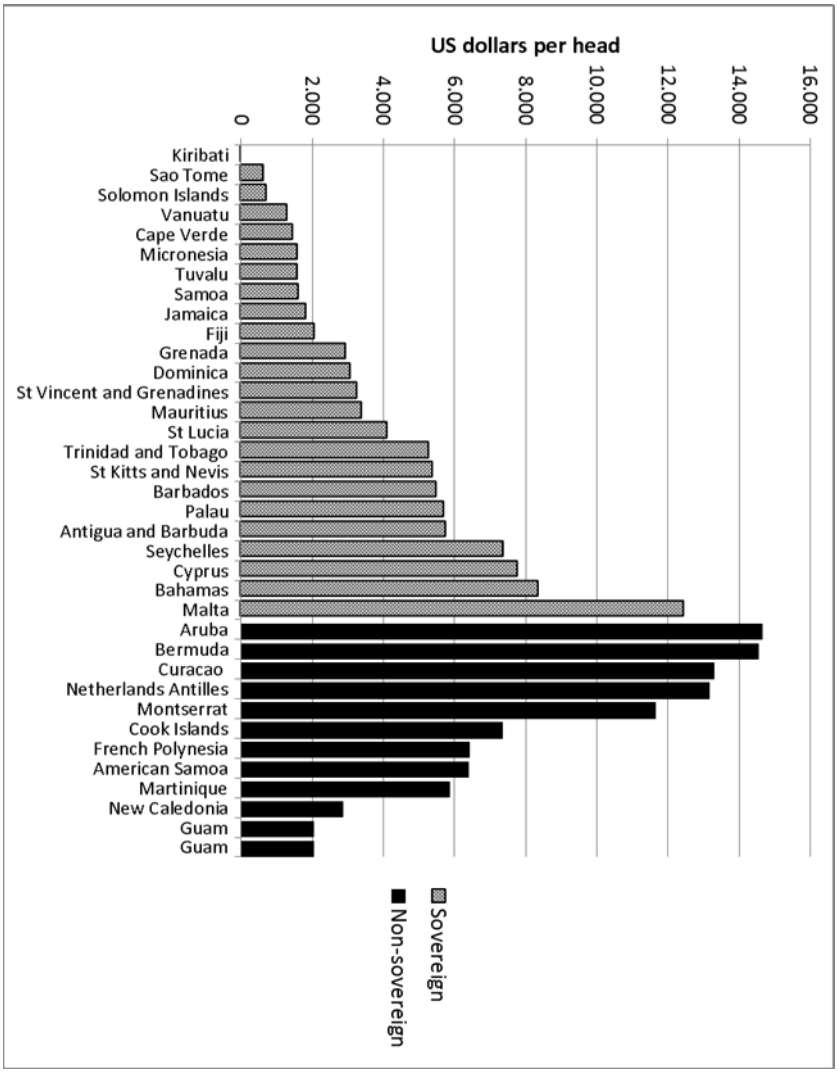


Figure 15: Imports per capita in US dollars in 2010: 22 sovereign and 12 non-sovereign small island economies

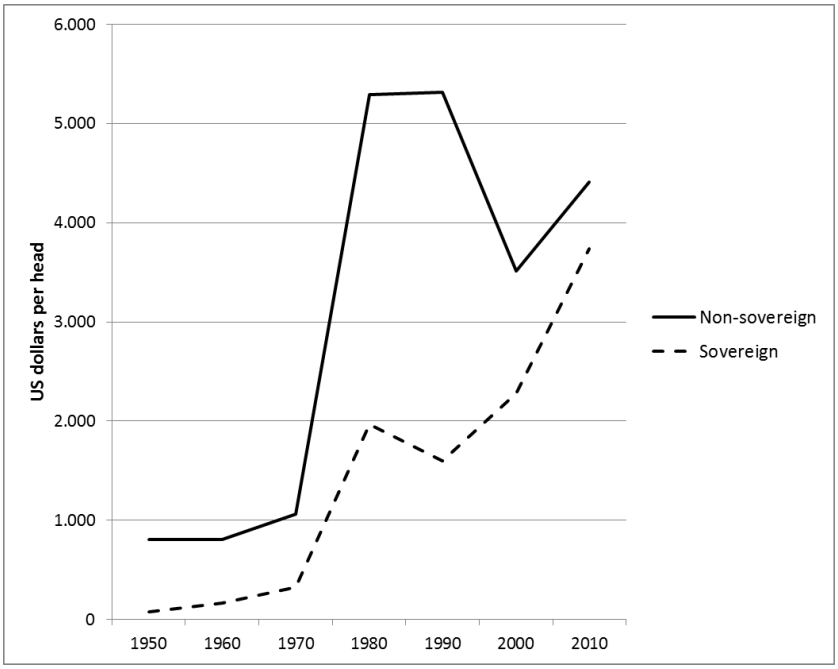


Visually, comparing Figures 14 and 15 with Figure 13 might seem to support the hypothesis of non-sovereign political status driving stronger economic performance over time, but statistically significant results would

still require systematic analysis that controlled for other factors, plus a bigger data set with wider coverage of non-sovereigns. This remains the object of future work.

One corrective to the visual impression gained from Figures 13-15 is to calculate the population-weighted imports per head across the islands for which data was available. The result, in Figure 16, is remarkable. It appears

Figure 16: Population-weighted imports per head, US dollars, sovereign versus non-sovereign island economies



to provide quite strong support for the idea that the islands that eventually became non-sovereign (a) started out ahead prior to decolonisation, and (b) retained basically the same lead sixty years later after (c) experiencing a period during the late twentieth century when they pulled strongly ahead of

the sovereigns before falling back again at the beginning of the twenty-first century. Thus analyses that emphasised the superior performance of non-sovereigns up to the 1990s may have captured a phenomenon that was only temporary and that may have been reversed in the past decade. The data are not yet, however, strong enough to sustain any definite conclusion.

Conclusion

The research programme discussed in this chapter is still in progress and a great deal remains to be done. The question of whether non-sovereign political status confers economic advantage remains a fascinating one, which has produced many research findings at the level of individual island case studies while stimulating the search for statistically-valid generalisations. One central proposition has stood the test of the work reported in this chapter: non-sovereign economies at least have done no worse than sovereign ones in raising and sustaining the material living standards of their populations. The choice of political status is therefore not one that can be founded on any obvious superiority of sovereign independence. The opposite hypothesis - that non-sovereign status wins out on economic performance - remains unproven at the general level, however persuasively it can be argued for the histories of particular cases.

For non-sovereign island communities facing the possibility of moving to sovereign independence – for example New Caledonia and Bougainville – the economic evidence analysed here offers no clear positive guidelines. Gains in per capita income should not be expected to flow from independence; but neither is it clear that the change necessarily implies sacrificing the material welfare of the population. This position is a considerable shift from the

argument in my previous work that gaining sovereign independence has typically involved a trade-off: lower material welfare as the price of gaining national identity and pride. But until more long-run data spanning the entire decolonisation period is assembled and analysed, the fundamental question of whether there is indeed any general relationship between sovereignty and material welfare in small islands will remain open.

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