

The evolving story of sovereignty and economic development in small island economies

Geoff Bertram

Abstract

A worldwide statistical pattern observed in small island economies is the tendency for sovereign independent small island developing states (SIDS) to have lower per capita income than non-sovereign Island jurisdictions (SNIJs). This paper reviews the progress of work by small-island researchers to account for this. An initial hypothesis, that causality ran from political status to income, was eventually rejected by the data. An alternative proposition, that income levels determined political status during decolonisation, is not rejected, but would need to be substantiated by in-depth documentation from the record of twentieth-century decolonisation. A third possibility, that political status and modern incomes were jointly determined by some other cause, remains open. Long-run import series of import data from 1900 on indicate that the income divergence between current SIDS and SNIJs took off during the 1920s and 1930s, prior to decolonisation. The reasons remain a subject for historical research.

The evolving story of sovereignty and economic development in small island economies

Geoff Bertram

Geoff Bertram is a Visiting Scholar in the School of History, Philosophy, Political Science and International Relations at the Victoria University of Wellington, New Zealand.

Bertram, G. 2026. The evolving story of sovereignty and economic development in small island economies, *Development Policy Centre Discussion Paper 118*, Crawford School of Public Policy, The Australian National University, Canberra.

The Development Policy Centre is a research unit at the Crawford School of Public Policy, The Australian National University. The discussion paper series is intended to facilitate academic and policy discussion. Use and dissemination of this discussion paper is encouraged; however, reproduced copies may not be used for commercial purposes.

For more information on the Development Policy Centre, visit

devpolicy.crawford.anu.edu.au

The Nobel Prize in Economics for 2024 went to Daron Acemoglu, James Robinson and Simon Johnson for their work on the long run history of institutions and economic development. One product of their research was a book entitled *Why Nations Fail: the origins of power, prosperity and poverty* (Acemoglu and Robinson, 2013). Their central thesis was that economic failure has flowed from failure to establish and sustain inclusive institutional arrangements that keep populations free from predation by elites. Modern institutions outside Europe, they argued, developed from a complex interplay over the past five centuries between European colonisation of the globe, differing disease environments, and historic population density: European settler colonies dominated in sparsely populated temperate latitudes, with a resulting legacy of inclusive institutions and prosperity, while high European mortality in the tropics, combined with large pre-existing indigenous populations that could be subjugated and exploited, left a legacy of predatory, “extractive” institutions, and relative poverty.

The only small-island economy mentioned in that 2013 book is Barbados, included because of its story of ultimately unsustainable prosperity under slavery in the seventeenth and eighteenth centuries. Having suggested that the extractive institution of slavery left no legacy of sustainable development, the authors turned their attention away from the small-island world. Mainly this was because the empirical research underpinning their ideas (Acemoglu et al 2001, 2002) involved regression analysis using large datasets, and those datasets were limited, at the time, almost entirely to relatively large sovereign independent nation states. Small nations, and sub-national territories affiliated with former colonial metropolitan powers of the sort that are widespread across the small-island world, were mostly missing for the simple reason that the big global databases of the World Bank and the Penn World Tables did not at that time include them. Of the 64 countries in the data for Acemoglu et al (2001 p.1398), there were only three small-island entities (Jamaica, Malta, and Trinidad and Tobago).

Nevertheless, the question posed by Acemoglu and Robinson – explaining relative economic failure – presented an intriguing counterpart to a question that had already motivated a research programme amongst the community of researchers studying small islands: why so few small-island economies are economic failures. As Armstrong and Read (2004, p.199) put it

discussion of the challenges faced by small states and islands raises the question as to how so many of them have been able to prosper.

A long-standing literature of pessimism has argued that small size, isolation, and limited resources render small islands uniquely vulnerable and hence prone to economic failure (for example Atkins et al 2000; Briguglio 1995; Commonwealth Consultative Group 1985; Connell 1991; Streeten 1993). Against this, a countervailing literature has found that in fact smallness is positively, not negatively, related to income per capita across a large sample of small states and territories, most of which are islands (for example Armstrong et al 1998;

Armstrong and Read 2002, 2004, 2006; Baldacchino and Milne 2000; Baldacchino and Bertram 2009; Easterly and Kraay 2000).

Table 1 is constructed from the World Bank’s *World Development Indicators* list of 218 economies in 2024¹ (this source has now expanded to include many small-island economies that were missing at the time when Acemoglu et al carried out their early work). It shows that small islands (up to the size of Jamaica) make up over a third of the high-income economies, and nearly a quarter of the upper-middle-income class, but none of the low-income ones.

Table 1: Small-island economies in the *World Development Indicators*

Income class	Total economies in the class	Small islands	Small islands %
High	87	30	34%
Upper-middle	56	13	23%
Lower-middle	50	7	14%
Low	25	0	0%
Total	218	50	23%

Source: World Bank

Following up Acemoglu et al’s (2002) proposition that the success or failure of modern economies is a path-dependent product of their history within the global system, Feyrer and Sacerdote (2006, 2009) assembled data from various sources to conduct a large statistical exercise for 81 small islands, relating their colonial history since 1500 to their modern income status. Two results of their regressions were that income per head at the turn of the twenty-first century was (i) positively related to the length of time an island had been a colony during the eighteenth and nineteenth centuries, and (ii) positively related to remaining politically tied to the former colonial power in 2000. Those positive effects were reinforced by distance from the equator, echoing one of Acemoglu and Robinson’s (2002) results, but both ran counter to their prediction that colonisation would have left a strongly negative imprint on countries where settler colonies did not emerge.

Feyrer and Sacerdote’s (2006) results were reviewed in Bertram (2007), and while some caveats were expressed regarding the quality of their data, it was clear that they had illuminated an issue that was already widely recognised in the small-islands literature: that sovereign independent small-island states were significantly poorer than small islands that had remained politically associated with their former colonial patrons. McElroy and

¹ <https://datacatalogfiles.worldbank.org/ddh-published/0038128/DR0046433/GNIPC.xlsx> accessed 17 September 2025.

De Albuquerque (1995) had compared thirteen dependent territories with twelve sovereign states in the Caribbean and found that (p.176)

the average per capita GDP in the [dependent territories] is three times higher than the average for the sovereign countries.

They concluded (p.186) that small Caribbean island communities

have resisted the move toward greater political autonomy ... primarily because of the substantial trade, aid, mobility and other economic as well as social losses associated with separation from the metropole.

Bertram (1999, pp.338-339) presented data for 24 Pacific Island economies showing a similar difference in income per head between dependent and sovereign entities. With Papua New Guinea (large and very poor) and Hawai'i (large and very rich) excluded, and with numbers converted to purchasing-power-parity to correct for the tendency of nominal-exchange-rate conversion to understate the income of poorer countries, sovereign independent small islands had on average only 20% the income level of dependent territories. Bertram argued that (1999, p.339)

Provisionally, it seems reasonable to regard political connections as the source rather than the consequence of economic welfare. This proposition, that in the Pacific relative wealth flows from 'dependency' and relative hardship from independence, has seemed paradoxical to many social scientists familiar with the larger developing economies of Latin America and Asia. It is nevertheless a feature of small-island economies not only in the Pacific but also in the Caribbean, Atlantic and Indian oceans.

Subsequent statistical work by Armstrong and Read (2000, 2002, 2004), Bertram (2004), McElroy and Pearce (2006), McElroy and Parry (2012), Lucic and Hoarau (2023/4), and others, has firmly established the superior economic performance, as measured by income per head, of so-called dependent territories as a stylised fact. Lucic and Hoarau (2024) have however demonstrated that the binary distinction conceals very great variation in the degree of agency or autonomy within each group. They find that greater autonomy (using an index developed by Alberti and Goujon 2020) correlates with better economic and social outcomes for both affiliated and independent economies; the precise mechanisms behind this remains unclear.

Starting in the 1980s, the "MIRAB model" of small-island economies (Bertram and Watters 1985; Bertram 1986; Poirine 1993, 1994, 1998) had been developed to capture the idea that aid and remittances were key elements sustaining some small-island economies, leading to the hypothesis that the benefits of close ties to metropolitan economies as patrons could account for the reluctance of many small-island communities to "go with the

flow” of decolonisation and become sovereign independent states.² In the case of New Zealand’s Pacific island territories this had led to “self government in free association” for the Cook Islands and Niue, and retention of dependent-territory status by Tokelau (Bertram and Watters 1984 Chapter 3; Bertram 1987). In the case of French small islands around the world, and the Dutch islands in the Caribbean, the path to decolonisation had been full integration into the metropolitan state (Houbert 1986). For the US-controlled islands of the Pacific Islands Trust Territories there was a transition to “compact” status with varying degrees of explicit dependence on transfers from the metropole. The Azores retained close integration with Portugal as it pushed the rest of its overseas empire, including small islands, to full independence. Britain’s island colonies separated into two groups, some fully independent but many remaining Crown territories. (In the case of the Cayman Islands this involved deliberately breaking away from Jamaica as the latter moved to independence).

By the early 2000s there were several dozen small-island economies settled into different political arrangements, and a rapidly-improving statistical record suited to cross-section comparisons among those arrangements. As the research frontier advanced, evidence accumulated showing that sub-national island jurisdictions (SNIJs) performed better than sovereign independent small-island developing states (SIDS) on a number of dimensions including income, life expectancy, and aid flows per capita. Baldacchino and Milne (2000, 2009) assembled studies exploring the ways sub-national jurisdictions were able to negotiate advantageous terms of access to their former colonial metropolises for exports, migrants, aid, and space to operate as tax havens and financial centres. Baldacchino (2006) and Baldacchino and Bertram (2009) explored the “resourcefulness of jurisdiction” by means of which SNIJs succeeded in outperforming sovereign independent microstates. Carrington (2025) is a recent addition to the literature on decolonisation without political sovereignty in the Caribbean setting.

Up to 2010 the main statistical technique used to establish the negative correlation between political sovereignty and economic prosperity was cross-sectional regression, including panel studies (using data from multiple decades, but in a cross-section-regression framework) (for example, Bertram 2004). Correlation does not establish causation, but it was deceptively easy to move from the regression results to telling a story in which close political affiliation with a high-income metropole was accompanied by economically-valuable flows of aid, migration, and investment, which sustained higher income levels for SNIJs relative to sovereigns. It was equally easy to add a narrative in which sovereign

² MIRAB was only one of a number of models developed subsequently to describe alternative development strategies pursued by small islands: ARAB (Atomic Rent, Aid and Bureaucracy – Poirine 1995 pp.161-170); PROFIT (Baldacchino 2006), SITE (small-island tourist economies)(McElroy 2006), and combinations such as TOURAB (Guthunz & Krosigk, 1996). For a review see Tisdell (2016).

independence was argued to act as a economic burden on a small island economy because of the deadweight cost of maintaining the full institutional apparatus of a nation state.

Bertram (2004, 2010) for example explicitly argued that causality ran from the choice or imposition of political status by (or for) island communities to subsequent relative economic success or failure:

Sovereignty places a deadweight burden on living standards and economic performance when it is pushed beyond the limits of history and common sense. The surrender of carefully-selected aspects of sovereignty is fundamental to small states' ability to survive and thrive in the modern global order... Poverty in the Pacific is found in [independent] PNG, Vanuatu, the Solomon Islands and Kiribati – not in the [SNIJs] Cook Islands, French Polynesia, the Northern Marianas, Guam or Hawai'i (Bertram 2010, p.12).

Baldacchino (2010 Chapter 3) similarly laid out a story of “upside-down decolonisation” in which small islands opted, when able to do so, for “autonomy without sovereignty”:

It was the metropolis, and not the former colonies, which was pressing the latter for independence.... [T]he mother country seemed willing, even anxious, to free itself from the responsibilities of empire but the colonies in question would demur and not let the mother country off the hook. The persisting seven colonial powers – Australia, Denmark, France, Netherlands, New Zealand, the United Kingdom, and the United States – find themselves in an 'enforced colonial condition' while their wards 'opt for dependency status'. (Baldacchino 2010, p.46-47)

These propositions implied a puzzle: why so many small islands, if indeed they had had freedom to choose, had actually opted for independence – or why, faced with metropolitan pressure to accept independence, some had resisted successfully and others did not. Baldacchino and Bertram (2009) represented small islands as maximising agents, negotiating effectively for advantage in the world system - but if small islands in general had this degree of agency, and if becoming sovereign or 'dependent' was really a matter of rational choice, why would any small island community choose or accept independence and thereby sacrifice its future material well-being? In other words, why had decolonisation-as-independence made as much progress as it did?

Several possible explanations were on offer. One was that the choice involved balancing material welfare against the non-material considerations of national pride, identity, and social solidarity that could be enjoyed under full independence. That would suggest that different island communities simply had different priorities (in other words, the choice of independence involved a conscious decision to forego some material benefits). A second was that at the time the choice was made, it had not been possible to forecast the

economic consequences. McElroy and Parry (2012, p.418) for example suggested the consequences of independence could not have been foreseen:

Given the significant and long-lasting material advantage of non-sovereign over sovereign islands, why would so many of the latter have opted for independence prior to 1984? ... Fragmentary evidence ... suggests the contrasts were much less visible and perhaps non-existent in the early post-war decades.

A third possibility, with obvious attraction for non-economists, was that independence had been not so much an outcome of rational choice by the colonised peoples as an accident of history in which both the colonised and the colonial powers had exercised choice under uncertainty. As Bertram (2014, p.378) conceded,

political status is largely determined by history, which is driven to only a limited extent (if at all) by rational exercises in economic optimization. We need, therefore, more richness in our historical accounts of small-island development.

It was possible that the assignment of small islands to different political arrangements might have been a completely random process, in which the choices and preferences of the parties were irrelevant or peripheral. It was also possible that the relevant decisions had been made by the metropolitan powers and international agencies such as the United Nations, with minimal or no input from the formerly-colonised communities, which had played a passive role as others allocated them to independence or affiliation. Most likely, full-scale cross-country historical research would reveal a record of diverse processes and outcomes.

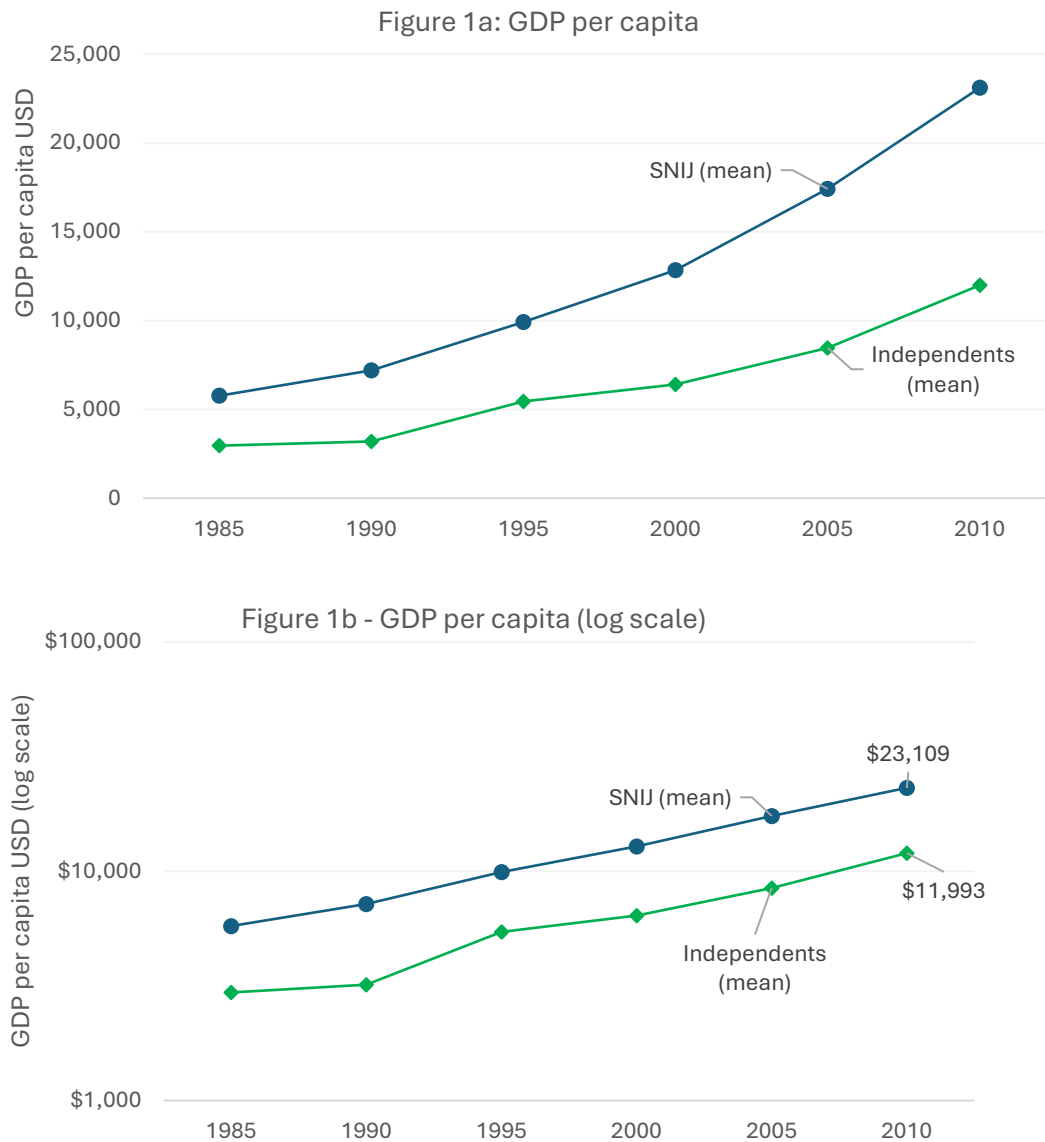
But now a more fundamental problem was emerging. In the economic growth literature, economists such as Maddison (1995, 2007) and Pritchett (1997) had pointed to the Industrial Revolution as the starting point of a great income divergence across the world economy, equivalent to the “Big Bang” in cosmological models of the expanding universe. That starting-point for divergence was dated by back-casting the growth rates of different sets of countries to deduce how far back they had been at similar overall levels of income. Similar reasoning could be applied to the issue of the divergence of small island economies. If modern income divergence was indeed due to constitutional status, then it had to have started some time after 1945, and this could be tested empirically. In particular, it ought to be possible to see a widening gap between sovereign islands and SNIJs in the data from 1960 on, as different political outcomes of decolonisation drove different growth rates, and as the national and sub-national groups of islands clustered into “convergence clubs” with differing average income levels. This meant going back to the statistics and looking at longer time-series evidence, rather than the cross-section regressions of the early studies.

Up to 2010 with only one exception, statistical work on the link between political status and development performance relied on cross-section or panel regressions, all of which

had found the same significant negative association between independence and income for periods after 1980 – that is, after the close of the main era of postwar decolonisation. However, Sampson (2005) compared growth rates, not levels, of per capita income of politically sovereign and politically affiliated island economies over the years 1995-2003, and found no difference. In other words, the two sets of economies were growing at the same rate, which was surprising if indeed recently-acquired sovereignty was the reason for lower incomes and was operating as a drag on economic performance. This result raised immediately the question of whether in fact the modern income differential had arisen after decolonisation, or before. If the two sets of economies had started out with different levels of income per head at 1940 (before decolonisation started) then identical growth rates would still have resulted in divergent income levels – but that divergence would be attributable to the initial difference, not to the later assignment of constitutional status.

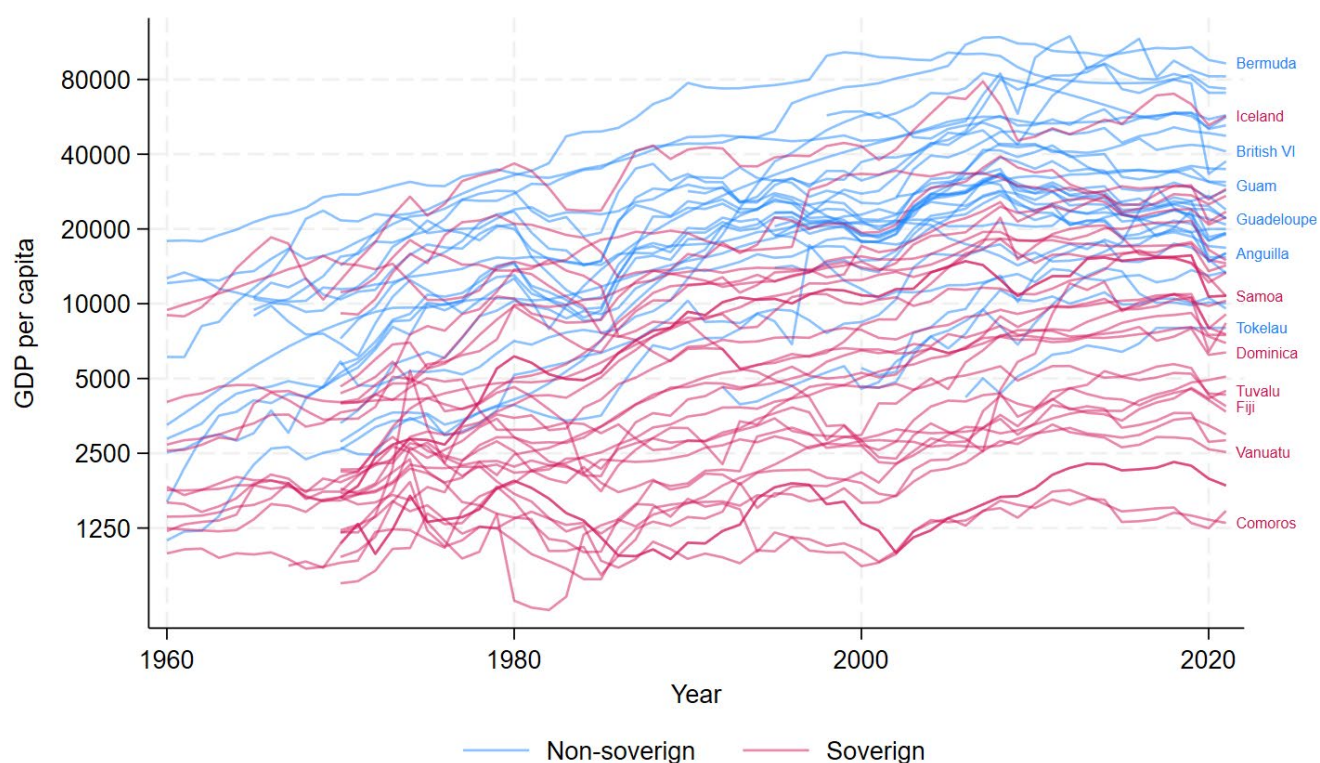
McElroy and Parry (2012) contained a statistical appendix which included data on income at five-yearly intervals 1985-2010 for a large set of dependent and independent small island economies. Plots of their simple averages for the two groups are shown in Figures 1a and 1b. (The y-axis in 1b is on a log scale meaning that the slope of each line is the growth rate). Figure 1b clearly shows the two sets of islands running parallel (with the same growth rates) at least from 1985 on, confirming Sampson's result. The divergence in terms of levels (Figure 1a) is clear, but the point in the past at which the two lines converge to equality seems to lie further back than decolonisation. If, in fact, all the economies in the dataset had started out with the same income levels at the beginning of decolonisation in the 1950s, and all made their political choices at that time, the beneficial effect of dependence and the negative impact of sovereignty would have to have emerged extraordinarily quickly in the first couple of decades in order to become fully bedded in by 1985. Worse, given that the dates of "choosing" independence or non-sovereignty for many of the islands in the dataset had actually come in the late 1960s and through the 1970s and 1980s, the hypothesised politically-driven divergence would have had to happen in an improbably short span of time.

Figure 1: GDP per capita over time in small island economies



Far from political choice driving economic outcomes, it now seemed that the historical story might have worked the other way around: poorer colonies became independent while richer ones stayed dependent. To test this, some indication was needed of the distribution of incomes at the time when small-island colonies had embarked on the era of decolonisation after 1945. Bertram (2015, p.37) assembled all available historical income estimates that could be located at that time, and produced the chart reproduced as Figure 2, looking for signs of divergence between SIDS and SNIJs. With 31 sovereign states and just 16 SNIJs this was not statistically conclusive, but nevertheless confirmed the impression from Figure 1 that today's SNIJs had been better-off on average than today's SIDS at least since the 1970s, and that (confirming Sampson's results for 1995-2003) the two sets of economies had grown more or less in parallel over the half-century from 1960. At this point the hypothesis that becoming independent had caused lower incomes seemed clearly refuted.

Figure 2: GDP per capita, US\$ at 2005 prices



Additional evidence has subsequently become available in a more comprehensive database produced by Lucic (2024), which contains data on real GDP per capita from 1960 to 2021 for nine SNIJs and 12 SIDS. From 1970 on the sample increases to 19 SNIJs and 31 SIDS, and from 2002 there are data for 33 SNIJs and 31 SIDS (Table 2).

Table 2: small-island samples in the Lucic (2024) database of GDP per capita

1960-2021	1970-2021	2002-2021
Sub-national island jurisdictions (SNIJs)		
		American Samoa
	Anguilla	Anguilla
		Azores
		Baleares
Bermuda	Bermuda	Bermuda
Bermuda	Bermuda	Bermuda
		Canary Islands
	Cayman Islands	Cayman Islands
		Channel Islands
	Cook Islands	Cook Islands
		Corsica
	Falkland Islands	Falkland Islands
	Faroe Islands	Faroe Islands
	French Polynesia	French Polynesia
	Greenland	Greenland
Guadeloupe	Guadeloupe	Guadeloupe
		Guam
Hawaii	Hawaii	Hawaii
		Isle of Man
	Macau	Macau

		Madeira	
Martinique	Martinique	Martinique	
		Mayotte	
Montserrat	Montserrat	Montserrat	
Netherlands Antilles	Netherlands Antilles	Netherlands Antilles	
	New Caledonia	New Caledonia	
		Niue	
		Northern Marianas Islands	
	Réunion Island	Réunion Island	
		Saint Helena	
		Sardinia	
Turks and Caicos	Turks and Caicos	Turks and Caicos	
USVI	USVI	USVI	
SNIJ sample size:	9	19	31
Sovereign small island developing states (SIDS)			
Antigua and Barbuda	Antigua and Barbuda	Antigua and Barbuda	
Bahamas	Bahamas	Bahamas	
	Bahrein	Bahrein	
	Barbados	Barbados	
	Capo Verde	Capo Verde	
	Comoros	Comoros	
	Cyprus	Cyprus	
Dominica	Dominica	Dominica	
Fiji	Fiji	Fiji	
Grenada	Grenada	Grenada	
Iceland	Iceland	Iceland	
Jamaica	Jamaica	Jamaica	
	Kiribati	Kiribati	
	Maldives	Maldives	
	Malta	Malta	
	Marshall Islands	Marshall Islands	
	Mauritius	Mauritius	
	Micronesia	Micronesia	
	Nauru	Nauru	
	Palau	Palau	
	Samoa	Samoa	
	Sao Tomé	Sao Tomé	
Seychelles	Seychelles	Seychelles	
	Solomon Islands	Solomon Islands	
St Kitts and Nevis	St Kitts and Nevis	St Kitts and Nevis	
St Lucia	St Lucia	St Lucia	
St Vincent and the Grenadines	St Vincent and the Grenadines	St Vincent and the Grenadines	
	Tonga	Tonga	
Trinidad & Tobago	Trinidad & Tobago	Trinidad & Tobago	
	Tuvalu	Tuvalu	
	Vanuatu	Vanuatu	
SIDS sample size	12	31	31

Taking average GDP per capita for the SNIJ and SIDS sets of islands and dividing the former by the latter gives the ratio of non-sovereign to sovereign income levels, shown in Figure 3. The top panel shows simple unweighted averages of GDP per capita across each of the two sets of island economies in Table 2, regardless of their size. The bottom panel shows population-weighted results, in which larger island economies have greater weight. All six calculations yield ratios between 2 and 3.5 at 1960. The non-sovereigns certainly increased their lead in the 1980s in the 1970-2021 sample, but thereafter the ratio stabilised or fell.

The three samples show wide variation in the level of the ratio, but all locate it as greater than 2 throughout the period. The population-weighted series in Figure 3b shows no sustained advantage for non-sovereigns over the long run; while there was a sharp increase in the ratio during the 1980s, this was completely reversed in the following decade. There is no sign at all that the ratio could have been unity (income equality between the two groups of islands) shortly before 1960 at the onset of decolonisation.

Figure 3: GDP per capita ratios SNIJs relative to SIDS

Figure 3a: Simple ratio of GDP per capita for SNIJs relative to SIDS

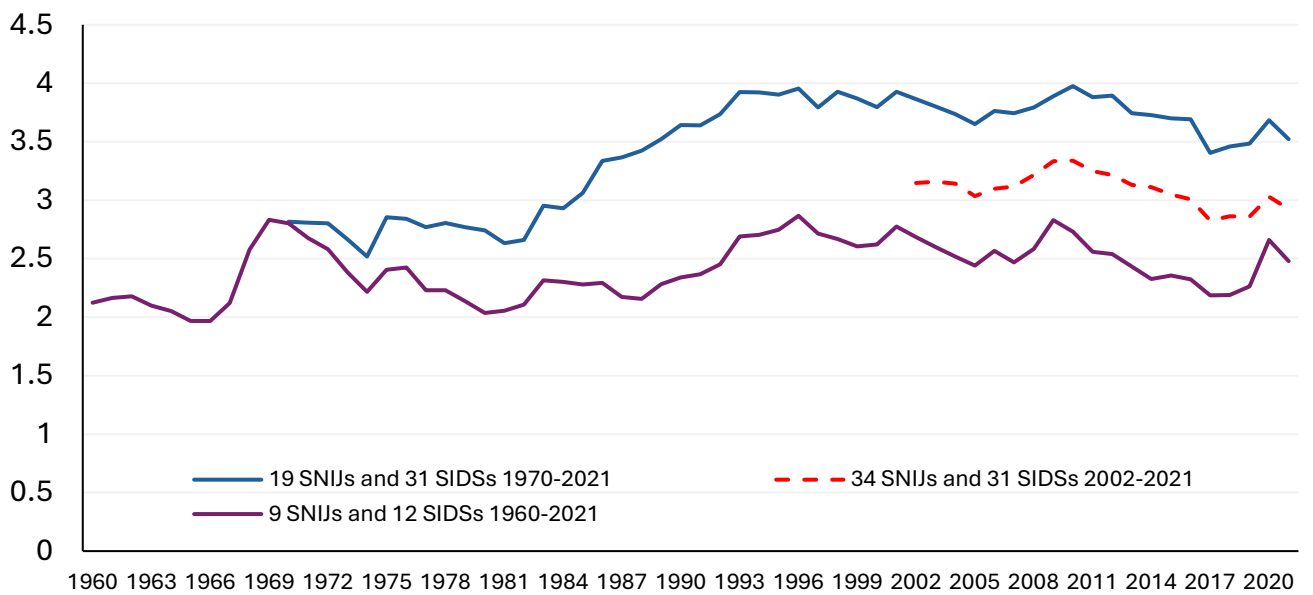
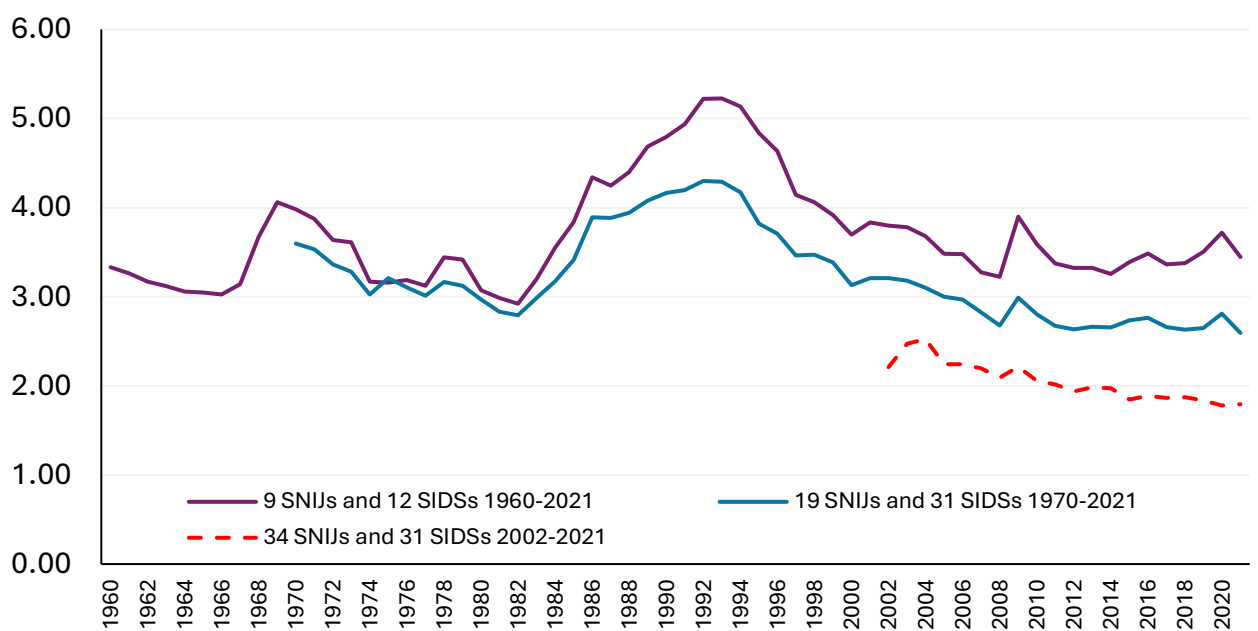


Figure 3b: Population-weighted ratio of GDP per capita for SNIJs v SIDS



The same conclusion holds when the data is broken down by region. Table 2 shows that the most comprehensive record of GDP per head is that for the Caribbean, for which Bertram (2015) and Lucic (2024) relied mainly on the massive database assembled by Bulmer-Thomas (2001, 2012).³ Bulmer-Thomas (2001, p.15) had pointed to an early (pre-decolonisation) lead of several islands that subsequently remained non-sovereign:

By 1960 nine countries had an income per head above the unweighted mean. These countries had already broken away from the traditional pattern of development and they were all to remain among the elite group in the next four decades. They included the three DOMS [the French overseas territories], the two Dutch dependencies, the virtual US dependencies (Puerto Rico and the US Virgin Islands) and two British colonies (Bahamas and the Cayman Islands).

Only one of these nine economies (the Bahamas) subsequently moved to full independence, and Bulmer-Thomas discounted (2001, p.16) any suggestion that constitutional status had had a role in determining economic outcomes:

The quality of institutions and the stability of the macroeconomic framework is of major importance, but this is not necessarily linked to constitutional status.

Hence when Bulmer-Thomas (2012 Chapters 8 and 12) went on to provide a detailed account of the twentieth-century economic relations between metropolitan powers and the Caribbean, with particular emphasis on the rise of US influence at the expense of European powers, he assigned no causal role whatever to constitutional status, and his Chapters 13-15 on the region's economic performance used averages across the region as a whole, with no distinction drawn between sovereigns and SNIJs. His data could, however, be used to construct comparative paths for GDP per capita of sovereigns and SNIJs, shown in Figure 4.⁴ These results indicate that average growth rates between SIDS and SNIJs were the same, but levels from start to finish were different. Within the set of 22 island economies there were some fast-growing SNIJs (Montserrat and the British Virgin Islands) but also some similarly rapid-growth independents (Anguilla and St Kitts & Nevis). The general conclusion held, that a significant difference in average levels of per capita income had been established before 1960. The ratio of SNIJ to SIDS per capita income was steady at around 2.5 from 1960-1998, suggesting that this had been the pre-decolonisation ratio, perpetuated by equal growth rates on average for the two sets of economies.

³ The tables and sources are described in Bulmer-Thomas (2012) pp.465-647. The data tables are online at <https://www.cambridge.org/nz/universitypress/subjects/history/economic-history/economic-history-caribbean-napoleonic-wars?format=PB&isbn=9780521145602#resources> (accessed 22 September 2025).

⁴ This chart appeared as Figure 10, p.415 in Bertram (2016).

Figure 4: GDP per capita Caribbean Small Island Economies

Figure 4a: GDP per capita in 22 Caribbean small-island economies

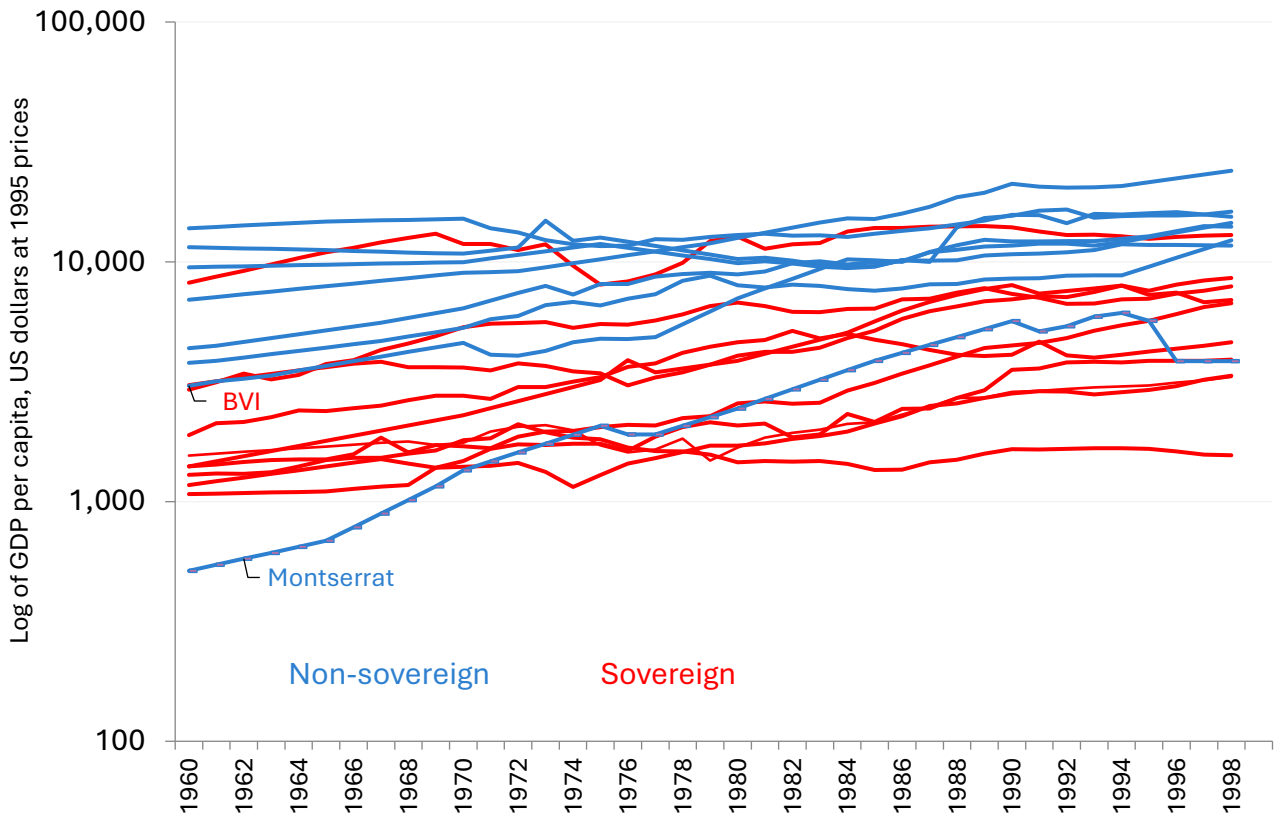
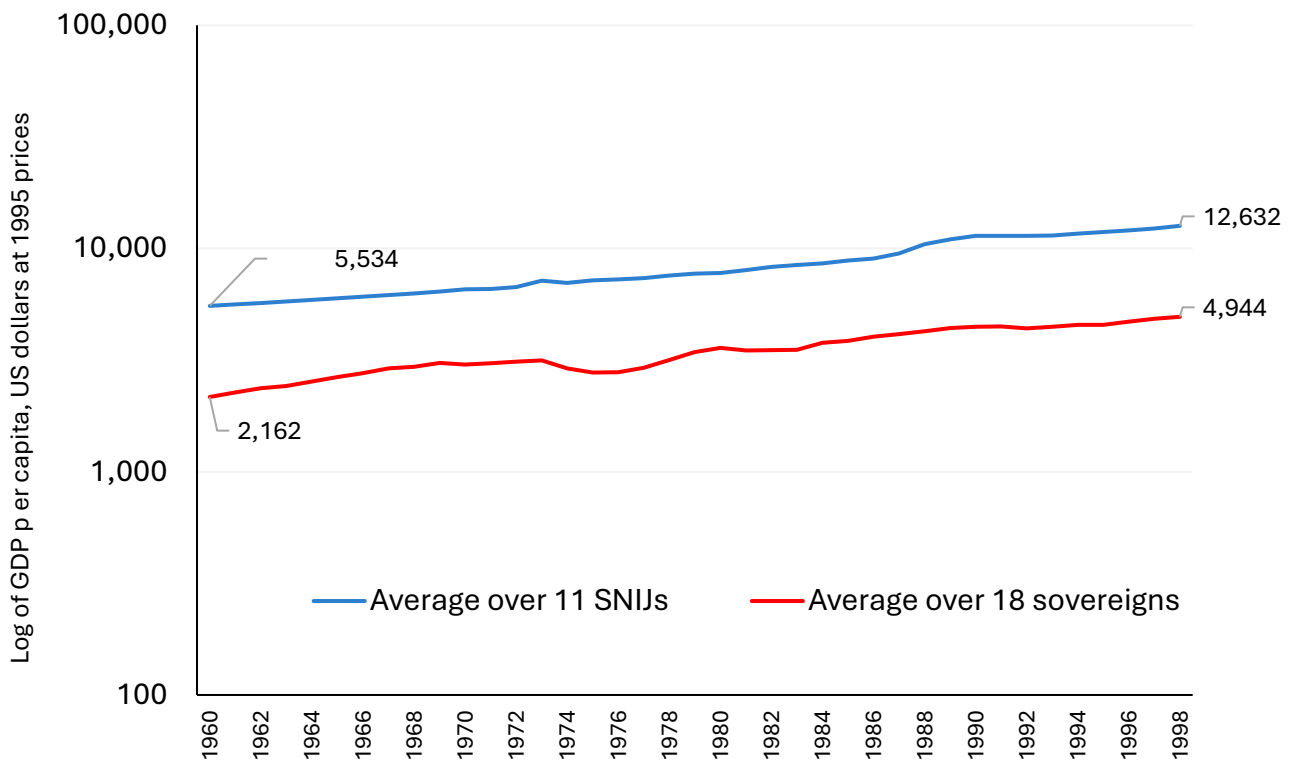


Figure 4b: Averages over Bulmer-Thomas's Caribbean data

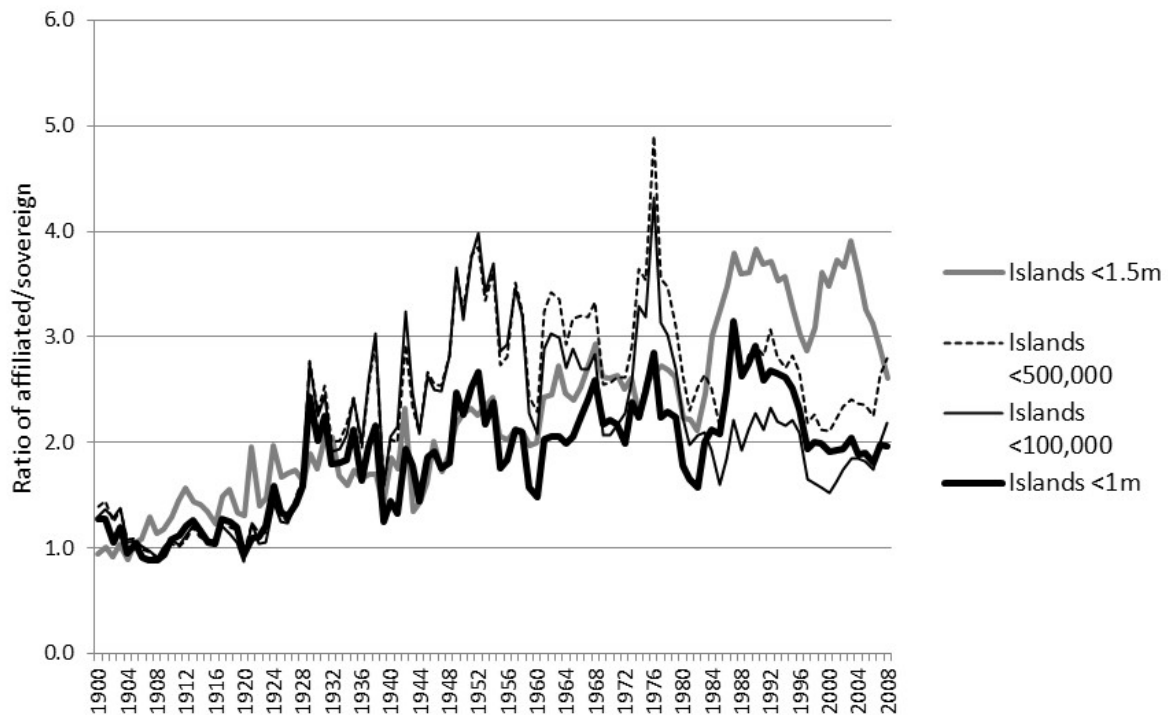


The less comprehensive data on GDP per capita for other regions indicated that the Caribbean was typical, not anomalous. Today's SNIJs had already moved ahead of today's SIDS by 1960. Locating the historical date of any possible "big bang" from which this divergence had resulted would need some longer-run historical series to serve as a proxy for the unavailable income data. The logical choice was imports per head (reflecting the availability of external funding from exports, transfers, and capital flows), which has a close statistical relationship with income per head across the small-island world (Bertram 2015 p.45; Bertram and Poirine 2007, pp. 329-331, 2018, pp. 211-212).

This pointed to a new line of historical research: perhaps (if agency had lain with the colonies) richer colonies had greater leverage in the decolonisation debates and so were more able to preserve valued links with their colonial powers, while poorer colonies had less bargaining power and so were more easily condemned to independence. Or perhaps (insofar as agency had lain with the metropolitan powers rather than their colonies) colonial powers had chosen to hold close the better-off island economies while disposing of poorer territories that may have been more of a drain on metropolitan resources for less return. Anecdotally in the Pacific, Britain's hasty disposal of the former Gilbert and Ellice Islands (now Kiribati and Tuvalu) in 1978 as soon as the lucrative phosphate deposits of Banaba/Ocean Island were exhausted could be contrasted with France's determination to retain nickel-rich New Caledonia, with its large white-settler population. In the other direction, however, phosphate-rich Nauru's successful determination to gain full independence against strong opposition from Australia (as the mandate power along with its partners in the British Phosphate Commission, New Zealand and the UK) could be contrasted with Tokelau's flat refusal of repeated attempts by New Zealand and the United Nations to push it to greater autonomy. Anecdotal evidence, in other words, offered no simple generalisations.

Bertram (2015) therefore assembled import data for 52 small islands worldwide with populations below 1.5 million (the size of Jamaica). Numbers as far back as 1900 were located for 24 of these (12 present-day SNIJs and 12 SIDS). When converted to US dollars, deflated to 2005 prices and divided by each island's population, the data suggested that these economies had started the twentieth century at rough parity, but had diverged between the 1920s and the 1940s; see Figure 5. Narrowing the statistical window by progressively excluding larger economies which might have distorted the population-weighted picture indicated that the pattern of divergence from 1920 to 1950 was consistent across the population size range.

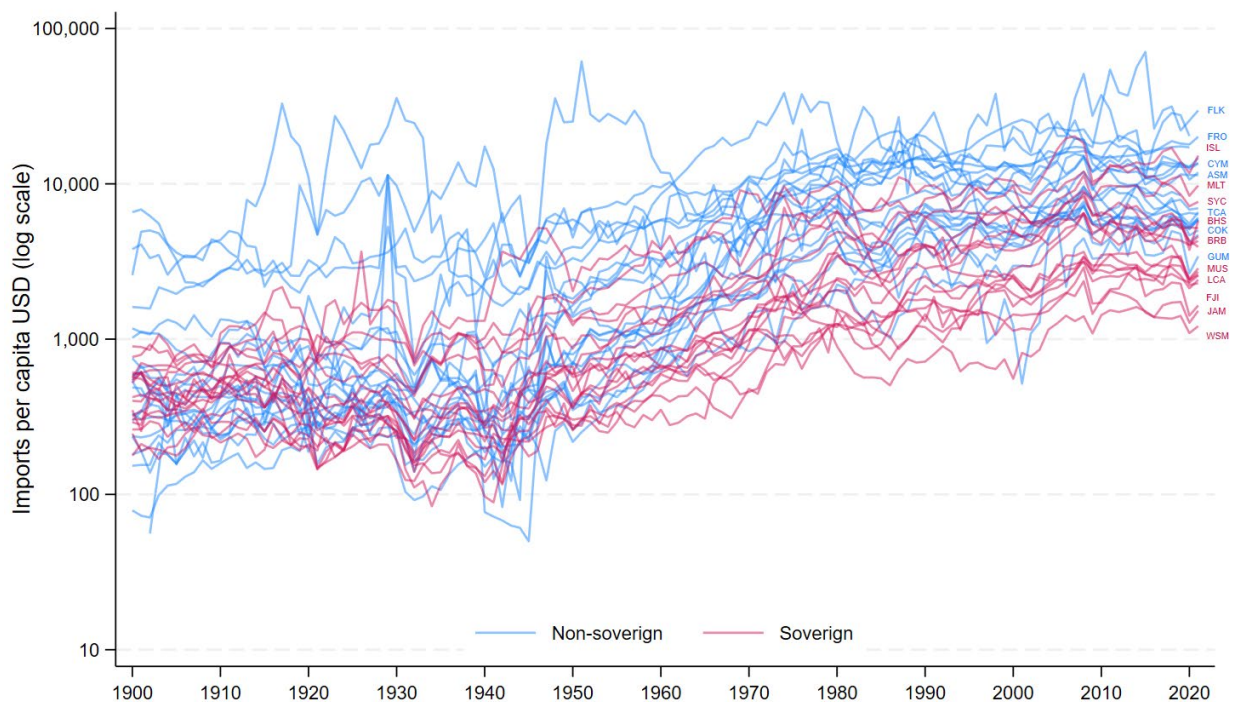
Figure 5: Ratio of population-weighted imports per capita, 2005 US\$, 24 small island economies with full data 1900-2008



Source: Bertram 2015 p. 47 Graph 15.

The database for imports per head has subsequently been extended by Lucic (2024), to provide complete data 1900-2021 for 38 small-island economies - 21 SNIJs and 17 SIDS - worldwide. These time-series are plotted in Figure 6 below.

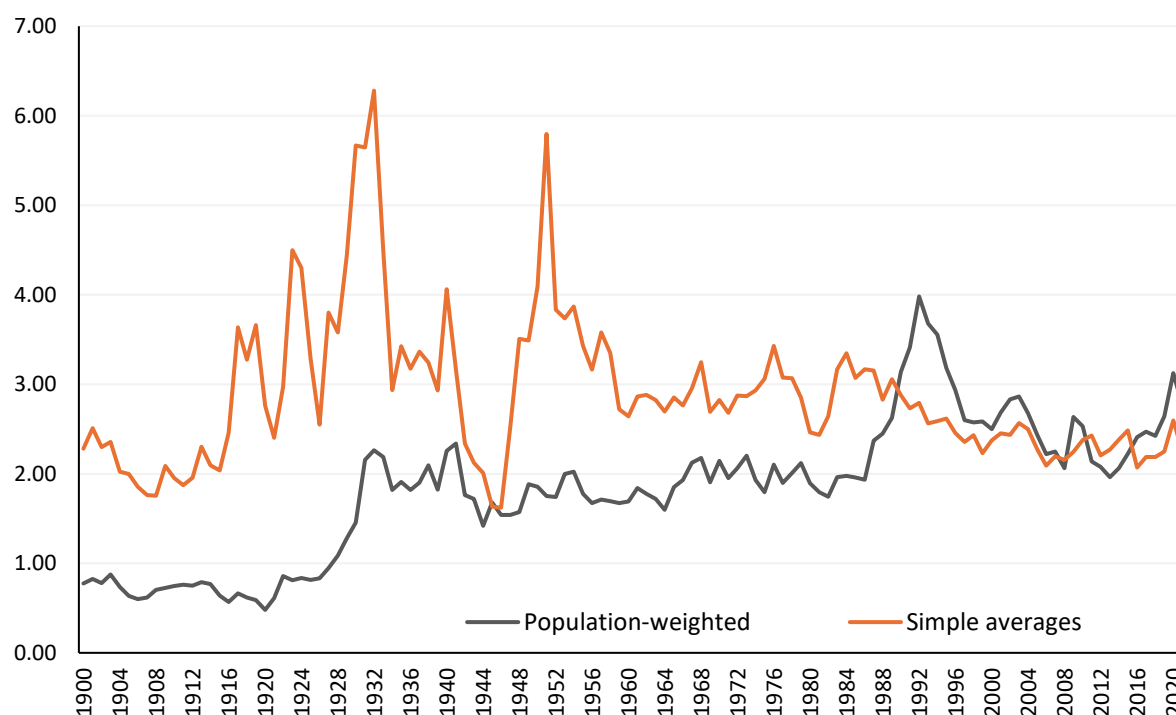
Figure 6: Imports per capita in 2005 USD: 21 SNIJs and 14 SIDS, 1900-2021



The chart shows that at the beginning of the twentieth century, apart from five anomalously high-income SNIJs,⁵ there was a clear clustering of all the small-island economies in a tight bunch, whereas by 2021 there was clear divergence between SNIJ and SIDS economies. The chart suggests a steady state across the small-island world in the first two-three decades of the twentieth century, followed by a sharp upward jump in the course of which the SNIJs pulled ahead, followed by a subsequent period of steady parallel growth since 1970, matching the GDP paths in Figures 1b, 3b and 4b. Visually, the impression is that today’s SNIJs were outpacing the growth rate of today’s SIDS from the mid-1930s through the 1960s.

To reveal more clearly the timing and extent of divergence, the ratio of per capita imports in SNIJs to those in SIDS can be calculated, as was done in Figure 3 above for GDP, in two ways: first a simple average across all small islands in the sample regardless of their size, and secondly on a population-weighted basis so that large islands count for more. The results of this exercise are in Figure 7, which updates and extends the calculation in Figure 5 above.

Figure 7: Ratio of 21 SNIJs to 17 SIDS of imports per capita in Lucid database



The simple-average ratio started the twentieth century already at around 2, jumped to between 3 and 4 from the 1930s to the 1980s (with a sharp dip in the Second World War),

⁵ Bermuda, St Perre et Miquelon, the Falkland Islands, Hawai’i and the US Virgin Islands were already at a high level of imports per head in 1900. These remained at the top of the distribution in 2021 in Figure 4, but had grown relatively slowly over the 120 years, enabling other SNIJs to catch up, producing a “convergence club” of sub-national economies.

and has trended back down over the past three decades. The population-weighted ratio started slightly below unity in 1900 and similarly rose sharply to around 2 from the 1930s to the 1980s, then trended slightly up but with big swings. Through the era of decolonisation from the 1950s to the 1980s both ratios held steady – the assignment of political status has no apparent immediate effect at all, and there is no conclusive sign of sovereignty having affected growth either way since the 1980s.

Limiting the analysis to Pacific island economies, the same pattern holds true. Figure 8 uses data from Bertram (2015) to plot the population-weighted average ratio of SNIJs to SIDS from 1900 to 2011 for a rolling sample of island economies in which data is added to the ratio calculation from the year for which it is first available for individual island economies. The twentieth century starts with a ratio of four (but for only a very small sample of two SIDS and five SNIJs), which rises through the 1920s and 1930s, then stabilises through the 1950s and 1960s with the sample expanded to six SIDS and six SNIJs, then falls in the 1970s to stabilise back at the original level as a further two SIDS and two SNIJs are added. The decolonisation era again has no upward effect on the ratio, and the post-decolonisation decades indeed show a downward trend.

Figure 8: Population-weighted ratio of SNIJ to SIDS historic imports per head, 1900-2012 Pacific

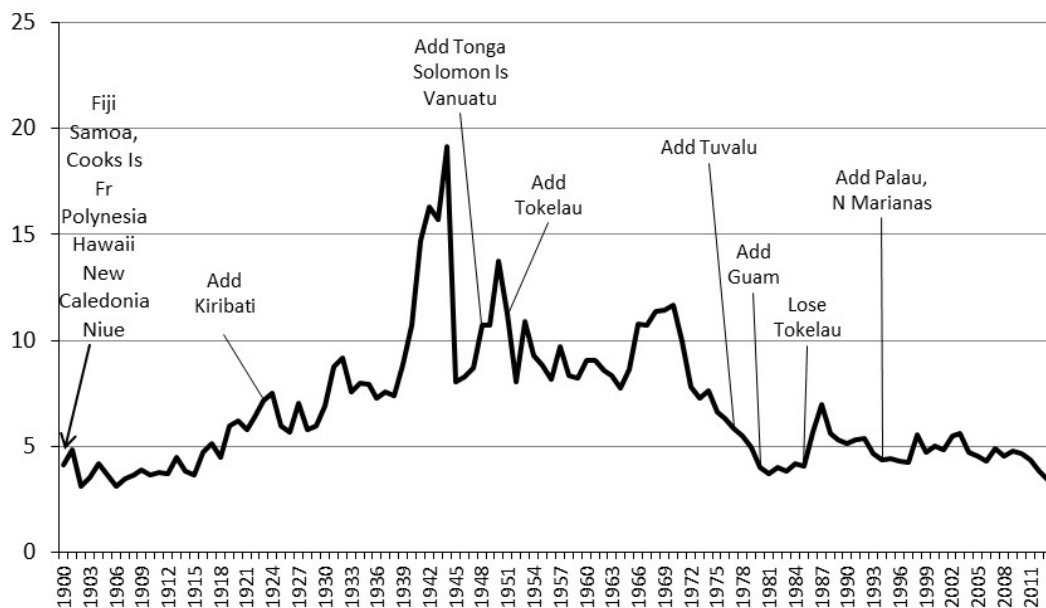
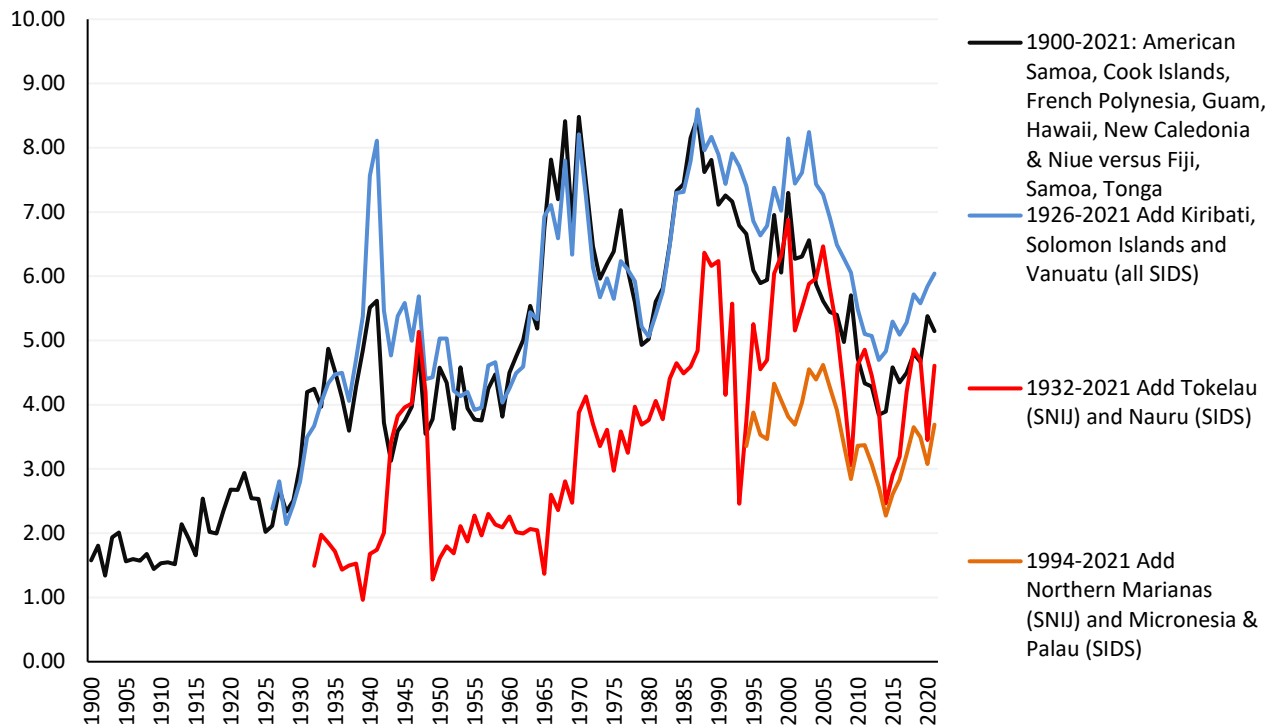


Figure 9, using the full Lucic (2024) dataset, shows the ratio of unweighted averages of SNIJ and SIDS Pacific Island economies for four successively-increasing samples of islands, with individual economies added as their data become available. Apart from as sharp downward shift when Nauru (with its phosphate-funded imports) is added from 1932 on, the results remain the same: the ratio started the twentieth century above unity, rose sharply from the 1930s through the 1950s, and held fairly steady during decolonisation before dropping in the past two decades.

Figure 9: Ratio of SNIJ to SIDS per capita imports 1900-2021, sequentially increasing Pacific Islands samples



Conclusion

The programme of research reviewed in this paper began in the 1980s with the MIRAB model, which suggested that material advantage for small islands flowed from close links to metropolitan economies, leading to the hypothesis that independence, by loosening those links and incurring the costs of running a full nation-state apparatus, imposed fetters on economic development which could be avoided by remaining non-sovereign. This implied an argument in favour of framing decolonisation in terms of full integration with the metropolitan economy, or self-government in free association (Bertram 1987, 2004, 2010). Work since 2010 has refuted this argument. There is no evidence that the choice of sovereign independence or sub-national status during the decolonisation era of the 1960s and 1970s had any general negative or positive impact on subsequent levels of material wellbeing in small islands. Rather, the evidence points to an earlier divergence in income levels (as revealed by the import statistics), opening the way to two possible explanations: either pre-established income levels determined the probability of becoming sovereign or non-sovereign; or some entirely separate force operated that jointly determined income and political status between 1930 and 1970. This last possibility points to the need for further work on the comparative economic and political histories of small-island colonial experience in the first half of the twentieth century, and possibly earlier. In the Caribbean, Bulmer-Thomas (2012) and Carrington (2025) have laid the foundations for such work. In the Pacific, much remains to be done.

References

Acemoglu, D., S. Johnson and J.A. Robinson (2001), The colonial origins of comparative development: An empirical investigation, *American Economic Review* 91(5): 1369-1401.

Acemoglu, D., S. Johnson and J.A. Robinson (2002), Reversal of fortune: geography and institutions in the making of the modern world income distribution, *Quarterly Journal of Economics* 117(4): 1231-1294.

Acemoglu, D. and J.A. Robinson (2013), *Why nations fail: the origins of power, prosperity and poverty* New York: Random House.

Alberti, F. and A.F. Goujon, (2020), A composite index of formal sovereignty for small islands and coastal territories, *Island Studies Journal* 15(1): 3-24.

Armstrong, H. and R. Read (2000), Comparing the economic performance of dependent territories and sovereign micro-states, *Economic Development and Cultural Change* 48: 285-306.

Armstrong, H. and R. Read (2002), The phantom of liberty? Economic growth and the vulnerability of small states, *Journal of International Development* 14(3): 435-458.

Armstrong, H. and R. Read (2004), Small states and island states: implications of size, location and isolation for prosperity, Chapter 10 in J Poot (ed) *On the Edge of the Global Economy*, Cheltenham: Edward Elgar, 2004.

Armstrong, H. and R. Read (2006), Geographical 'handicaps' and small states: some implications for the Pacific from a global perspective, *Asia Pacific Viewpoint* 47(1): 79-92.

Armstrong, H. W., De Kervenoael, R. J., Li, X. and Read, R. (1998), A comparison of the economic performance of different micro-states, and between micro-states and larger countries, *World Development*, 26(3), pp639–656.

Atkins, J. P., Mazzi, S. and Easter, C. D. (2000), *A Commonwealth Vulnerability Index for Developing Countries: The Position of Small States* (London: Commonwealth Secretariat)

Baldacchino, G. (2006), Managing the hinterland beyond: two ideal-type strategies of economic development for small island territories, *Asia Pacific Viewpoint* 47(1): 45-60.

Baldacchino, G. (2010), *Island enclaves: offshoring strategies, creative governance, and subnational island jurisdictions*, McGill-Queen's University Press.

Baldacchino, G. and D. Milne (2000), *Lessons from the political economy of small islands: the resourcefulness of jurisdiction* New York: St Martin's Press.

Baldacchino, G. and D. Milne (2009), *The case for non-sovereignty: lessons from sub-national island jurisdictions*, Abingdon and New York: Routledge.

Baldacchino, G. and G. Bertram (2009), The Beak of the Finch: Insights into the Economic Development of Small Economies, *The Round Table*, 98(401):141-160.

Bertram, G. (1986), Sustainable Development in Pacific Micro-Economies, *World Development*, 14(7): 809-822.

- Bertram, G. (1987), Decolonisation and Nationhood in Small South Pacific Societies, In A Hooper, Steve Britton, R Crocombe, J Hunstman, and C Macpherson (eds), *Class and Culture in the South Pacific* Auckland: Centre for Pacific Studies and Suva: Institute of Pacific Studies.
- Bertram, G. (1998), The MIRAB Model Twelve Years On, *The Contemporary Pacific* 11(1): 105-138.
- Bertram, G. (1999), Economy, Chapter 28 in M Rapaport (ed), *The Pacific Islands: Economy and society*, Hawai'i: Bess Press.
- Bertram, G. (2004), On the Convergence of Small Island Economies with their Metropolitan Patrons, *World Development*, 32(2):343-365.
- Bertram, G. (2006), Introduction: the MIRAB model in the twenty-first century, *Asia Pacific Viewpoint*, 47(1): 1-14
- Bertram, G. (2007), Reappraising the Legacy of Colonialism: A Response to Feyrer and Sacerdote, *Island Studies Journal* 2(2): 239-254.
- Bertram, G. (2010), Viability, Aid, Migration and Remittances in the Pacific: Some Thoughts, Paper prepared for World Bank Sydney office, <https://geoffbertram.com/wp-content/uploads/2021/12/viability-world-bank-3.pdf>.
- Bertram, G, 2014, "A response to McElroy and Lucas", *Island Studies Journal*, Vol. 9, No. 2, 2014, pp. 377 - 382
- Bertram, G. (2015), Is independence good or bad for small island economies? A long-run analysis, *Region et Developement*, (42):31-54.
- Bertram, G. (2016), Sovereignty and material welfare in small island jurisdictions, In Holtz, A., M, Kowasch and O Hasenkamp (eds) *A region in transition: politics and power in the Pacific Islands*, Saarbrücken: Saarbrücken University Press, pages 391-435.
- Bertram, G. (2018), Comparing models of island economic development, Chapter 2 in J Randall (ed)
- Bertram, G. and B. Poirine (2007), Island Political Economy, Chapter 10 in G Baldacchino (ed) *A World of Islands*, Charlottetown: University of Prince Edward Island Institute of Island Studies.
- Bertram, G. and B. Poirine (2018), Economics and development, Chapter 9 in G Baldacchino (ed) *The Routledge International Handbook of Island Studies*, London and New York: Routledge.
- Bertram, G. and O. Karagedikli (2004), Core-periphery linkages and income in small Pacific Island economies Chapter 6 in J Poot (ed), *On the Edge of the Global Economy*, Cheltenham: Edward Elgar.
- Bertram, G. and Poirine, B. (2019), Economics and development, Chapter 9 in G Baldacchino (ed.)
- Bertram, G. and R. F. Watters (1984), *New Zealand and its Small Island Neighbours: A Review of New Zealand Policy Toward the Cook Islands, Niue, Tokelau, Kiribati and Tuvalu*, Wellington: Victoria University of Wellington Institute of Policy Studies.
- Bertram, G. and Watters, R. (1985), The MIRAB Economy in South Pacific Microstates, *Pacific Viewpoint*, 26(3):497-519.

- Bertram, G. and Watters, R. (1986), *The MIRAB Process: Earlier Analysis in Context*, *Pacific Viewpoint*, 27(1):47-59.
- Briguglio, L. (1995), *Small island developing states and their economic vulnerabilities*, *World Development*, 23(9), pp1615–1632.
- Bulmer-Thomas, V. (2001), *The wider Caribbean in the twentieth century: a long-run development perspective*, *Integration and Trade Journal* 5(15): 5-56.
- Bulmer-Thomas, V. (2012), *The Economic History of the Caribbean since the Napoleonic Wars*, Cambridge: Cambridge University Press.
- Carrington, L. (2025), *Global Decolonisation and Non-Sovereignty: Small Island States in the Caribbean*, Cambridge: Cambridge University Press.
- Commonwealth Consultative Group (1985), *Vulnerability: Small States in the Global Society—Report of a Commonwealth Consultative Group*, London: Commonwealth Secretariat.
- Connell, J. (1991), *Island microstates: the mirage of development*, *The Contemporary Pacific* 3(2): 251-287.
- Connell, J. (1993), *Island Microstates: Development, Autonomy and the Ties that Bind*, In O.G Lockhart, D Drakakis-Smith and J Schembri (eds.), *The Development Process in Small Island States*, London: Routledge.
- Easterly, W. and A. Kraay (2000), *Small states, small problems? Income, growth and volatility in small states*, *World Development* 28(11): 2013-2027.
- Feyrer, J. & Sacerdote, B. (2006) 'Colonialism and Modern Income: Islands as Natural Experiments', NBER Working Paper, No. 12546, Cambridge MA, National Bureau of Economic Research.
- Feyrer, J. and B. Sacerdote (2009), *Colonialism and Modern Income: Islands as Natural Experiments*, *The Review of Economics and Statistics* 91, no2 (2009):245-262.
- Guthunz, U., & Krosigk, F. (1996), *Tourism development in small island states: from MIRAB to TouRAB?* In L. Briguglio, B. Archer, J. Jafari and G. Wall (Eds.), *Sustainable Tourism in islands and small states: issues and policies* (pp. 18–35). London: Pinter Publishers.
- Houbert, J. (1986), *Decolonizing without disengaging: France in the Indian Ocean*, *The Round Table* 75(298):145-166.
- Lucic, N. (2024), *Dataset for the long-term trade (1900–2021) and GDP (1960–2021) statistics of small island economies*, Data in Brief 55, Data tables are at <https://entrepot.recherche.data.gouv.fr/dataset.xhtml?persistentId=doi:10.57745/UA2LRO> (accessed September 2025).
- Lucic, N. and J-F. Hoarau (2024), 'Le status politique des petites économies insulaires a-t-il influencé sur leurs performances de développement?', *Mondes en Développement* 204: 17-34.
- Maddison (2007), *Contours of the World Economy, 1-2030 AD*, Oxford: Oxford University Press.
- Maddison, A. (1995), *Monitoring the World Economy 1830-1992*, Paris: OECD.

- Marcus, G. (1981), Power on the extreme periphery: The perspective of Tongan elites in the modern world system, *Asia Pacific Viewpoint*, 22(1):48-64.
- McElroy, J. (2006), Small island tourist economies across the life cycle, *Asia Pacific Viewpoint* 47(1):61-77.
- McElroy, J. and K. de Albuquerque (1995), The Social and Economic Propensity for Political Dependence in the Insular Caribbean *Social and Economic Studies* 44(2/3): 167-193.
- McElroy, J. and K.B. Pearce (2006), The advantages of political affiliation: dependent and independent small island profiles, *The Round Table* 95(386): 529-539.
- McElroy, J. and Parry (2012), The long-term propensity for political affiliation in island microstates, *Commonwealth & Comparative Politics*, 50:4, 403-421
- McElroy, J. L. and Morris, L. (1992), African island development experiences: a cluster of models, *Bank of Valletta Review*, 26: 38-57.
- McElroy, J.L. (2006), Small island tourist economies across the life cycle, *Asia Pacific Viewpoint* 47(1): 61-77, doi: 10.1111/j.1467-8373.2006.00303.x.
- Oberst, A. and McElroy, J.L.(2007), Contrasting Socio-Economic and Demographic Profiles of Two, Small Island, *Economic Species: MIRAB versus PROFIT/SITE*, *Island Studies Journal* 2(2): 163-176.
- Poirine, B. (1993), Le développement par la rente dans les petites économies insulaires, *Revue Économique* 6: 1169-1200.
- Poirine, B. (1994), 'Rent, emigration and unemployment in small islands: the MIRAB model and the French Overseas Departments and Territories', *World Development* 22(12), 1997-2009.
- Poirine, B. (1995), *Les petites économies insulaires: theorie et strategies de developpement* Paris: Harmattan.
- Poirine, B. (1998), Should we hate or love MIRAB? *The Contemporary Pacific* 10(1):65-105.
- Poirine, B., (1995), *Les petites économies insulaires: theories et strategies de développement*, Paris: L'Harmattan.
- Pritchett, L. (1997), Divergence, big time, *Journal of Economic Perspectives* 11(3): 3-17.
- Sampson T., (2005), Notes on the economic performance of small states 1995–2003, Working Paper no 2, Asian Development Bank
- Streeten, P. P. (1993), The special problems of small countries, *World Development* 21(2)
- Tisdell, C.A. (2016), The MIRAB model of small island economies in the Pacific and their security issues, In A Holz, A Kowasch and O Hasenkamp (Eds), *A region in transition: politics and power in the Pacific Island countries*, Saarbrücken: Saarland University Press.