Sovereignty, non-sovereignty, and economic development in small island economies: An evolving story

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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 sub-national (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 attribution of post-colonial political status to subsequent levels of 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 series of import data from 1900 on indicate that the divergence between current SIDS and SNIJs took off during the 1920s and 1930s, prior to decolonisation. The reasons remain a subject for historical research.

Keywords: decolonization, modern incomes, political status, small island developing states (SIDS), subnational island jurisdictions (SNIJs)

Introduction

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 2013 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 a 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. This was mainly because the empirical research underpinning their ideas (Acemoglu et al., 2001, 2002) involved large-scale statistical regression analysis using datasets that were limited, at the time, almost entirely to relatively large sovereign independent nation states. Small countries, 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 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 states: Jamaica, Malta, and Trinidad and Tobago.

Nevertheless, the question posed by Acemoglu, Johnson 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 island jurisdictions: why so *few* small-island states and territories 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 (e.g. Atkins et al., 2000; Briguglio, 1995; Commonwealth Consultative Group, 1985; Connell, 1991; Streeten, 1993). Against this, an empirically-grounded 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 or archipelagos (e.g. Armstrong et al., 1998; Armstrong and Read, 2002, 2004, 2006; Baldacchino and Bertram, 2009; Baldacchino and Milne, 2000; Easterly and Kraay, 2000).

Table 1 is constructed from the World Bank's *World Development Indicators* list of 218 economies in 2024.[1] It shows that small island jurisdictions (up to the size of Trinidad and Tobago) make up one-third of the high-income economies, and nearly a quarter of the upper-middle-income class, but none of the low-income ones. Small non-island states and territories are similarly clustered towards the top of the world income distribution. The apparent advantage of smallness (Easterly and Kraay 2000) is thus not limited to islands, though the literature reviewed below has been focused on the island world. The pattern revealed in Table 1 has been consistent throughout the 38 years 1987-2024 covered by the World Development Indicators database.

Table 1: Small economies in the *World Development Indicators 2024.*

Income category	Total economies in the class	Small islands		Other small states & territories		Total small states and territories	
		Number	% of total	Number	% of total	Number	% of total
High	87	29	33%	10	11%	39	45%
Upper-middle	55	12	22%	4	7%	16	29%
Lower-middle	50	7	14%	4	8%	11	22%
Low	26	0	0%	0	0%	0	0%
Total	218	48	22%	18	8%	66	30%

[1] https://databank.worldbank.org/reports.aspx?source=world-development-indicators# . 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. The World Bank defines small countries as having population of less than 1.5 million. The four income categories are defined on the basis of Atlas-method GNP per capita in current US dollars. For 2024 the ranges were: High >$13,935; Upper-middle $4,496 - $13,935; Lower-middle $1,136 - $4,495; Low <=$1,135.

Following up Acemoglu et al.'s (2002) proposition that the success or failure of modern economies is a path-dependent product of their history and institutional evolution within the global system, Feyrer and Sacerdote (2006) assembled data from various sources to conduct a large statistical exercise for 81 small island economies, 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 positively related to both the length of time an island had been a colony during the eighteenth and nineteenth centuries, as well as 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 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). 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 island territories that had remained politically associated with their former colonial patrons (Bertram, 2004). McElroy and 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.

McElroy and Sanborn (2005) reached a similar conclusion for a wider set of Caribbean and Pacific island economies. 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 Pacific 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, have firmly established the superior economic performance, as measured by income per head, of so-called dependent territories as a stylised fact. Lucic and Hoarau (2023/4) 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; It remains, however, to work out the precise mechanisms behind this.

Starting in the 1980s, the "MIRAB model" of small-island economies (Bertram and Watters, 1984, 1985; Bertram, 1986, 1998; Poirine, 1993, 1994, 1998) was developed to capture the idea that aid and remittances were key elements sustaining some small-island economies, leading to the hypothesis that the consequent 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 smaller 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 and Madeira 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 (Barbados, Cyprus, Malta, Singapore …) but many remaining Overseas territories (Anguilla, Falklands, Montserrat, Pitcairn). (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 metropoles 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.

Looking back over the era of decolonisation that followed the Second World War, the dominant narrative in favour of transforming colonies into nation states had rested on three main propositions. First, previously subject peoples could most effectively pursue freedom and autonomy by adopting national identities, with the associated institutions of national government enabling them to participate as equals in the global community. Second, the economic surplus previously extracted by colonial powers could be captured and redirected into national economic development through nation-state institutions. Third, the planning and direction of economic development could best be undertaken by national governments. These arguments held greatest force in the context of larger economies where the costs of operating a full-service national government could be spread over a larger resource base and taxable

[2] MIRAB was one of a number of models developed subsequently to describe alternative development strategies pursued by small island jurisdictions: 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 and von Krosigk, 1996). For a review see Tisdell (2016).

population. They applied much less strongly to small entities, and particularly when those entities were islands whose territorial boundaries were set by the sea, rather than simply by borders drawn across contiguous territory within continental land masses. Nevertheless, the empirical evidence that sovereign independence was associated with inferior economic outcomes in the small-island setting presented an apparent anomaly requiring explanation, which raised immediately the issue of causation.

Up to 2010, the main statistical technique used to establish the negative correlation between political sovereignty and economic prosperity was cross-section regression, including panel studies (using data from multiple decades, but in a cross-section-regression framework). Correlation does not establish causation. But it was deceptively easy to move from the regression results to telling the story above, in which close political affiliation with a high-income metropole was accompanied by economically-valuable flows of aid, migration, and investment, which in turn sustained higher income levels for SNIJs relative to sovereign island states. It was equally (but deceptively) easy to add a narrative in which sovereign independence could be argued to act as an economic burden on a small island economy because of the deadweight cost of maintaining the full institutional apparatus of an independent country.

Bertram (2004, 2010) went down this path, explicitly arguing 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, pp. 46-47)

These propositions implied a puzzle: why so many small island territories, 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) treated small islands as maximising agents, negotiating effectively for advantage in the world system; but if small island units 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 if it thereby sacrificed 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 non-material considerations of national pride, identity, freedom, and social solidarity that could be enjoyed under full independence. That would suggest that different island communities simply had different utility functions: 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 that the economic 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 optimisation. 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, 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 could be dated by back-casting the growth rates of different sets of countries to deduce how much time had passed since 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, in the data from 1950 on, a widening gap based on different rates of growth between sovereign island states and SNIJs, as different political outcomes from decolonisation drove different economic outcomes, 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.

With only one exception, statistical work up to 2010 on the link between political status and development performance had relied on cross-section or panel regressions. However Sampson (2005) compared growth rates, not levels, of per capita income in 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 1945 (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) assembled 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. The plot of their simple averages for the two groups in Figure 1 below (using a log scale in Figure 1b so that the slope of each line is the growth rate) clearly shows the two sets of islands running parallel (with the same growth rates) at least from 1985 on, confirming Sampson's results. 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. Indeed, 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 if the "big bang" had coincided with the date of constitutional transition.

Figure 1a: McElroy and Parry (2012) data for GDP per capita in US $ for 55 small island economies 1985-2010.

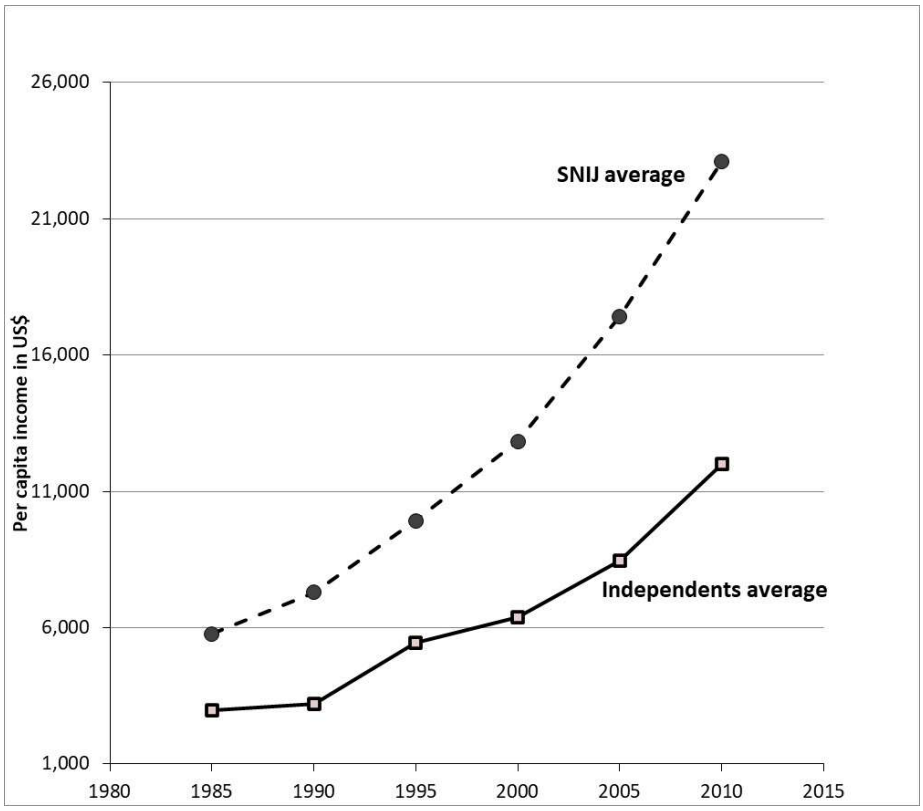
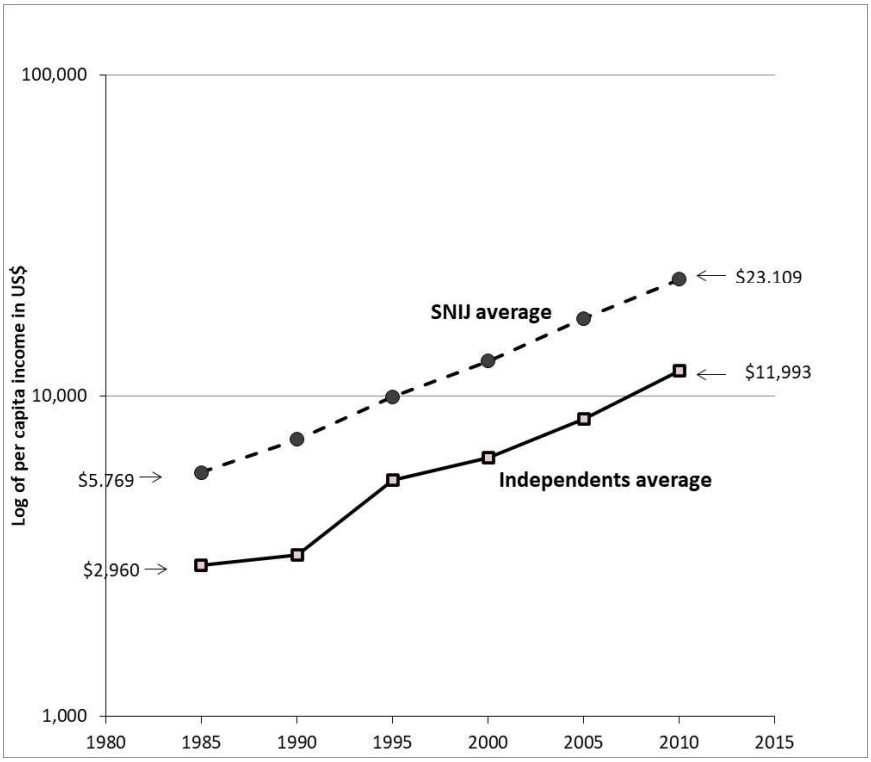


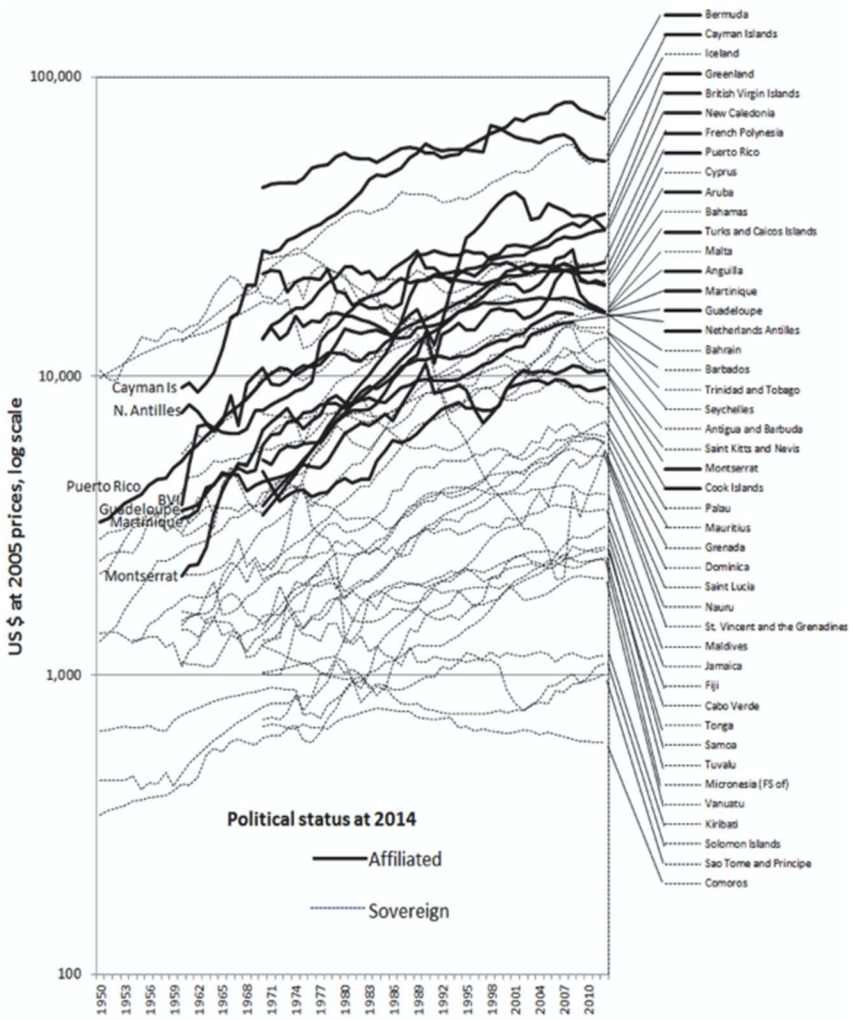
Figure 1b: McElroy and Parry (2012) data for GDP per capita in US $ for 55 small island economies 1985-2010, log scale.



Source: McElroy and Parry (2012) dataset at: http://projects.upei.ca/testforneal/files/2016/12/Data-Appendix-to-Long-Term-Propensity_0.pdf&ved=2ahUKEwjO9LaCwuSPAxVklYBHc3kNekQFnoECBsQAQ&usg=AOvVaw0EBeOw84z5Afpd4bDCfeUl

Far from political choice driving economic outcomes, it now seemed that the historical story might have worked the other way around, with poorer colonies becoming 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: Per capita GDP (in US$ at 2005 prices) for small island economies, 1950-2012.



Source: Bertram (2015) p.37 Chart 3.

This pointed to new lines of historical speculation. 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 firm refusal of repeated attempts by New Zealand and the United Nations to push it to greater autonomy (Connell, 2009). Anecdotal evidence, in other words, offered no simple generalisations.

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 34 SNIJs and 31 SIDS (Table 2).

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

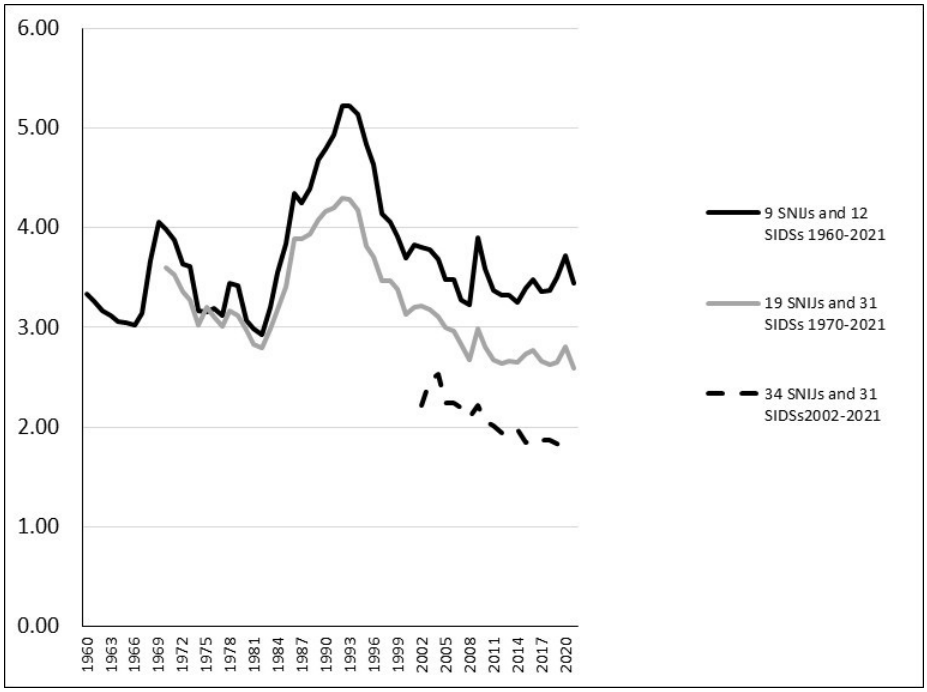
1960-2021	1970-2021	2002-2021
Sub-national island jurisdictions (SNIJs)		
		American Samoa
	Anguilla	Anguilla
		Azores
		Baleares
Bermuda	Bermuda	Bermuda
British Virgin Islands	British Virgin Islands	British Virgin Islands
		Canary Islands
	Cayman Islands	Cayman Islands
		Channel Islands
	Cook Islands	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
		Tokelau
Turks and Caicos	Turks and Caicos	Turks and Caicos
US Virgin Islands	US Virgin Islands	US Virgin Islands
SNIJ sample 9	19	34
Sovereign small island developing states (SIDS)		
Antigua and Barbuda	Antigua and Barbuda	Antigua and Barbuda
Bahamas	Bahamas	Bahamas
	Bahrain	Bahrain
	Barbados	Barbados
	Cabo Verde	Cabo 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 & Principe	Sao Tomé & Principe
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	St Vincent and the	St Vincent and the
	Tonga	Tonga
Trinidad & Tobago	Trinidad & Tobago	Trinidad & Tobago
	Tuvalu	Tuvalu
	Vanuatu	Vanuatu
SIDS sample 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. Figure 3a shows simple unweighted averages of GDP per capita across each of the two sets of island economies in Table 2, regardless of their size. Figure 3b 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, suggesting that a causal story from political status to income per capita might still have some explanatory power in that brief period, but thereafter the ratio stabilised or fell. While the three samples show wide variation in the level of the ratio, all agree on a value greater than 2 throughout the period, indicating that economic divergence happened prior to 1960. The population-weighted series in Figure 3b shows no sustained growth advantage for non-sovereigns over the long run: while there was again 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.

Figures 3a: Simple ratio of GDP per capita for SNIJs relative to SIDS. Lucic (2024) data.

Figure 3b: Population-weighted ratio of GDP per capita for SNIJs relative to SIDS. Lucic (2024) data.



*Source(s):*Lucic (2024) dataset: https://entrepot.recherche.data.gouv.fr/file.xhtml?persistentId=doi:10.57745/8U7MOX&version=2.*0*

The same conclusion holds when the data is broken down by region. Figure 2 has shown that the most comprehensive record of GDP per head is that for the Caribbean, on the basis of 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 [Aruba and Netherlands Antilles], 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 sovereign island states 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 income levels from start to finish were different. Within the set of 22 island economies there were some fast-growing SNIJs (Anguilla, Montserrat and the British Virgin Islands) but also some similarly rapid-growth independents (St Lucia, Trinidad and Tobago, 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 as seen in Figure 4b.

[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

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

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

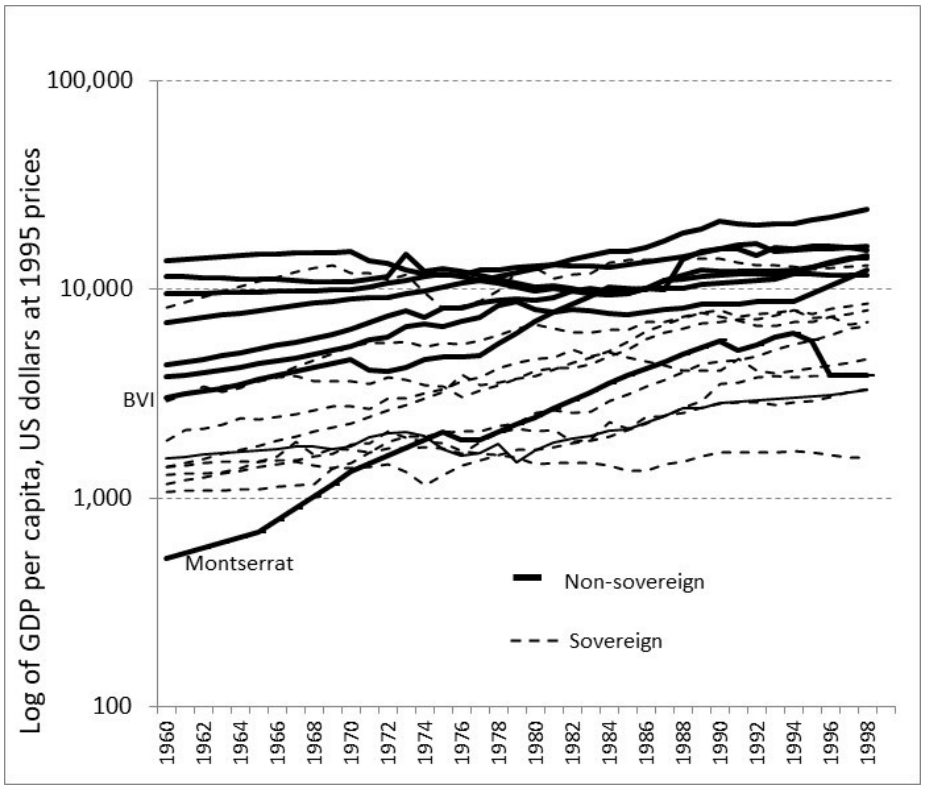
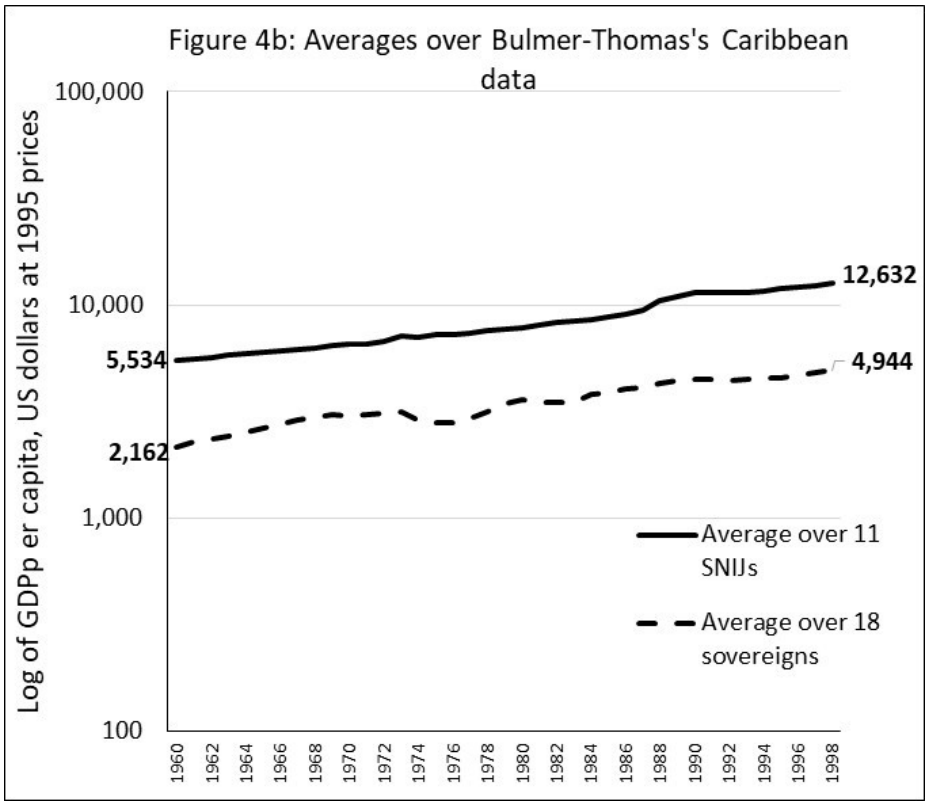


Figure 4b: Averages over Bulmer-Thomas's Caribbean data



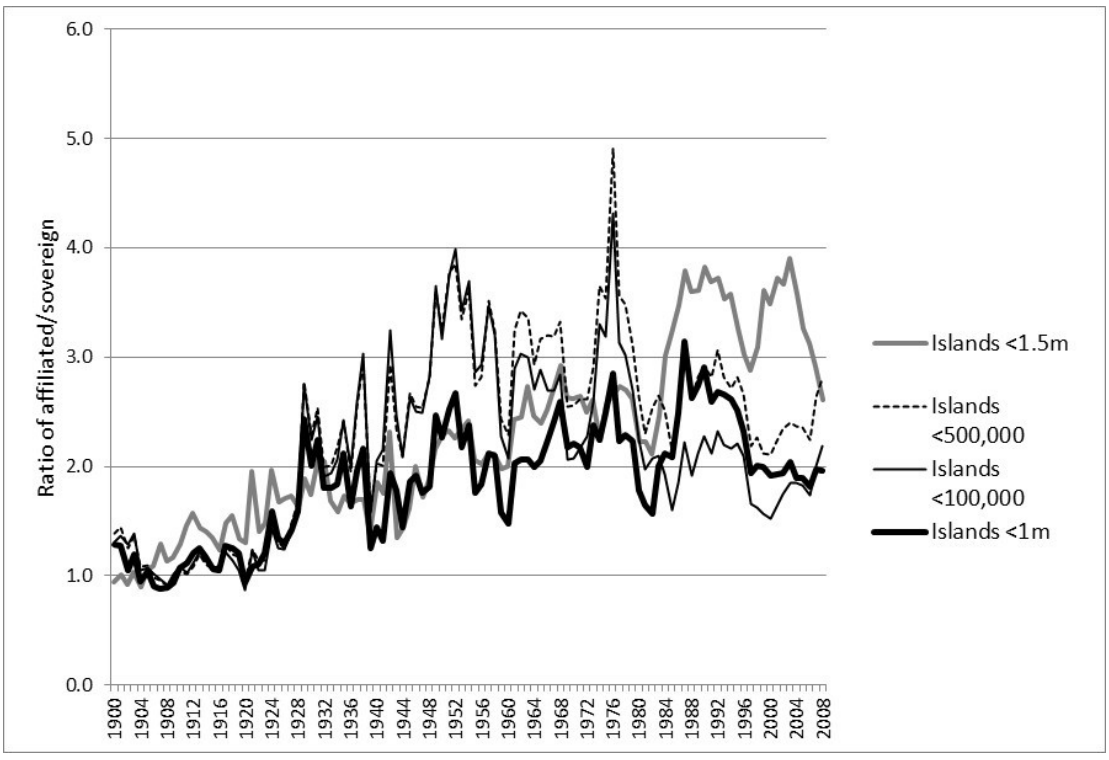
Source: Bulmer-Thomas 2001 Table 10 pp.54-55.

The data on GDP per capita for other regions, while less comprehensive, indicates 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 GDP data. The logical choice was imports per head (reflecting the availability of external funding from exports, transfers, and capital flows), which have 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).

The reason why import levels and trends are closely related to income levels in small-island economies is that as they advance from subsistence self-sufficiency to consuming a wider range of modern goods and services, a rising share of total consumption and investment spending is on things supplied from offshore in the form of imports. In the absence of reliable statistics on income itself, the import statistics provide the best available proxy for income.

Bertram (2015) therefore assembled per-capita import data for 52 small islands worldwide with populations below 1.5 million (the size of Jamaica). Commodity-trade series extending 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.

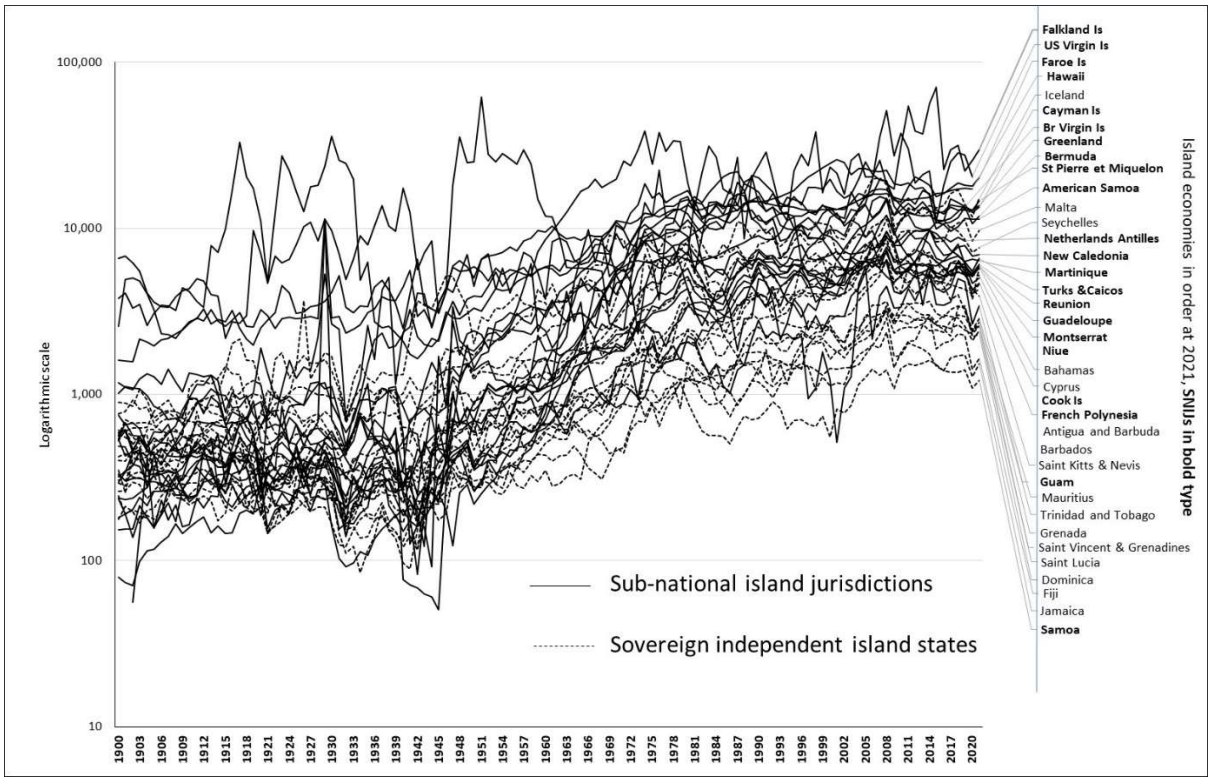
Figure 5: Ratio of population-weighted imports per capita, 2005US$, 24 small island economies with full data 1900-2008.



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 with the individual island jurisdictions listed in order, as at 2021, at the right-hand side of the chart. SNIJ economies are labelled in bold and SIDSs in non-bold type.

Figure 6: Imports per head in 2005 US dollars: 21 SNIJs and 17 SIDS, 1900-2021.



Source: constructed using the Lucic (2024) dataset at https://entrepot.recherche.data.gouv.fr/file.xhtml?persistentId=doi:10.57745/BNRDQB&version=2.0

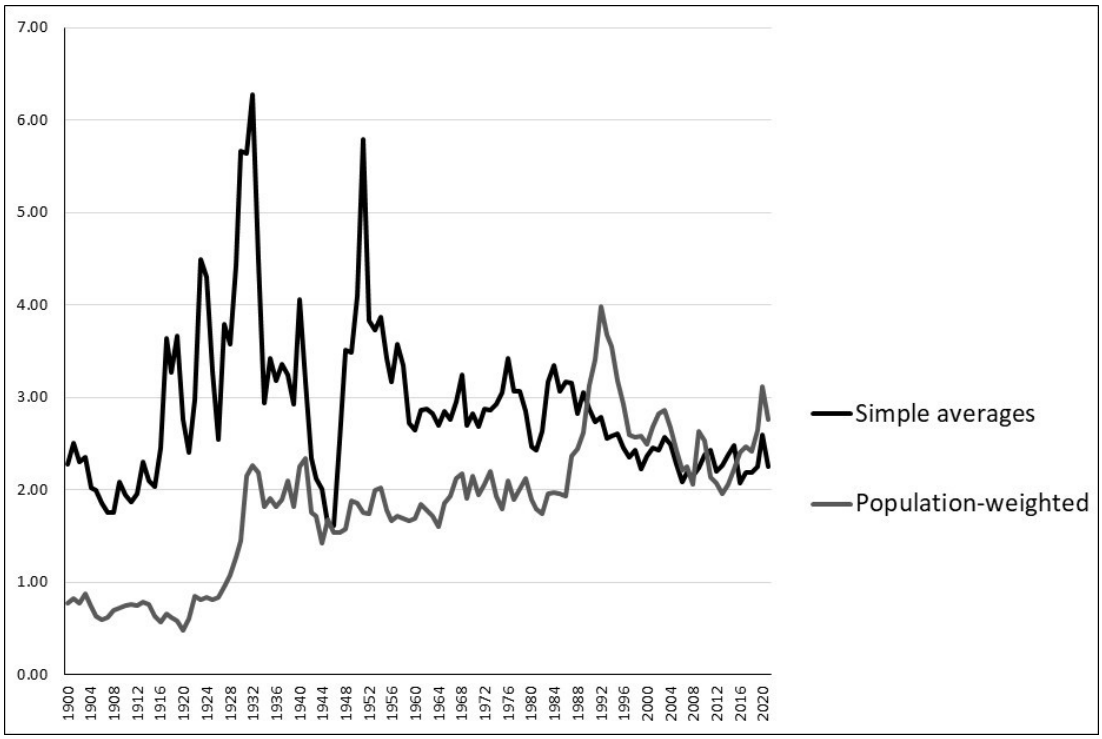
The chart shows that, at the beginning of the twentieth century, apart from five anomalously high-income SNIJs[5], there was a clustering of all the small-island economies in a tight bunch, whereas by 2021 there was clear divergence between SNIJ and SIDS economies. The chart suggests a steady state across the small-island world in the first two decades of the twentieth century, followed by a sharp upward jump in imports per capita in the course of which the later-to-be 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 into the 1960s.

To reveal more clearly the timing and extent of divergence, the ratio of average per capita imports of SNIJs to those of SIDSs 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

[5] Bermuda, St Pierre et Miquelon, Falklands, 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 (as seen 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.

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 Lucic database.

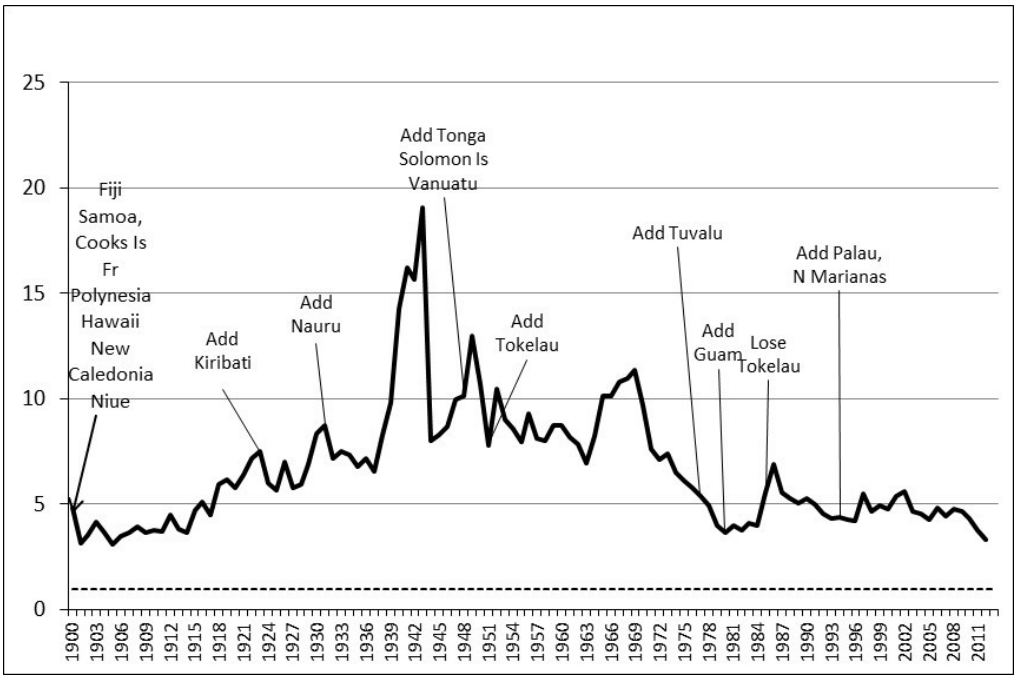


Source: Calculated from Lucic (2012) dataset at https://entrepot.recherche.data.gouv.fr/dataset.xhtml?persistentId=doi:10.57745/UA2LRO

The simple-average ratio started the twentieth century already at around 2: in other words, comparing Figure 7 with Figure 5, and adding more data, has pushed the date for the start of divergence date even further back. It jumped to between 3 and 4 from the 1930s to the 1980s (with a sharp dip in the Second World War), 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 Pacific 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 show a downward trend but with the ratio remaining high at around five.

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



Sources: Data from Bertram (2015)

Some force, thus, was driving economic divergence within the small-island colonial world from the 1920s on, and that divergence subsequently became imprinted on post-colonial political arrangements. One hypothesis that immediately suggests itself is that during the 1920s and 1930s, colonies that were generating large trade surpluses became identified in the eyes of the colonial powers as relatively high-value (and hence worth holding close as non-sovereigns when decolonisation came around), whereas colonies with weaker trade surpluses were early on identified as disposable. There is some evidence in the 1900-1940 trade statistics of a tendency towards larger surpluses in future SNIJs relative to future SIDS – a relationship which was reversed after 1945 – but very large standard deviations in the data mean that statistical significance is lacking, and the commodity trade data do not include the services exports and imports that became important in the later twentieth century. A more sophisticated multivariate regression approach might yield results here.

A second possible line of explanation could lie in a comparative study of the elites within small-island societies, and their differing orientations and aspirations as the colonial era drew to a close. In some cases, key factions and individuals no doubt saw their advantage lying in retention of close ties to the metropolis; in other cases perceived advantage would have lain in a sharper break with the past. With this framing of the analysis, the economic story would be combined with elements of culture, ethnicity, influential key thinkers within the elite, geopolitical pressures, and so on.

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 independent state apparatus, imposed fetters on economic development which could be avoided by remaining non-sovereign. This implied an argument for preferring decolonisation in terms of either integration with the metropolitan

economy, or self-government in free association (Bertram, 1987, 2004, 2010) rather than sovereign independence. Research since 2010, with more data, 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 or forces 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.

Clearly, the interwar years of the 1920s and 1930s witnessed the rise of local pressure for greater autonomy and transition away from colonial rule. Local elites sought increased political agency through devices such as elected assemblies and appointments to administrative posts. Local labour organisations grew in size and ambition, with linkages to the powerful international labour movement. Facing these groups were colonial powers with widely-differing degrees of commitment to retaining tight ties to particular territories. Where a colonial territory was highly valued for its natural resources or strategic location, autonomy would be supplied reluctantly; while in other cases the colonial power was already looking for an exit from the responsibilities of colonial control. Each colony had its own detailed history and trajectory prior to the Second World War: tracing the underlying elements that determined the ultimate separation between more-prosperous SNIJs and less-prosperous SIDS is not a simple matter. This paper has only scratched the surface of an intriguing historical research agenda.

In the Caribbean, Bulmer-Thomas (2012) and Carrington (2025) have laid the foundations for more detailed work on the interwar origins of the modern ranking of SNIJs against SIDS. In the Pacific, Hau'ofa (1987) described the emergence of a region-wide elite or ruling class, whose common interests and culture were tightly integrated with those of the colonial powers but whose post-colonial legitimacy rested on the preservation of distinct local cultures and political institutions inhabited by the lower classes and "traditional" chiefly actors; the political structures that were negotiated between this rising elite and the colonial authorities reflected a balance of the elite's demand for, and the colonial powers' supply of, various degrees of autonomy (Bertram and Poirine, 2018, pp. 207-209). Similar multifaceted stories have played out in the other oceans of the world. But the negative statistical relationship between sovereign independence and income is too strong to be just a random event. Some deep cause/s has/have been at work, and remain to be clearly identified.

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