

The New Political Economy of Colonialism

THOMAS B. PEPINSKY

Abstract

The new political economy of colonialism is an interdisciplinary field that unites economists, political scientists, and sociologists interested in the nature and contemporary legacies of colonialism. It is distinctive in its reliance of quantitative data, its close attention to causal identification, and its focus on deriving novel theoretical insights using standard tools in positive political economy. This essay traces the development of the new political economy of colonialism over the past 20 years and identifies exciting new contributions in this rapidly developing and interdisciplinary field.

INTRODUCTION

The new political economy of colonialism is an interdisciplinary field that studies the nature of colonial rule and its contemporary effects. Uniting the fields of economic history, political economy, comparative politics, and historical sociology, scholars working in this field explore central questions in the social sciences, ranging from the origins of global economic inequality and the determinants of institutional quality to the social and political legacies of colonial rule for local communities. Although colonialism and its consequences have long been topics of study across the social sciences, the new political economy of colonialism is distinctive in its reliance of quantitative data, its close attention to causal identification, and its focus on deriving novel theoretical insights using standard tools in mainstream political science and economics. This field of study offers fresh and exciting perspectives on the historical origins of the contemporary world order, and also new and critical perspectives on existing understandings of colonialism and its legacies.

Because the new political economy of colonialism is a growing modern field, the state of the art is rapidly changing and the field's agenda for inquiry remains fluid. This essay reviews some of the foundational works in this field, focusing on several "new classics" which have shaped the field before

turning to more recent contributions. It concludes by suggesting directions for future research and outlining some issues that lurk on the horizon, including geographic biases, declining yields of high-quality quantitative data, and its relationship to other literatures.

FOUNDATIONAL WORKS IN THE NEW POLITICAL ECONOMY OF COLONIALISM

The political economy of colonialism has been a topic of analysis since at least Lenin (1916/1939). The *new* political economy of colonialism, employing the methodological of positive political economy, dates to the 1990s. Economics provided foundational works: Acemoglu, Johnson, and Robinson (2001), Hall and Jones (1999), La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998), and Sokoloff and Engerman (2000). Cross-national in nature, these works exploit the differences across colonial societies to explain why some countries are more or less unequal, more or less poor, or more or less productive. Notably, none of these articles is actually *about* colonialism, with the possible exception of Acemoglu *et al.* (2001) Rather, the intensity of colonial settlement, the legacy of Western European languages (Hall & Jones) or legal traditions (La Porta *et al.*, 1998), and the settlement of the New World (Sokoloff and Engerman) each provide a window into the fundamental determinants of contemporary political economies. This is a hallmark of the new political economy of colonialism, exploiting the research design opportunities afforded by variation in the modalities European colonialism as an exogenous influence on modern political economies.

While these works differ in critical ways, together they each challenge an alternative framework for understanding global variation in material prosperity that focuses on geographic and resource endowments (Diamond, 1997; Hibbs & Olsson, 2004; Sachs & Warner, 1995). There is now a rich literature, too large to summarize here, that adjudicates among the institutions versus endowments approaches. Yet the central insight of these new classics by economists is that colonialism played a central role in determining the long-run evolution of national political economies (see Nunn, 2007 for an extensive review).

Foundational works in the new political economy of colonialism by political scientists tend to have a more narrow empirical scope (often national or regional) and cover a wider range of the substantive topics that occupy political scientists. These include the evolution of property rights regimes (Firmin-Sellers, 1995, 2000) and the legacies of colonial borders on postcolonial ethnic politics (Miguel, 2004; Posner, 2003, 2004). Unlike the economics research cited previously, these works do not seek to explain variation in political phenomena around the world (although more recent research does;

see in the following sections). However, they benefit from a more targeted focus on the politics of colonial rule in concrete cases, and are therefore able to draw more targeted inferences about how the nature of colonialism catalyzed political and economic processes that have observable effects today.

If there is a single theme that underlies this broad body of research in political science and economics, it is that colonialism must be understood as the foundational moment in the development of modern political economies. Exactly what colonialism did is a subject of dispute, as are the exact consequences today. Those disputes have animated this interdisciplinary field over the past two decades.

RECENT ADVANCES

The cutting edge of the new political economy of colonialism consists of extensions and critiques of previous literatures, a renewed push toward microlevel research by economists and for cross-national research by political scientists, and greater focus on the colonial experience outside of Africa.

Critiques of existing work have involved both attempts to adjudicate among different perspectives on the origins of economic prosperity (Acemoglu & Johnson, 2005) as well as extensions (e.g., Feyrer & Sacerdote, 2009) and critiques. Albouy (2012) critiques the reliability of the colonial mortality data that underlie Acemoglu *et al.*'s (2001) signature contribution and finds that former's results are weaker when using more comparable data in order to reduce measurement error. Fails and Krieckhaus (2010) attribute most of the explanatory power of settler mortality to the "British clones" of Australia, Canada, New Zealand, and the United States. Putterman and Weil (2010), by contrast, extend the study of colonial-era migration and its effects on contemporary political economies by focusing on the stock of all migrants, not just settlers from the metropole, within a given postcolonial state. Another stream of research, while not pitched as a direct critique of foundational works, looks toward *precolonial* institutions, particularly in Africa (Michalopoulos & Papaioannou, 2013, 2014). If the legacies of precolonial institutions dominate the effects of colonial institutions, then this may render the focus on colonialism itself a distraction, especially if precolonial conditions explain variation in colonial institutions themselves (making colonial rule epiphenomenal). Still other extensions look to human genetic diversity as an alternative fundamental cause of development (Ashraf & Galor, 2013; Spolaore & Wacziarg, 2009) or claim that the effects of colonialism amount to a temporary deviation from a long-run pattern in which early-early developers enjoyed greater technological and economic development than later developers such as Western Europe (Chanda & Putterman, 2007). In this way, literature within the new political economy

of colonialism that investigates the “deep” origins of modern political economies has become one of several frameworks to organize cross-national research on the causes of long-run economic performance.

Cross-national work has also continued apace on noneconomic outcomes, linking colonial-era processes such as religious conversion and the slave trade to a wealth of contemporary outcomes. Woodberry (2012) draws on classic Weberian arguments about the Protestant ethic as well as a range of other arguments from political sociology and finds that regions with more Protestant missions in the 1920s are more democratic today (see also Lankina & Getachew, 2012). Nunn (2010) links religious conversion in colonial Africa to religious beliefs today. Paralleling Michalopoulos and Papaioannou, Hariri (2012) finds evidence that precolonial political forms both shaped the development of colonial institutions and contemporary political institutions. Nunn and Wantchekon (2011) show that African peoples whose ancestors were targeted by slavers display less trust than others whose ancestors were less victimized by the slave trade. A range of further extensions and refinements to these studies is possible.

Other important contributions have adopted creative microlevel research designs in order to chart the long-run effects of colonialism, leveraging variation in colonial policy across regions or groups of people, or across people living on either side of an artificial national border. Banerjee and Iyer (2005) link variation in colonial land tenure systems in India to investment and productivity today. Berger (2009) argues that differences in tax institutions across colonial Nigeria affect the quality of local government in contemporary Nigeria. Dell (2010) shows how forced labor institutions enacted under Spanish rule in Bolivia and Peru have affected downstream public goods provision today, with knock-on effects on child development and household consumption. Jha and Wilkinson (2012) show that combat experience from the British colonial army in WWII affected patterns of local violence during the partition of India. Lee and Schultz (2012) exploit the fact that portions of Cameroon were colonized by the British and the French to estimate the effects of different national types of colonialism on public goods provision. Jha (2013) shows that precolonial Hindu–Muslim relations have shaped civil institutions and violence over the long run. Naritomi, Soares, and Assunção (2012) link the structure of local economies in the colonial era to contemporary local institutional quality in Brazil. Pepinsky (2014) examines how Dutch policies toward Chinese and Arab trading minorities shaped local political–business relations and contemporary economic governance in Java. Bhavnani and Jha (2013) argue that trade shocks affected local demand for democratic self-government in the last years of British India.

As is apparent from the scattershot collection of topics and world regions contained in the previous paragraph, these contributions all each fall

squarely within the new political economy of colonialism, but they do not (yet) form a coherent body of knowledge about colonialism itself. Instead, they shed light on specific historical events and processes from the colonial era to demonstrate, as Nunn (2007, p. 66) observes, “exactly how and why specific historic events can continue to matter today.”

DIRECTIONS FOR FUTURE RESEARCH

The motivating premise of the new political economy of colonialism, from the new classics of the 1990s through until today, is that colonialism was foundational for understanding modern political economies. This insight—long accepted in other parts of the academy as *the* received wisdom when studying postcolonial societies—is the subject of greater analytical, theoretical, and empirical scrutiny through the methodologies of positive political economy. The new political economy of colonialism’s greatest strength is its development of a shared vocabulary and common epistemological position through which to build a progressive and cumulative research program.

Given the rapid growth of this already interdisciplinary field, one area where scholars might choose to direct their energies would be to seek intellectual bridges between the positive political economy approaches of the new political economy of colonialism and other disciplines, including the softer social sciences, history, even area studies, and postcolonial studies. Most work on colonialism, after all, is done through the lens of postcolonial studies (for one recent critique of this field, see Chibber, 2013). Despite the promise of such engagement with other fields, this will remain a relatively low priority because of the massive epistemological gulfs between positive political economy and the intellectual traditions that dominate other academic fields. Greater exchange with qualitatively or historically oriented social scientists may be possible, however, and I outline some of these in the following sections.

More productive paths forward for the new political economy of colonialism are extensions that reconcile human diversity, geographical endowments, precolonial societies, and colonial processes in a comprehensive framework; that expand the empirical scope of microlevel research designs beyond Africa; that pay more attention to the inner workings of colonialism itself; and that further integrate qualitative insights into a fundamentally quantitative field in order to generate more credible research designs and uncover new sources of identification and inferential leverage.

Integrating human diversity, geographical endowments, precolonial societies, and colonial processes into a single analytical framework would mean a more exacting conceptual understanding of how these four potential determinants of long-run development interact with one another. The modal

approach in recent work consists of testing explanations against one another, but there is no reason to expect that only one of these families of explanations is correct. Nor is there much profit in asserting that one is “more fundamental” than any other, except for in one sense: If colonial settlement (say) is “the fundamental” cause of long-run institutional development, then it can be an instrument for institutions in a model of the effects of institutions on development. However, if colonial settlement just reflects (say) geography or human diversity, and these directly affect development over the long run, then settlement does not satisfy the exclusion restriction. As instrumental variables’ approaches are an essential tool in the new political economy of colonialism, such tensions are unavoidable. The way forward will be to think creatively about how the potentially multiple causal pathways linking “deep origins” to contemporary political economies can complement one another, or substitute for one another, while retaining the clarity that carefully specified empirical models of long-run development provide.

Future research will also profit from expanding the empirical scope of the new political economy of colonialism. Table 1 presents a tally of the total number of quantitative papers appearing in general journals in economics, political science, and sociology, as well as specialized journals in applied economics, economic history, comparative politics, political economy, and international relations, between 1993 and 2013, that covered colonialism in some respect.¹

The results are a clear evidence of a regional bias in existing work: Among regional studies, Africa dominates, while among country studies, India is greatly overrepresented, followed by former British and French colonies in sub-Saharan Africa. The explanation for such a focus is almost certainly linguistic, as English language archives and statistical sources make the former British colonies relatively easier to study than the East Indies, the Middle East, or Mozambique. The same is true for the large body of colonial data in French—and it is therefore puzzling that so little work focuses on Latin America. The paucity of research outside of these contexts is a problem for the new political economy of colonialism insofar as it fails to capture the full diversity of the colonial experience in different world regions.

It is also possible that researchers will face a declining yield of high-quality historical data. Undoubtedly, the crop is far from exhausted, but careful work will be needed to uncover these new sources. This further recommends research in those countries and world regions whose contributions to the new political economy of colonialism remain disproportionately small, for

1. The papers were coded by a team of eight research assistants from Cornell University. Our working definition of “covering colonialism” was broad and inclusive, as was our definition of “quantitative,” in order to capture the full breadth of literature which might fall under the new political economy of colonialism.

Table 1
Quantitative Analyses of Colonialism by Country or Region,
1993–2013

Global	Empirical Scope		Country	
	Regional			
170	Africa	43	Algeria	1
	Asia	1	Australia	5
	British colonies	8	Brazil	1
	East Asia	2	Britain	2
	French colonies	3	Cameroon	1
	Islamic World	1	Canada	1
	Italian colonies	1	China	1
	Japanese colonies	1	Congo	2
	Latin America	7	Cuba/Indonesia	1
	South Asia	1	Guyana/Barbados	1
	Southeast Asia	1	India	21
			Indonesia	6
			Ireland	1
			Jamaica	1
			Kazakhstan	1
			Kenya	3
			Kenya/Tanzania	1
			Korea	5
			Malaysia/Fiji	1
			Mali	1
			Mauritius	1
		Morocco	1	
		New Zealand	1	
		New Zealand/Uruguay	1	
		Nicaragua/Costa Rica	1	
		Peru/Bolivia	1	
		Philippines/Taiwan	1	
		Sao Tome and Principe/Cape Verde	1	
		Senegal	2	
		Sierra Leone	1	
		South Africa	4	
		Taiwan	1	
		Taiwan/Korea	2	
		United States	14	
		Zambia	1	

it is likely that the most useful untapped historical data will be found there, even if it is maintained in Arabic, Manchu, or Vietnamese.

Finally, we return to the possibility of further integrating qualitative insights from established literatures on comparative politics and political economy. This does not mean abandoning the quantitative methods or the

focus on identification, which are hallmarks of the new political economy of colonialism. Rather, it means following the suggestions of Morck and Yeung (2011) to see in qualitative and historical accounts the types of research design opportunities that will generate credible estimates of causal parameters. Some versions of this exist already: Michalopoulos and Papaioannou (forthcoming), for example, do acknowledge both Bates (1983) and Herbst (2000) as providing the intellectual motivation for the claim that state power decreases with distance to the capital. Other major qualitative works with obvious relevance for the new political economy of colonialism include Kohli (2004) on the colonial origins of bureaucracies, Mahoney (2010) on economic development in Spanish America, and Tudor (2013a, 2013b) on the partition of India and Pakistan. Integrating the new political economy of colonialism with more traditional social scientific approaches to colonialism and its consequences represents a fruitful avenue for inquiry.

REFERENCES

- Acemoglu, D., & Johnson, S. (2005). Unbundling institutions. *Journal of Political Economy*, 113, 949–995.
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American Economic Review*, 91, 1369–1401.
- Albouy, D. (2012). The colonial origins of comparative development: An empirical investigation: Comment. *American Economic Review*, 102, 3059–3076.
- Ashraf, Q., & Galor, O. (2013). The ‘Out of Africa’ hypothesis, human genetic diversity, and comparative economic development. *American Economic Review*, 103, 1–46.
- Banerjee, A., & Iyer, L. (2005). History, institutions, and economic performance: The legacy of colonial land tenure systems in India. *American Economic Review*, 95, 1190–1213.
- Bates, R. H. (1983). Modernization, ethnic competition, and the rationality of politics in contemporary Africa. In D. Rothchild & V. A. Olunsorola (Eds.), *State versus ethnic claims: African policy dilemmas*. Boulder, CO: Westview Press.
- Berger, D. (2009). Taxes, institutions and local governance: Evidence from a natural experiment in Colonial Nigeria. Working paper, Department of Government, University of Essex.
- Bhavnani, R. & Jha, S. (2013). Forging a non-violent mass movement: Economic shocks and organizational innovations in India’s struggle for democracy. Working paper, Stanford Graduate School of Business.
- Chanda, A., & Putterman, L. (2007). Early starts, reversals and catch-up in the process of economic development. *Scandinavian Journal of Economics*, 109, 387–413.
- Chibber, V. (2013). *Postcolonial theory and the specter of capital*. New York, NY: Verso.
- Dell, M. (2010). The persistent effects of Peru’s Mining *Mita*. *Econometrica*, 78, 1863–1903.

- Diamond, J. (1997). *Guns, germs, and steel: The fates of human societies*. New York, NY: Norton.
- Fails, M. D., & Kriekhaus, J. (2010). Colonialism, property rights and the modern world income distribution. *British Journal of Political Science*, 40, 487–508.
- Feyrer, J., & Sacerdote, B. (2009). Colonialism and modern income: Islands as natural experiments. *Review of Economics and Statistics*, 91, 245–262.
- Firmin-Sellers, K. (1995). The politics of property rights. *American Political Science Review*, 89, 867–881.
- Firmin-Sellers, K. (2000). Institutions, context, and outcomes: Explaining French and British Rule in West Africa. *Comparative Politics*, 32, 253–272.
- Hall, R. E., & Jones, C. I. (1999). Why do some countries produce so much more output per worker than others? *Quarterly Journal of Economics*, 114, 83–116.
- Hariri, J. G. (2012). The autocratic legacy of early statehood. *American Political Science Review*, 106, 471–494.
- Herbst, J. (2000). *States and power in Africa*. Princeton, NJ: Princeton University Press.
- Hibbs, D. A., & Olsson, O. (2004). Geography, biogeography, and why some countries are rich and others are poor. *Proceedings of the National Academy of Sciences of the United States of America*, 101, 3715–3720.
- Jha, S. (2013). Trade, institutions, and ethnic tolerance: Evidence from South Asia. *American Political Science Review*, 107, 806–832.
- Jha, S., & Wilkinson, S. (2012). Does combat experience foster organizational skill? Evidence from ethnic cleansing during the partition of South Asia. *American Political Science Review*, 106, 883–907.
- Kohli, A. (2004). *State-directed development: Political power and industrialization in the global periphery*. New York, NY: Cambridge University Press.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and finance. *Journal of Political Economy*, 106, 1113–1155.
- Lankina, T., & Getachew, L. (2012). Mission or empire, word or sword? The human capital legacy in postcolonial democratic development. *American Journal of Political Science*, 56, 465–483.
- Lee, A., & Schultz, K. A. (2012). Comparing British and French Colonial Legacies: A discontinuity analysis of Cameroon. *Quarterly Journal of Political Science*, 7, 365–410.
- Lenin, V. I. (1916/1939). *Imperialism: The highest stage of capitalism. A popular outline*. New York, NY: International Publishers.
- Mahoney, J. (2010). *Colonialism and postcolonial development: Spanish America in comparative perspective*. New York, NY: Cambridge University Press.
- Michalopoulos, S., & Papaioannou, E. (2013). Pre-colonial ethnic institutions and contemporary African development. *Econometrica*, 81, 113–152.
- Michalopoulos, S., & Papaioannou, E. (2014). National institutions and subnational development in Africa. *Quarterly Journal of Economics*, 129(1), 151–213.
- Miguel, E. (2004). Tribe or nation? Nation building and public goods in Kenya versus Tanzania. *World Politics*, 56, 328–362.
- Morck, R., & Yeung, B. (2011). Economics, history, and causation. *Business History Review*, 85, 39–63.

- Naritomi, J., Soares, R. R., & Assunção, J. J. (2012). Institutional development and colonial heritage within Brazil. *Journal of Economic History*, 72, 393–422.
- Nunn, N. (2007). The importance of history for economic development. *Annual Review of Economics*, 1, 65–92.
- Nunn, N. (2010). Religious conversion in colonial Africa. *American Economic Review Papers and Proceedings*, 100, 147–152.
- Nunn, N., & Wantchekon, L. (2011). The slave trade and the origins of mistrust in Africa. *American Economic Review*, 101, 3221–3252.
- Pepinsky, T. B. (2014). Colonial migration and the origins of governance: Theory and evidence from Java. Working paper, Department of Government, Cornell University.
- Posner, D. N. (2003). The colonial origins of ethnic cleavages: The case of linguistic divisions in Zambia. *Comparative Politics*, 35, 127–146.
- Posner, D. N. (2004). The political salience of cultural difference: Why Chewas and Tumbukas are allies in Zambia and adversaries in Malawi. *American Political Science Review*, 98, 529–545.
- Putterman, L., & Weil, D. N. (2010). Post-1500 population flows and the long-run determinants of economic growth and inequality. *Quarterly Journal of Economics*, 125, 1627–1682.
- Sachs, J. D. & Warner, A. M. (1995). Natural resource abundance and economic growth. National Bureau of Economic Research Working paper No. 5398.
- Sokoloff, K. L., & Engerman, S. L. (2000). Institutions, factor endowments, and paths of development in the New World. *Journal of Economic Perspectives*, 14, 217–232.
- Spolaore, E., & Wacziarg, R. (2009). The diffusion of development. *Quarterly Journal of Economics*, 124, 469–529.
- Tudor, M. (2013a). Explaining democracy's origins: Lessons from South Asia. *Comparative Politics*, 45, 253–272.
- Tudor, M. (2013b). *The promise of power: The origins of democracy in India and autocracy in Pakistan*. New York, NY: Cambridge University Press.
- Woodberry, R. D. (2012). The missionary roots of liberal democracy. *American Political Science Review*, 106, 244–274.

THOMAS B. PEPINSKY SHORT BIOGRAPHY

Thomas B. Pepinsky (PhD, Yale) is an Associate Professor in the Department of Government and an Associate Director of the Modern Indonesia Project at Cornell. His research lies at the intersection of comparative politics and international political economy, with a focus on emerging markets in Southeast Asia. He is the author of *Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective* (Cambridge University Press, 2009), as well as articles in the *American Journal of Political Science*, *British Journal of Political Science*, *International*

Studies Quarterly, Journal of Democracy, Journal of East Asian Studies, World Development, World Politics, and other venues.

<http://tompepinsky.com>.

RELATED ESSAYS

The State and Development (*Sociology*), Samuel Cohn

Varieties of Capitalism (*Political Science*), Peter A. Hall

States and Nationalism (*Anthropology*), Michael Herzfeld

Presidential Power (*Political Science*), William G. Howell

Alternative Polities (*Archaeology*), Roderick J. McIntosh

Stratification and the Welfare State (*Sociology*), Stephanie Moller and Joya Misra

The Welfare State in Comparative Perspective (*Sociology*), Jill Quadagno *et al.*