New Countries: Successes and Failures

Jesús Fernández-Villaverde

University of Pennsylvania

April 14, 2011
End of European Imperialism

The end of WWII is also the end of European imperialism:

1. Formal empires.

2. Informal areas of influence.

British empire will be the paradigmatic case. Relatively pain free.

More painful examples: France (Algeria, Vietnam) and Portugal.

In some sense, fall of the Soviet Union in 1991 is the end of the last colonial empire.
Colonies of European settlement (Canada, Australia, New Zealand, South Africa) become progressively independent (Responsible government$\Rightarrow$Dominions$\Rightarrow$Commonwealth realms).

Ireland becomes independent in 1922 (republic in 1948).

Between 1945 and 1965, the number of people under British rule outside the UK collapses from 700 million to 5 million (out of which 3 were in Hong Kong).
British empire reaches the end of the line at the British Raj:

1. British rule has been under increasing pressure from nationalists (Indian National Congress, All India Muslim League).
3. Deal during WWII. Problems with Indian National Army.
4. Increasing conflict between communities (particularly in Punjab and Bengal).
5. Finally, the Labour government decides that they cannot keep India and agrees to its independence and partition (Radcliffe Line):
   - August 14, 1947, Dominion of Pakistan (republic in 1956, Bangladesh independent in 1971).
   - 1948: Dominion of Ceylon (republic of Sri Lanka in 1962) and Union of Burma.

Most of “supporting” colonies of the Raj lose sense (Cyprus, Oman, Aden, Suez Canal) and Africa, by itself, more of a burden than anything else.

Also in 1948, the British rather hastily leave the mandate in Palestine.


Nationalization of Anglo-Iranian Oil Company.

Suez crisis in 1956.

Hong Kong in 1997.

Nowadays, only 14 small territories.
Reasons for Decolonization

1. Increase in nationalism agitation.

2. Increase financial problems in the U.K.

3. Loss of interest among elites in the U.K.

4. Pressure of the U.S.
What Do New Countries Do? India

- Leaders of Congress party deeply influenced by British Fabian socialism.

- Set up five-year plans.

- Strong intervention, redistribution, investment in education.

- License raj.

- Hindu rate of growth at 2.5%.

- Positive aspects: democracy, absence of famines.
What Do New Countries Do? Singapore

- After several ineffective previous limited elections, general election in 1959 is won by the People’s Action Party and Lee Kuan Yew becomes the first Prime Minister of Singapore.
- Most observers think Singapore is not a viable state (too small, racial tensions...).
- Government takes a vigorous approach to development:
  1. Sets up industrial parks with tax holidays for FDI.
  2. Promotes the harbour.
  3. Oil refineries.
  4. Housing and retirement funds (Central Provident Fund).
  5. Constant upgrade towards higher added value products (tourism, gambling, medicine hub biotech).
  6. Efficient legal system, low corruption, great civil service.
Comparison

- First, comparison is a bit unfair: a subcontinent with an island.

- Singapore has been several orders of magnitude more successful than India in economic terms.

- But it has come at a cost in terms of freedoms.

- Democracy Index compiled by the Economist Intelligence Unit:


  - Singapore: 5.89, hybrid regime.

- Even more in contrast with China’s experience
A People’s Republic

- October 1, 1949, Mao proclaims the People’s Republic of China. Effective end of the civil war and unrest that had plagued China for decades.

- Copy model of High Stalinism.

- It will lead to a fight with the Soviet Union (close to open war in 1969).

- The Great Leap Forward: 17-30 million deaths.

- The Cultural Revolution: Lín Biāo, Four Olds (Old Customs, Old Culture, Old Habits, and Old Ideas).

- Gang of four defeated, Deng Xiaoping takes power.
农业大跃进 社社放卫星
Figure 3: Aggregate Grain Production and Population Food Needs

Production surplus relative to high population needs (i.e., heavy labor and healthy child development – 1871 calories per day)

Production surplus relative to low population needs (i.e., for avoiding mortality – 804 calories per day)
Gang of Four at trial, 1981.

Yao Wenyuan  Jiang Qing  Zhang Chunqiao  Wang Hongwen
A Changing World:

- Arrival of China to world stage.

- In some sense, only returning to its natural place.

- Three eras:
Deng Xiaoping, 1979

“Modernization does represent a great new revolution. The aim of our revolution is to liberate and expand the productive forces. Without expanding the productive forces, making our country prosperous and powerful, and improving the living standards of the people, our revolution is just empty talk. We oppose the old society and the old system because they oppressed the people and fettered the productive forces. We are clear about this problem now. The Gang of Four said it was better to be poor under socialism than to be rich under capitalism. This is absurd.”
Intellectual Foundations: The Years of the High Theory of Development

- Unequal exchange (Raúl Prebisch).
- Big Push (Paul Rosenstein-Rodan).
- Forward and backward linkages (Albert Hirschman).
- Skepticism (Peter Bauer).
Log income per worker (PWT) relative to 1975–89 trend in liberalizers and nonliberalizers
Table 1: Comparative Growth Experience

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Source: Penn World Table 5.5
Export/GDP Ratios

Korea ••••• Taiwan

Investment/GDP Ratios

Source: Penn World Table 5.5.
Korea: Imports as a Share of GDP

Taiwan: Imports as a Share of GDP

Share of World GDP 1969-2009

- USA
- EU15
- Asia/Oceania
- Latin America
- Middle East + Africa

Percent

- 1975 = 26.3%
- 2009 = 26.7%
Africa

- Level of income per capita in 1960 and 2000 roughly the same.

- Last 10 years much better.

Reasons:

1. Legacy of colonialism.

2. Artificial states.

3. Wrong policies: Ujamaa.