The Failure of Development in the First Globalization

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Abstract

Central to the “remapping” project is the issue of whether global market integration ensures economic convergence in levels of economic development. In an influential 1995 paper Jeffrey Sachs and Andrew Warner argued the affirmative: “open economies tend to converge but closed economies do not.”[1] Even more recently the well-known historian Niall Ferguson has extended this argument to defend British colonial policy. He argues that “economic openness was imposed by colonial powers” and that the resulting “liberal imperialism” meant that colonies “fared better than they would have fared under alternative regimes.”[2] If these claims are to be believed, the current era of globalization is one in which the spread of economic development is all but assured.

The historical experience of the English-speaking Caribbean casts doubt on this optimistic view. These colonies were fully integrated in the international economy during the period of the first globalization, from the middle of the 19th century to World War I. Yet, for example, Jamaica’s per capita income during these years remained stagnant.[3] In none of the territories of the region was the process of modern economic growth experienced.

This paper reviews the economic history of the region in this period in order to understand the determinants of success in globalization. The lesson to be drawn from the Caribbean experience is that the variables cited in the “new growth theory” literature are not adequate to explain failures and successes in this regard. Many of the factors

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[1] Jeffrey D. Sachs and Andrew Warner, “Economic Reform and the Process of Global Economic Integration,” in Brookings Papers on Economic Activity, Vol. 1995, no. 1, p. 3.
[2] Niall Ferguson, “The British Empire and Globalization: A Forum,” in Historically Speaking: The Bulletin of the Historical Society. http://www.bu.edu/historic/hs/april03.html.
[3] Calculated from Gisela Eisner, Jamaica, 1830-1930: A Study in Economic Growth. (Manchester: Manchester University Press, 1961), Tables IV and 8.11.

cited in this literature were present in British imperial policy. Nevertheless modern economic growth did not occur.

What was missing in the Caribbean was the presence of specific domestic policies that would have allowed the region to benefit from the opportunities that market integration created. Necessary proactive policies that would have allowed the region to gain access to international markets were absent. Constraints imposed by smallness of size, limited inter-industry factor mobility, inadequate public investment, insufficient financial services, and a too narrowly based educational system were not overcome. All militated against modernization.

What this history suggests is the neither market opportunities nor the availability of capital from abroad is sufficient for a region or nation fully to take advantage of global market integration. A purposeful set of policies to promote the potential that is latent in globalization is necessary if modern economic growth is to be achieved.