

# NURTURING INSTITUTIONS FOR A RESILIENT CARIBBEAN

Editors:

Diether W. Beuermann and Moisés J. Schwartz



Institutions in the Caribbean have played a critical role in being able to enhance our democracy and to provide a platform for economic growth. They have protected the interests of those least capable of protecting themselves. It is vital that we work each day to ensure that our institutions continue to play this role without themselves becoming obsessively distracted with their own sustainability at the expense of achieving their core mission.

**—Mia Mottley**  
**Prime Minister of Barbados**

This book is a wonderful starting point for anybody interested in understanding the economic problems of the Caribbean and how broad-based prosperity can be built in the region.

**—Daron Acemoglu, Charles P. Kindleberger**  
**Professor of Applied Economics, Massachusetts Institute of Technology;**  
**coauthor, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty***

The Caribbean has been a crucible for every institutional experiment of the modern world, from plantation slavery and globalization to building states and democracy from the ashes of extractive colonialism. It's a story of remarkable successes and frustrating failures and this fascinating book shows that there is so much we can learn from a rich set of natural experiments.

**—James A. Robinson, The Reverend Dr. Richard L. Pearson**  
**Professor of Global Conflict, University of Chicago;**  
**coauthor, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty***

This volume reflects the high level of scholarship that has made the IDB the respect institution it is. The Bank should be commended for investing in research dedicated to assessing the role of institutions in the growth and development of the small developing countries of the Caribbean. This is a very useful work which will be of great importance to the region as well as to other developing countries. Though focused on the Caribbean the book is a timely reminder to all developing countries that institutions matter for sustained growth and stability.

**—Ewart Williams**  
**Former Governor of the Central Bank of Trinidad and Tobago**

Socio-economic and political institutions play a major role in development. This excellent volume brings together a group of prominent scholars and practitioners to analyze how these institutions have affected development in six Caribbean nations. The result is a theoretically informed, empirically rich exploration of the fascinating problems and prospects of these societies. This book will be of natural interest to those concerned about the Caribbean; it also makes fascinating reading for anyone interested in the political economy of development more generally.

**—Jeffry Frieden**  
**Professor of Government, Harvard University;**  
**author, *Currency Politics: The Political Economy of Exchange Rate Policy***

This book answers two fundamental questions that emerge from influential scholarship. History and institutions matter for development, and particularly in the Caribbean. But which institutions? And reforms to accelerate development must take into account the historical and institutional context. But how? This book sheds new light on the complex interplay of colonial and post-colonial experience, political institutions and cultural norms, and the economic institutions that directly steer economic development. It offers new strategies that address the development challenges of the Caribbean and makes a fundamental contribution to our understanding of the role of institutions in development.

**—Philip Keefer**  
**Principal Economic Advisor, Institutions for Development,**  
**Inter-American Development Bank**

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# Colonization and Institutions in the Caribbean

*Christian Dippel and Jeetendra Khadan*

Institutions and the historical conditions that influenced their formation are now widely considered important to understanding differences in economic development across countries (Acemoglu and Robinson 2012; Knack and Keefer 1995; Mauro 1995). As shown in Chapters 3 and 4 of this volume, several studies have linked the colonization experience of countries to their contemporaneous institutional quality, and through that, economic performance (e.g., Acemoglu, Johnson and Robinson 2001; Bruhn and Gallego 2012; Michalopoulos and Papaioannou 2013). There are alternative views on the channels through which the colonial experience may have influenced present-day development outcomes. Some economists have argued in favor of a “colonizer effect,” whereby British colonies benefitted from legal systems that were favorable for economic performance, compared to other colonial powers (La Porta et al. 1999). Others have emphasized that pre-existing conditions—among them the existence of coercive states, the suitability of soil for plantations, and mortality rates among early European settlers—had a strong influence on whether the colonists set up extractive states or, to the contrary, established “neo-European” settler states with good institutions that protected property rights, promoted the rule of law, enforced constraints on politicians, and provided equal opportunity to the majority of the population (Engerman and Sokoloff 1997, 2001; Acemoglu, Johnson, and Robinson 2001, 2002).<sup>1</sup>

This chapter draws on this body of literature with a threefold objective. First, survey the literature to identify the different historical characteristics that have been found to influence the quality of contemporaneous institutions worldwide. Second, characterize the historical trajectories of Caribbean countries vis-à-vis those historical components that the literature has identified as determinants of institutional quality. Third, take stock

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<sup>1</sup> The term “neo-European” was coined by Crosby (1986).