Persistence or Reversal of Fortune? Early State Inheritance and the Legacies of Colonial Rule

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Abstract
This article assesses the relative merits of the "reversal of fortune" thesis, according to which the most politically and economically advanced polities of the precolonial era were subject to institutional reversal by European colonial powers, and the "persistence of fortune" view, according to which early advantages in state formation persisted throughout and beyond the colonial era. Discussing the respective arguments, this paper offers a synthesis: the effect of early state formation upon development trajectories was subject to a threshold condition. Non-European states at the highest levels of precolonial political centralization in 1500 were able to resist European encroachment and engage in defensive modernization, yet states closest to, yet just below, this threshold were the most attractive targets for colonial exploitation, and were most durably impaired by colonial rule. Since the onset of decolonization, however, such polities have been among the first to reattain independence and have undergone rapid advances in state capacity. As a result, patterns of state capacity across the world are increasingly reverting to those of the precolonial era.

Keywords
colonialism, state formation, state capacity, decolonization.

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Introduction

Among the most well-known theses concerning the effect of colonialism upon patterns of political and economic development is that of the "reversal of fortune," according to which the non-European polities that were the most urbanized and centralized at the start of the modern era, such as the Inca and Aztec Empires, Bengal, or the Malacca Sultanate, subsequently became the most underdeveloped as a result of western colonial rule. Building on the arguments of world-systems and dependency theorists, Acemoglu, Johnson and Robinson for example argue that centralized polities were attractive to European powers due to their coercive labor institutions and natural resources, and subsequently could be turned into extractive colonies for the purpose of securing rents from mining, slaving and tax-farming[1]. By contrast, the more sparsely populated territories of Australasia, Northern America and the African Cape offered fewer possibilities for labor extractive practises, and were instead made into centers of settlement, inheriting European models of political and social organization. In this way the most powerful empires outside of Europe on the eve of the modern age became peripheral zones of the world economic system, while once marginal territories in the Americas and Antipodes were linked to its core and became sites of productive growth[2].

However, in recent years a contrasting argument, which we might call the "persistence of fortune" thesis, has argued that the most centralized non-European states of the early modern era were the most likely to resist European encroachment, undergo defensive modernization, and experience "catch-up" growth in the late twentieth century, citing Japan, China and Turkey as examples[3]. Historical studies such as Michael Mann's *Sources of Social Power*, Victor Lieberman's *Strange Parallels*, and Francis Fukuyama's *Origins of Political Order* argue that non-European powers such as China and the Ottoman Empire were the first to implement measures such as military conscription or merit-based examination, while Japan after the Meiji Restoration offered a path to defensive modernization subsequently taken up by other Asiatic powers, linking with an earlier literature on the developmental state[4]. Advocates of the "persistence" view point out that the countries experiencing the fastest rates of economic growth in the era following decolonization were almost universally non-European states with long state histories, that such countries were most successful at state-directed development; meanwhile many other countries, including Thailand, China, or Iran, never became colonies at all. The "persistence of fortune" argument thus contends that non-European powers which entered the modern age strongest also left it the strongest.

These "reversal" and "persistence" arguments would appear to generate flatly contradictory expectations regarding the relationship between politi-

cal developent in the early modern era and the strength of political institutions today. According to the reversal view, areas of the world which hosted centralized empires at the start of the modern era would today contain the poorest and most fragile states; according to the persistence view, such areas would today contain politically integrated and high capacity regimes.

That both arguments are supported by rich historical, sociological and economic literatures, only makes this contradiction more acute, and this article attempts to reconcile the "persistence" and "reversal" hypotheses, by arguing that each is correct, subject to a threshold condition. That threshold is whether a non-European polity had sufficient state capacity at the start of the modern era to effectively resist colonial rule, in which case defensive modernization occurred; or only enough to extract labor and taxes, in which case the result was colonial exploitation and institutional reversal. In those cases in which precolonial regimes were able to mobilize armies and defend their borders, "persistent" states formed in which Asiatic powers were able to defensively modernize against colonial encroachment. However, where institutions existed only to facilitate tax collection or coerced labor, "arrested states" emerged as European colonists targeted these for control in the sixteenth and seventeenth centuries, interrupting indigenous processes of state formation. Further, since decolonization, the advantages of early state formation have emerged again, due to the role of early states in creating indigenous elites capable of mobilizing for independent rule and engaging in effective post-colonial state-building. As a result, post-colonial regimes with a precolonial state inheritance have since experienced the most rapid increases in post-colonial state capacity and the greatest success in state-directed development, and patterns of state formation around the world are increasingly reverting to their precolonial pattern.

In making these arguments, the rest of the article proceeds as follows. First, I consider the theoretical basis for the reversal and persistence hypotheses, and the evidence of existing studies. Second, I outline the threshold condition hypothesis, and suggest a tripartite taxonomy of non-European states between "persistent", "arrested" and "new" polities, depending on how the exposure to European colonialism affected indigenous processes of state development. Next, I show how the strategies of European colonial powers led highly centralized regimes to become colonized in the first phase of colonial expansion, while less centralized regimes experienced colonial regime only during the final phase of colonial rule from the 1880s to 1960s. Finally, I use time-series data on state capacity to show that in the post-colonial era, patterns of state formation have steadily begun to revert to the precolonial pattern, as polities with more centralized precolonial states were among the first to reassert their independence, and experienced more rapid improvements in state capacity and growth through state-directed develop-

ment.

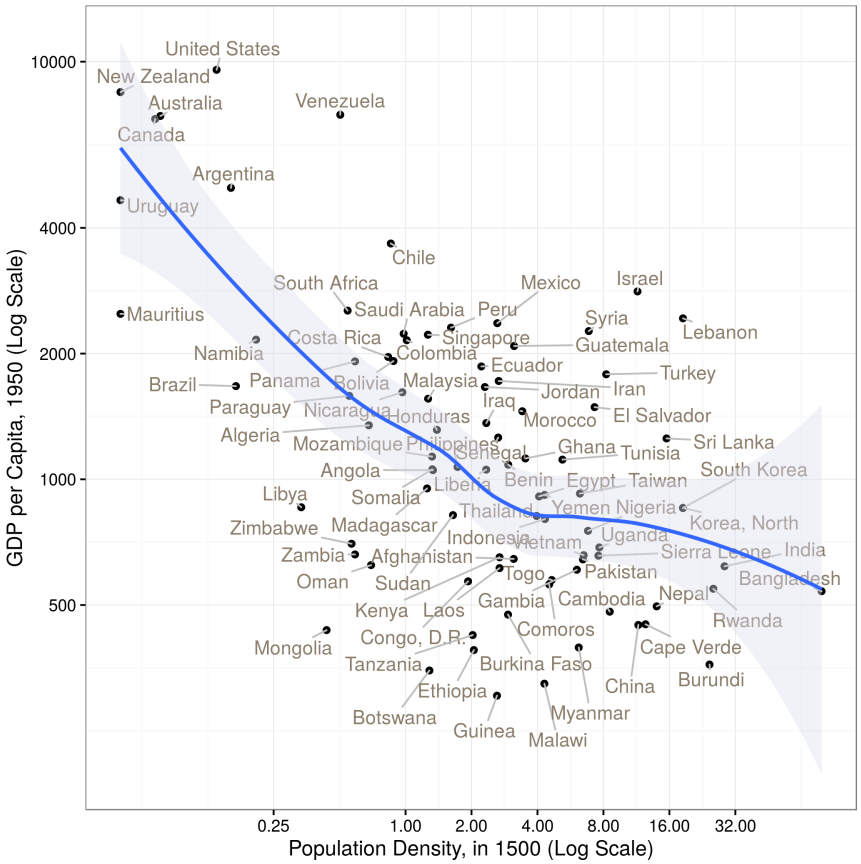
The Reversal of Fortune Thesis

A large number of empirical studies have examined the negative consequences of colonialism, and the reversal of fortune thesis in particular. Acemoglu, Johnson and Robinson use data on city size and population density in 1500 from McEvedy and Jones' *Atlas of World Population History* to show that the most densely settled areas and largest urban centers outside of Europe in the period before 1500 were to be found in the indigenous polities of the Americas, and in South and Southeast Asia and that these became the most underdeveloped parts of the world by the end of the colonial era (Figure 1)[5]. This hypothesis most strongly supported by a range of studies from Latin America, including the findings of Melissa Dell regarding the *mita* in Bolivia and Peru[6], by Engerman and Sokoloff with respect to the labor-rich areas of the Andes and Mesoamerica, such as Mexico, Peru, and Bolivia; by Marcus Kurtz and Hillel Soifer regarding the relative failure of postcolonial state-building in feudal Peru versus its success in remote Chile[7]; and by Acemoglu, García-Jimeno, and Robinson's comparison of gold mining and non-mining areas of Colombia[8]. Though the labor and resource-extractive nature of colonial regimes may have entailed establishing a minimal layer of state capacity, it also meant that legal institutions were not extended beyond the colonial elite, and the failure of colonial institutions to establish legitimacy beyond this circle resulted in pervasive non-compliance, resistance, and insurgency outside of the metropole[9]. James Mahoney similarly argues that in the former Aztec and Inca territories of Mexico, Bolivia and Peru, colonial authorities engaged in mercantilist restrictions of trade, ownership and economic participation, resulting in an entrenched patrimonial elite unable to extend rule of law or secure state legitimacy among the wider population[10].

At the core of the reversal argument is that in the areas that were targeted first, a combination of labor-extractive practises and western colonial rule undermined the indigenous development of state capacity[11]. These varying arguments for the weakness of the post-colonial state can be summarized into three main categories, the limitation of scope, the displacement of indigenous state capacity, and the creation of unviable states.

1. *The limitation of scope*. First, colonial regimes sought only to extract resources and tax, rather than provide public goods, fight wars, or implement a wide-ranging platform of societal transformation and behavioral regulation, in the fashion of post-revolutionary regimes[12].

Figure 1: The Reversal of Fortune Thesis: Population Density in 1500, and GDP per Capita in 1950.



Notes: Population Density per square kilometer in 1500, and GDP per Capita, in 1950. Note that the relationship holds also at levels of precolonial population density above 0.25: i.e. excluding the European settler colonies of North America, Australasia, and the southern cone countries. Non-European countries with higher levels of population density in 1500 had reached lower levels of per capita income by the end of the colonial era. Sample includes all non-European, non-colonial power countries. GDP data from Maddison, *Historical Statistics of the World Economy*; population density data from McEvedy and Jones, *Atlas of World Population History*.

The colonial state was therefore a "thin" state by design; a "gate-keeper" state based on the coast, with interest only in ruling and extracting natural resources rather than institution-building, and did not establish the state's presence outside of the administrative capital or those areas which contained valuable natural resources. Nor did colonial regimes generally invest in building tax infrastructure, such as registration of income or cadastres of land, opting instead for "easier"

sources of revenue such as tariffs on trade or the use of commodity marketing boards. As a result, post-colonial regimes were left without ready sources of revenue, and without any means of accomplishing the ambitious transformative schemes of post-colonial leaders other than by resorting to the same distortionary apparatus and the recourse of international debt markets[13].

2. *The displacement of indigenous capacity*. Second, colonial regimes relied for their functioning on a cadre of administrative officers provided by the colonial core state, such that on independence many post-colonial regimes found themselves facing a severe shortage of capable bureaucrats. This lack of administrative capacity has been reinforced by the tendency for post-colonial states to rely on their former colonial rulers and international donors and multilateral agencies for technical support, military defense, finances and soft loans. The ready availability of external financial support has hindered the responsibility to develop domestic fiscal capacity, while the availability of external technical assistance has inhibited the development of comparable bureaucratic capacities domestically[14].

3. *The creation of "unviable" states*. Third, whereas European states formed endogenously to the conditions of state viability, i.e. geographic defensibility, ethnic cohesion, and access to resources, colonial regimes were formed arbitrarily by European powers with limited respect for existing ethnic boundaries or natural geographic conditions of governability. As a result, colonial regimes unintentionally left behind unviable states, either because ethnic fractionalization led to weak collective identities and clientelism[15], or because geographic conditions were unfavorable to territorial consolidation[16].

The Persistence of Fortune Thesis

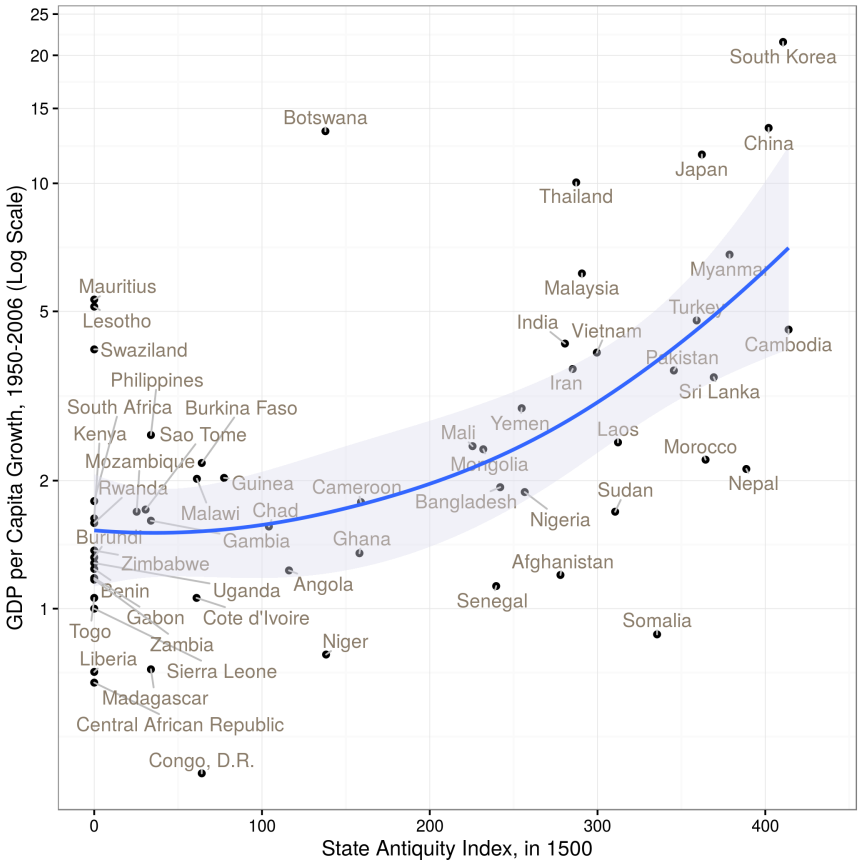
In contrast to the reversal of fortune argument, in recent years an alternative "persistence of fortune" argument has been developed among both historical studies examining the relationship between long-run processes of state formation and recent developmental states, and econometric studies that measure early state inheritance and its consequences for contemporary state capacity and economic growth. In the former camp are historical works, such as Victor Lieberman's *Strange Parallels*, which compares processes of state formation across East and Southeast Asia, Europe, and Russia, and studies of state formation such as Francis Fukuyama's *The Ori-*

gins of Political Order, which links the study of historical state formation to a more established literature on developmental states by authors such as Peter Evans and Meredith Woo-Cumings[17]. If studies of the reversal thesis largely center on Latin America and India, it is perhaps not a coincidence that scholarship of persistence has focused more on Africa and East Asia: regions where precolonial and postcolonial continuities are easier to identify. Meanwhile works in historical economics have also attempted to measure the legacy of early states for political and economic development today. Bockstette, Chanda and Putterman, for example, have developed an index of "state antiquity" which measures the stock of accumulated time over which a supra-tribal polity has existed within the present-day boundaries of each of 149 countries, and find that an early and durable history of political organization is a powerful predictor of modern rates of economic growth (Figure 2)[18]. In the African context, Gennaioli and Rainer have found that countries with a greater proportion of centralized ethnic groups have more paved roads, a greater percentage of infants immunized for DPT, lower infant mortality, a higher adult literacy rate, and greater schooling attainment, while Michalopoulos and Papaionnou have investigated the role of precolonial institutions in shaping comparative regional development within African countries, using nighttime satellite density maps to measure electricity output around precolonial ethnic boundaries[19].

Beyond calling doubt upon the negative treatment effect of colonialism, the "persistence" argument offers at least three potential mechanisms to explain why postcolonial outcomes would reflect the strength of precolonial states: the persistence of "mental models" of governance, the endogeneity of colonialism, and the preservation or abolition of tribal institutions.

1. *The persistence of "mental models" of governance*. First, one argument is that post-colonial governing practices based on neopatrimonialism or sultanism are a legacy of pre-colonial political orders and the familistic norms that governed prestate or early-state society. Scholars of African politics in particular have argued that upon independence, postcolonial leaders reverted to these patterns because the brevity of formal colonial rule had failed to establish alternative "legal-rational" modes of legitimation[20]. By contrast, where colonial regimes built upon existing models of bureaucratic authority, as in Vietnam, Taiwan or Korea, post-colonial regimes were able to maintain strong, insulated states with limited opportunities for patron-client relations. Similarly, where colonial regimes preserved longstanding traditional modes of legitimation, as in the kingdom of Morocco or Malay Kedah dynasty, these provided a basis for institutional stability in the post-

Figure 2: The Persistence of Fortune Thesis: GDP per Capita Growth (1950-2006), and State Antiquity in 1500.



Notes: Non-European countries at higher levels of state formation in 1500 experienced higher levels of economic growth following decolonization, often led by cases of successful state-directed development, such as South Korea, Japan, and China. By contrast, states without a legacy of precolonial state formation have experienced minimal economic growth, and been beset by persistent problems of corruption, clientelism and absent rule of law. Sample includes all non-European, non-settler regime countries. GDP per capita from the World Bank, *World Development Indicators*; state antiquity data from Putterman (State Antiquity Index Version 3.1).

colonial era. As a result, post-colonial state trajectories have largely continued processes of state formation from the precolonial era.

2. *Endogenous colonialism*. Second, scholars have called into doubt the ability to identify a clear colonial "treatment effect," because whether countries were colonized at all was endogenous to prevailing levels of state capacity; much of the variance in state capacity attributed to

a colonial legacy or to a mode of colonial administration (e.g. direct versus indirect rule) may simply reflect differences in the ability of the precolonial state to resist foreign incursion[21]. In other words, the treatment effect of colonial rule may well have been negative, but, it was only administered in those territories that were already occupied by weak states; not in those areas subject to stronger and more centralized precolonial regimes. This is obviously the case for those states such as China or Japan that resisted colonial rule actively and by and large successfully, and more ambiguously so in those areas that were sufficiently resistant to merit a strategy of indirect of governance. Empirical studies of colonial legacies have often neglected the need for a robust identification strategy to isolate the exogenous component of colonial rule[22].

3. *The preservation of abolition of tribal institutions*. Third, along with colonial regimes, precolonial states played an important role in preserving or abolishing local tribal chieftaincies, which when preserved led to negative consequences for post-colonial states due to widespread clientelism and the balkanisation of legitimate authority. In Africa, for example, studies suggest that positive developmental consequences are associated with indirect rule in the case of the larger and stronger precolonial states such as Buganda or the Ashanti Empire, but not where indirect rule meant devolution of government to a fragmented network of local chieftaincies[23].

In making these arguments, the persistence view makes a number of objectives to the thesis of colonial underdevelopment maintained by the reversal of fortune literature. First, theories that root the low state capacity of non-western countries in the legacy of colonialism lack a "counterfactual conditional"[24] – a hypothetical alternative scenario in which the treatment, in this case colonial rule, had not been applied[25]. Second, the critique of colonialism thesis "reads history sideways," by comparing the current state capacity gap between former colonial powers and post-colonial states in order to conclude that the latter were at some point deinstitutionalized, yet as the reversal thesis asserts, at the time of early colonization in the sixteenth and seventeenth centuries, many colonial powers were themselves relatively weak states, and augmented their capacity in the eighteenth and nineteenth centuries for reasons that were largely endogenous to Europe - interstate competition, socioeconomic modernization, and technological innovation, such as the spread of printing, clockwork, and transportation infrastructure. It is not so much that non-European regimes were deinstitutionalized by Europe, but rather, that during the period of the colonial endeavor, Europe was engaged in its own endogenous path of political modernization in which

non-European states did not participate at an equal pace[26].

Third, the persistence literature asserts that we cannot attribute the weakness of the post-colonial state to the colonial past alone, because this colonial state was not simply a product of European design but heavily endogenous to pre-existing precolonial institutions. European powers did not discover the world as a tabula rasa but as a series of small and large states, equally struggling with challenges of resource mobilization, military modernization, and the consolidation of their administrative reach[27]. Therefore, both the strategies of foreign rule and the resultant levels of state capacity were determined by pre-existing patterns of institutional development. In a simple version of this hypothesis, there is "raw" precolonial persistence: patterns of post-colonial state capacity largely reflect the extent of precolonial state formation because colonial administrators had little effect on the societies they nominally governed, despite grandiose claims of bringing "progress" and "advancement" to subaltern peoples. Stated in a more nuanced form, there is also the interaction between strategies of colonial rulers and precolonial legacies. Whether a territory fell European rule at all, depended on the capacity of local rulers to resist, as in many areas conquest entailed repeated warfare. And the policies and institutions of colonial rule depended on the organizational resources precolonial polities made available as options for colonial administrators. This was most obviously the case in the option whether to govern by indirect rule, which required the existence of a sufficiently centralized precolonial polity[28], yet it also applied with respect to specific aspects of administrative or fiscal policy.

Finally, advocates of the persistence view argue that the "treatment" of colonial rule was not constant over time and space. The conquests of Mesoamerica or the Andean region by the conquistadors in the 1500s was clearly a different process (e.g. in respect to the degree of bureaucratization, the relationship to the indigenous population, or nature and goals of the governing actors) to the administration of Hong Kong under the British Empire, or the adminstration of Korea by Japan. Earlier forays by European powers were commercially motivated and extractive, and may have had especially negative institutional consequences as the growth of the slave trade during the seventeenth and eighteenth centuries[29]. Yet later colonial endeavors were motivated more by the logic of interstate competition, and could take measures to eventually restrict the slave trade (including intra-African trade) in the nineteenth and twentieth centuries, or involve significant investments in building bureaucratic infrastucture. The literature on legacies of colonial rule acknowledges this diversity and includes many competing arguments as regards the legacies of specific colonial powers: authors such as Mamdani or Young for example criticize the colonial state as generating high levels of despotic capacity, that subsequently became the basis for

post-colonial, authoritarian rule[30]; while other authors criticize the colonial state precisely for its weakness, serving only as a gatekeeper state with no real authority over the interior. Various authors attribute positive legacies to British colonialism either as a result of spreading common law institutions, preserving indigenous capacity through indirect rule, or promoting policies of trade[31], though other authors have argued that British colonialism largely left a negative institutional legacy or that indirect rule created weak states[32]. Moreover, European powers were surely not the polities engaged in colonial acquisition at this time, and the effects of non-European imperialism are insufficiently studied and understood. Independent powers including Abyssinia, China, Japan, Persia, the Ottoman Empire, and Burma (until 1886) were similarly engaged in warfare and the attempt to acquire new territories during the eighteenth and nineteenth centuries, and many polities today are the former territories of these Asiatic powers, notably Taiwan and the two Koreas (from Japan), Mongolia (from China), Eritrea (from Ethiopia), Afghanistan and Azerbaijan (from Persia), and much of the Balkans, Caucasus and the Arab Middle East (from the Ottoman Empire). The legacies of non-western empires are insufficiently studied, yet for now seem at best equally ambiguous[33].

Toward Synthesis

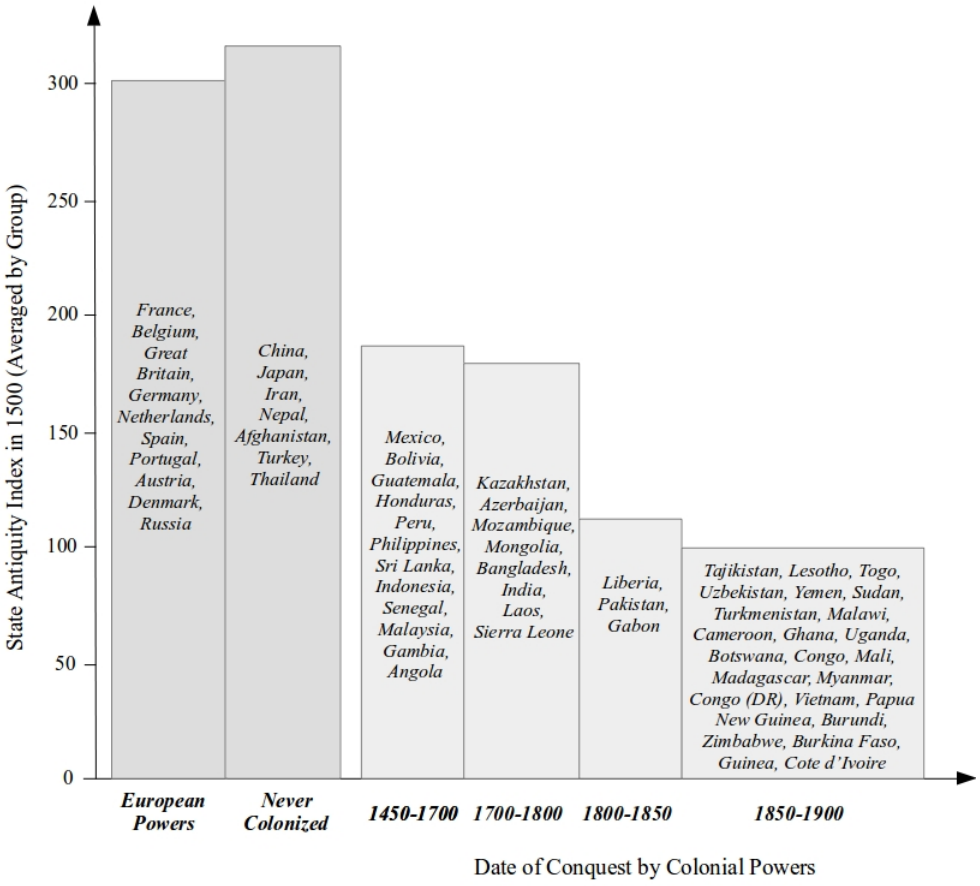
How are scholars of colonialism to deal with the apparent contradiction between these two competing theories? In this article, I argue that both the "persistence" and "reversal" arguments can be seen as correct, and moreover, consistent with the observed data, once we introduce a discontinuity threshold. This threshold is whether a state had achieved sufficient institutional development prior to European arrival in order to allow it to successfully resist colonization, in which case the encounter with colonial powers gave rise to defensive modernization; or not, in which case a territory was conquered and subjected to institutional reversal. The path of defensive modernization was that taken by ancient polities such as China, Persia and Turkey, which responded to the European challenge by reforming their fiscal and military infrastructures, securing their territory, and mobilizing against foreign rule. However, states that fell just below this threshold suffered institutional reversal; and the degree of reversal was *sharpest* among those which were first to be targeted by colonial powers, during the initial phase of colonialism led by the mercantile and extractive impulses of the Spanish conquistadores and the English, French, and Dutch East India companies. This was the path taken by the Aztecs, the Inca, or the Sultanates of Bengal or Malacca, as well as the few early African trading posts, such as Senegambia or the Kingdom of Kongo, that became early bases for

slave-raiding into the African interior. Finally, non-European regions that were not suitable for European settlement, and in which much of the population remained in pre-state societies – such as much of the remainder of sub-Saharan Africa, upland southeast Asia, and Central Asia – were the last to be fought over by imperial powers, largely in the late nineteenth century, due to their difficulty of conquest and the limited opportunities they afforded for labor exploitation. Here again, there was institutional persistence, if a persistence of absence: non-state societies were left by colonial powers with the nominal authority of a central postcolonial bureaucracy, yet, the institutions of tribal government still largely in place.

This pattern can be seen in Figure 3, which shows the century of conquest by European powers and the state antiquity index assessed in 1500. The "persistence of fortune" argument is correct in observing that the most established states on the eve of the modern era were those most likely to resist European colonialism, maintain indigenous political institutions, and experience catch-up growth in the twentieth century, and these include China, Japan, and Turkey, all of which had long state histories prior to European contact. However, in accordance with the "reversal of fortune" argument, it can be shown that the first territories to be targeted by European colonial powers were indeed established polities offering possibilities for extractive surplus, and that conquest of pre-state societies was left until late in the colonial era.

As a result of this interaction, the encounter with European colonialism can be seen as having created three kinds of state in the modern world: "persistent," "arrested," and "new" colonial states. Which of these outcomes arose was due to the level of precolonial state formation that had occurred prior to colonial influence. States at the highest level of political development at the point of contact with European powers, responded to this challenge through defensive modernization: these states "persisted," or remained independent, and continue to exhibit the highest levels of state capacity today, as measured by such conventional metrics as fiscal depth, the rule of law, or the quality of the bureaucracy. On the other hand, a second group of polities were sufficiently developed by the early modern era to offer opportunities for labor-extractive practices such taxation and mining, but not sufficiently developed in their fiscal or military infrastructures to resist foreign rule. These were the first to be targeted by European colonialists in the sixteenth and seventeenth centuries, resulting in an interruption of their indigenous institutional development. Finally, a third group of polities were created entirely under colonial rule, in areas in which there was little or no indigenous state capacity beforehand. These territories were targeted only in the final phase of European imperialism, and combine a post-colonial central state with almost complete lack of state capacity outside of the cap-

Figure 3: Century of Conquest by European Powers and Average Level of State History in 1500 (Non-European Colonies Only).



Notes: States with a level of state formation comparable to those of European imperial powers resisted colonial rule, yet states below this threshold were among the first to be targeted by colonial powers. State antiquity data from Putterman (State Antiquity Index Version 3.1).

ital territory.

1. "Persistent" states are polities which survived the era of European colonialism as independent powers, and indeed were more likely to have been strengthened by their interaction with Europeans as a result of engaging in defensive modernization. Persistent states were already longstanding powers at the start of the modern era (circa. 1500). Examples of persistent states with long state histories were China, Japan, the Ottomans (Turkey), Morocco, Persia (Iran), and Siam (Thailand).

Table 1: Persistent, Arrested, and New States.

Persistent States	Arrested States	New States
China	India	Papua New Guinea
Japan	Pakistan	Kyrgyzstan
Persia (Iran)	Bangladesh	Central African Republic
Ottomans (Turkey)	Indonesia	Congo (DR)
Siam (Thailand)	Malaysia	Cameroon
Morocco	Mexico (Aztecs)	Senegal
Bhutan	Peru (Inca)	Tajikistan
Nepal	Bolivia (Inca)	Tanzania

2. "Arrested" states were already centralized polities at the point of contact with European colonialism, but were either insufficiently technologically advanced or bureaucratically organized to resist foreign rule. Arrested states had high state history scores at the outset of the modern era, but not as high as the persistent states, and this is likely to have been covariate with weaker bureaucratic penetration, fiscal capacity, and military readiness. Arrested states were the first to be targeted European trading companies and conquistadors in the sixteenth and seventeenth centuries. Such reversal states include India and Pakistan (under the Mughal Empire), Indonesia and Malaysia (Malacca sultanates), Mexico (the Aztecs), Peru and Bolivia (the Incas), Cambodia (the Khmers), and Myanmar (Burma).

3. "New" states are found where colonial powers encountered pre-state societies, there was limited indigenous state capacity on which to build, and by consequence political institutions were developed enirely under the aegis of colonial rulers. These include many of the states of sub-Saharan Africa and Central Asia.

These three states are summarized in Table 1.

i) Persistent States – the Case of Siam

Thailand, for example, governed by a succession of kingdoms from the 13th to the 18th centuries referred to as the kingdom of Siam, would be an example of a persistent state. While Siam began as a relatively weak and patrimonial state, repeated warfare between Siam and its neighbours – above all Burma, against which the kingdom fought no less than twenty wars in the years between the mid-sixteenth to the mid-nineteenth cen-

turies – forced a greater degree of centralization. By the nineteenth century, France had succeeded Burma as Siam's main challenger on the peninsula due to its expanding empire in Indochina, and the state engaged in extensive defensive modernisation in order to prepare militarily for this threat. Under king Rama V (r. 1853 – 1910) in 1887 a Royal Military Academy was founded along western lines, in 1888 the executive branch was restructured into ministerial government (including a new ministry of war), in 1898 a Royal Naval Academy was founded, and in 1905 a law of universal conscription introduced. The Siamese kingdom also sought to gain better legibility over its population and rationalize its method of taxation; to this end the Thai Survey School was established in 1882, and a first land cadastre conducted several years later, in 1896. In 1932, a "breakthrough" coup by the army established a constitutional monarchy, and during the Second World War Thailand declared war on France in order to regain control over Laos.

Siam's survival as an independent state was contingent upon historical circumstance, and it is unlikely the Siamese state would have survived a lengthy anticolonial war as endured by Burma (at war with the British Empire on three occasions from 1824 to 1886) and Vietnam (at war with France, from 1858 to 1886). Having persisted through to the late nineteenth century, however, the kingdom was able to rationalize its administration and modernize its army in order to effectively ward off attempts at colonial rule. In common with most other persistent states – notably Japan, Nepal, Bhutan, and Morocco – Thailand has survived as a constitutional monarchy, with persistent states well represented among the surviving monarchies of the world today. This is largely due to the greater legitimacy accumulated by historical sovereigns; "artificial" monarchs imposed by colonial powers, such as the post-colonial kings of Egypt, Iraq, or Libya, had much shorter duration in office. Persistent states are also responsible for the observation that early states carry an "autocratic legacy"[34]; namely as the stock of legitimacy and compliance built up by absolute monarchs allowed for the construction of highly centralized non-competitive political orders in the contemporary era.

ii) Arrested States – the Case of Burma

An example of an "arrested" state would be Burma, or contemporary Myanmar. During the early modern era, Burma was one of the paramount powers of Indochina, fighting repeated wars against neighbouring Siam and repulsing four invasions by Qing Dynasty China in late eighteenth century. In the nineteenth century, the polity's strongest regional rival became the British Empire, due its consolidating control over neighbouring India. After losing a first war against the East India Company in 1826, Burmese elites

made an attempt to modernize their polity, including introducing a salary system for the bureaucracy, fixed judicial fees, penal laws, increases in direct taxation and comprehensive military reform. However, this was not sufficient to stave off successive British attempts at wresting control over its territory, and in 1886 Burma was incorporated into the British Indian Empire.

Under British colonial rule, Burma's indigenous monarchical institutions, as important a linchpin of political legitimacy as in neighboring Siam, were not preserved. The king and his family were instead sent into exile in India, and a colonial administration was formed in the new capital of Rangoon, in place of the palace capital at Mandalay. As in most "arrested" states, the colonial era saw the construction of a parallel administrative apparatus that marginalized the existing, precolonial structures, and in many cases marginalized its former administrators and elites. This was the case in Burma, where Anglo-Burmese dominated the civil service. The result was a divided society, a strong anticolonial movement, and a post-independence politics marked by conflict between radical factions demanding revolutionary change and military officers seeking to restore political order. With the existing sources of political order displaced, the post-colonial history of many arrested states has often been unstable. In the case of Myanmar, a military coup in 1962 established a junta that subsequently ruled the country, punctuated by widespread through unsuccessful civic uprisings in 1974, 1988 and 2007.

iii) New States – the Case of Papua New Guinea

An ideal-typical example of a "new" state, lacking any precolonial political centralization, would be Papua New Guinea: Formed under colonial administration by the merger of Papua and New Guinea in 1945, the country is one of the mostly heterogeneous in the world, with hundreds of ethnic groups and over eight hundred languages, and the country's entire process of state formation has occurred under colonial tutelage until the country's late independence in 1975. Everything that defines Papuan statehood, from the capital (founded in 1873 and named after a British captain), to the language (a form of patois English), to the legal system (imported from English common law), was constructed under the aegis of its colonial rulers, and in this respect it is an ideal-typical "new" colonial state. While Papua may represent an extreme case, however, it typifies the dynamics of many postcolonial states in Sub-Saharan Africa, Oceania, and Central Asia, in which French, British, and Russian administrators attempted to craft a metropolitan state in the image of the colonial power, grafting atop a tribal, precolonial society. Due to the absence of state penetration into local communities, the postcolonial state is typically weak and detached, with limited territo-

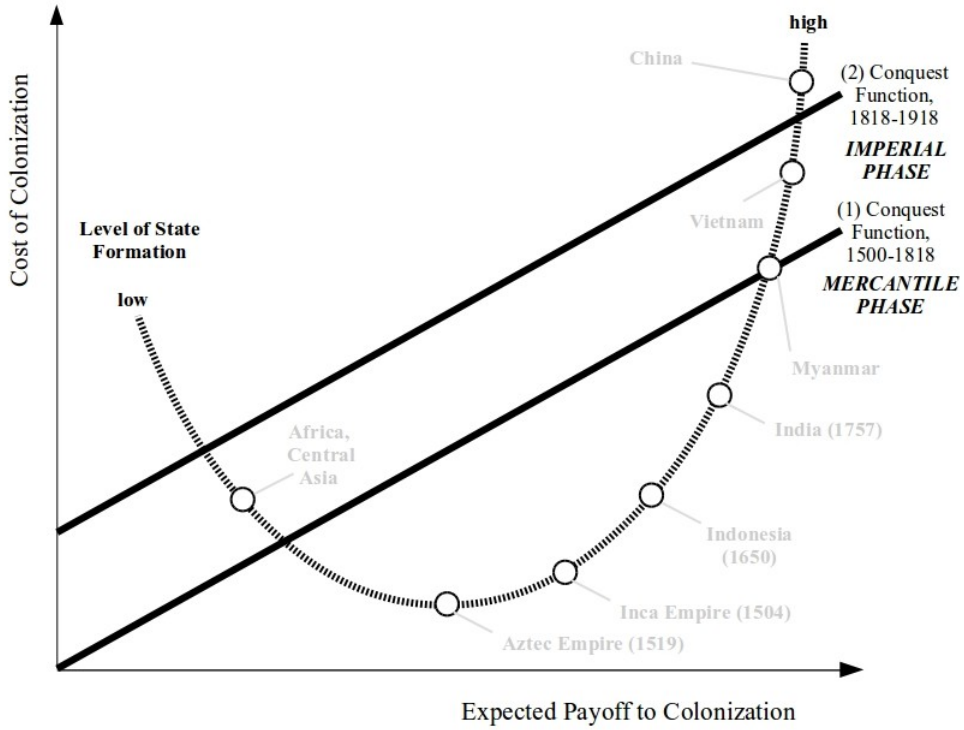
rial control outside of the capital, and clientelism towards competing tribal groups and affiliations.

Understanding the Non-Monotonic Relationship: Mercantile and Imperial Phase Colonialism

Why is there a non-monotonic relationship between indigenous state formation and the effect of European colonialism? In order to answer this question, it is important to understand not only the interaction of indigenous state formation with colonial rule, but also the temporal *sequencing* of the colonial enterprise. The decision of European powers to conquer or not conquer a territory can be seen as a function of two variables: the cost of conquest, determined by the degree of indigenous state capacity and the ability of its elites to withstand military attack; and the payoff to the imperial ruler of victory, determined by the ability to extract rents through such practices as mining and tax farming. The cost of conquest rose linearly with the degree of indigenous state-building, as a high degree of state organization, comparable to that of European powers, was required to achieve the most effective military defense through practices such as conscription, and a sufficient fiscal extraction to invest in gunpowder weaponry. However, taxation and corvée labour exist even in very early states, providing opportunities for labor-extractive practises in polities with weak ability to resist external aggression. These were the polities most attractive to European colonialism, as they offered possibilities for extraction without also possessing the military institutions required to ward off foreign invasion.

Figure 4 illustrates this relationship, regarding the date of conquest (or non-conquest) by European colonial powers. In the first or "mercantile" phase of European colonialism that existed approximately from the fifteenth to the nineteenth centuries, colonial ventures were led by private enterprise. This was either the case formally, as with the Dutch, English, Portuguese, Swedish, Danish and French East India Companies, or informally, in the case of the Spanish conquistadors. Under this system, the relevant decision to engage in the colonial enterprise was a logic of cost and benefit; whether the expected return on investment of conquering a territory would exceed the expense of manpower and resources required to engage in such an acquisition. (The company directors of the English East India Company had initially used the term "imperialism" in contempt: engaging in expensive territorial ventures without regard to economic benefit). As such, European colonizers were selective in their targets. Smaller powers such as the Portuguese, Swedes and Danes would rather avoid military expeditions altogether, preferring to establish trading posts along the main routes for sugar,

Figure 4: Two Phases of Colonialism.



Notes: During the initial phase of colonialism (1), from 1500-1815, colonial expeditions were led by private actors operating on a logic of cost and benefit, and selected those targets for colonial rule which offered possibilities for labor-extractive practises without significant military opposition. During a second phase of colonialism (2), from 1815-1918, imperialism was driven by nation states, operating on a logic of interstate competition in which commercial benefit was secondary to territorial rule and control. As such, colonial ventures were extended into regions such as interior Africa, Central Asia, and upland Southeast Asia.

slaves and spices. Yet even the colonial companies of the larger powers preferred to adopt peaceful means where possible, eschewing explicit conquest in favor of establishing strategic trading forts and treaties with local rulers. To the extent that trading companies engaged in war, it was more often with one another; and not with the local potentates whose cooperation they required.

During this era, where early colonizers did engage in territorial acquisition, priority was given to those holdings that allowed for opportunities for profit through mining, tax farming, or slaving. This greatly restricted the range of potential ventures that might be reasonably entertained. The armies of the Ottoman, Mughal, and Chinese Empires were vastly greater

in manpower and resources than the largest of Europe's domestic armies, to say nothing of the resources that could be mobilized at great distance by a collection of privateers. Even the largest European powers during this phase of world history were minor players in the global system, economically, diplomatically, and militarily. European colonialists needed to be selective in their choice of targets, opting for acquisitions in areas that offered the weakest resistance relative to the potential benefits available. In practice, this meant engaging in wars against established polities in which institutions of slavery and vassalage had already been established by local elites, but which did not yet have sufficient knowledge of Eurasian military technology or bureaucratic organization in order to mount an effective resistance. Such polities were found in the Americas and in South and Southeast Asia; in the Americas because of the absence of familiarity with cavalry and gunpowder weaponry, as well as the devastating impact of European disease; in southeast Asia due to a relative lack of political centralization[35]. Thus the first colonial acquisitions were in the territories of the Inca and Aztec empires, and in the weaker sultanates of the South China Seas. Yet despite these acquisitions, European colonial companies inserted themselves into a world economy that was still dominated by Asiatic powers. Fifty per cent of all silver mined from the Americas by the Spanish made its way to China, and to the extent that the Spanish acquired posts in Formosa and the Philippines, it was to be closer to their main client[36]. Similarly, much of the trade along the "spice route" operated by the Dutch and Portuguese from Indonesia to Europe via Malabar and the Arab Gulf occurred internally, and only a small amount in fact originated or terminated in Lisbon or Amsterdam. Even the African slave trade remained dominated by Asiatic and internal African demand until the eighteenth century[37]. European companies operated in a world of Asiatic powers, and required their cooperation: a Dutch colony on Taiwan was destroyed in 1662 when 50,000 Chinese soldiers turned up under the generalship of Koxinga, and forts operated by the Danish, French and Dutch East India Companies were seized by indigenous rulers when they displeased their local hosts[38].

During this "mercantile" phase of European colonialism, the established Eurasian polities such as Persia, China, Vietnam were left undisturbed; likewise untouched were those areas still populated by pre-state societies, whether in the Amazonian interior, upland southeast Asia, or much of Africa. The latter were difficult to subjugate and for the sake of little obvious benefit; no sooner had one tribe been pacified, than another might erupt in rebellion. Thus the simplest policy in dealing with pre-state societies was a logic of displacement and extermination, as was carried out ruthlessly in the "neo-Europes" of the Americas and Australasia[39]. Yet even in these cases of European settlement, the land had to be comparatively sparsely populated

by indigenous peoples; the Americas had been decimated by the impact of European disease, and the African Cape not yet reached by the great Bantu migration.

A second phase of European expansion abroad began from the mid nineteenth century, which we may refer to as the "imperial" phase. During this era, colonial ventures were no longer being led by private actors, but rather by governments that sought to maximize territorial control in their competition with other states. The English East India Company was brought under parliamentary authority in 1773 and finally nationalized in 1858, the French East India Company in 1769, and the Dutch in 1798, and decisions over statecraft transferred to national administrators. As a result, military expeditions were frequently conducted despite a lack of obvious economic benefits, and in areas of limited economic value, but nonetheless perceived geostrategic importance. This is illustrated by the shift in utility curve shown in Figure 4. Overseas colonies became an extension of national statecraft, and were administered not with the goal of profit but with the aim of enhancing the state's competitive position against other states. In the nineteenth century, European powers began waging wars against strong polities that they had previously left undisturbed; the British fought a new round of wars in South Asia, primarily against Burma, Afghanistan, and Nepal; and the French fought new wars in southeast Asia, claiming the ancient states of Vietnam and Cambodia. These were difficult and costly conflicts, that a fully commercial logic would have avoided. It took three Anglo-Burmese wars to subjugate Myanmar, the first of these making the longest and most expensive war in British Indian history, while Afghanistan was never successfully conquered. It took France over thirty years to gain territorial control over Vietnam, from the first expedition by Rigault de Genouilly in 1858 to the conclusion of the Tonkin campaign in 1886. On the other hand, not only a number of "strong" states became targets of imperialism, but also the vast remaining areas inhabited by pre-state societies that had previously remained untouched. For the first time European powers began to acquire territory in Africa for administrative ends, rather than simply engage trading settlements on the coasts for the end of securing slaves; in this way Germany declared its possession of Togoland, the Cameroons and South West Africa in 1884, and King Leopold of Belgium claimed Congo as his personal possession the following year. The conquest of pre-state societies also came at high military cost, due to repeated rebellions such as the Dervish, Herero, and Namaqua uprisings. A similar logic of territorial consolidation dictated that Russia, having completed its administrative hold over the tundras of Siberia, begin subjugating the nomadic peoples of Central Asia by acquiring the territories that were to become Kazakhstan, Kyrgyzstan, and Uzbekistan; both Russia and Britain eyed Afghanistan. The "great game"

in Central Asia and the "scramble for Africa" were the defining events of the last phase of imperialism: a competition among colonial powers for territorial control with little regard to economic benefit and often at substantial net economic cost.

Early States and Post-Decolonization Trajectories

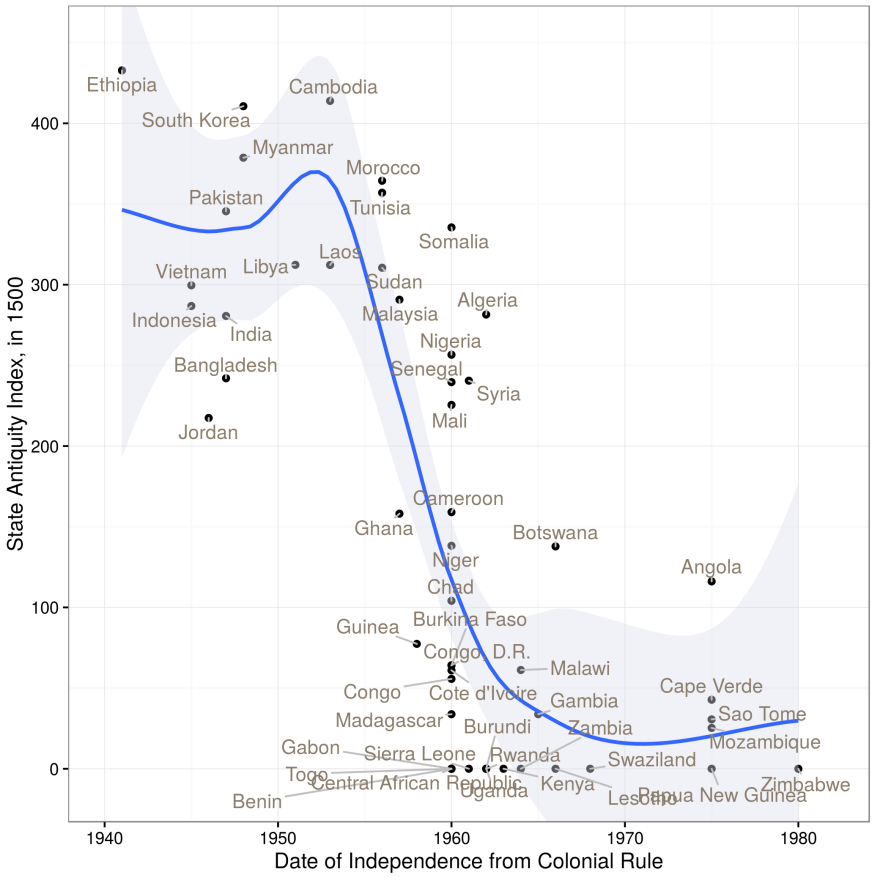
If the first argument of this article is that the effects of colonial rule were especially disruptive among those polities that were relatively centralized at their point of contact with European colonizers, then second argument is that there has since between a "reversal of the reversal" during the period of decolonization: first, because colonies with a precolonial state inheritance fostered indigenous elites capable of mobilizing for earlier political independence; and secondly, because in the period since decolonization such polities have experienced more rapid increases in state capacity.

On the first of these elements, regarding precolonial state inheritance and mobilization for independence, Figure 5 shows the relationship between historical state antiquity, and the timing of post-colonial independence: countries that acquired their independence first during decolonization, such as India, Ethiopia or Malaysia, were those in which indigenous elites were able to mobilize against colonial powers; whereas independence came much later to colonies in which challenger elites did not exist as a result of historical states (Figure 5). Thus while countries with relatively higher state capacity may have proven more attractive initial target for colonialism, they ultimately proved more difficult to retain.

The second key observation is that colonies with higher levels of precolonial state capacity have had more success in building state capacity during the postcolonial era, than colonies with weak or absent precolonial state institutions. We can examine the relationship between precolonial state formation and the development of state capacity since decolonization using time-series data from the International Country Risk Guide (ICRG) measure for quality of government, which combines indices for bureaucratic quality, control of corruption, and rule of law. A time-series for the ICRG data exists from 1984-2008, with a larger sample size beginning in 1986. Table 2 therefore presents a series of regressions upon the change in state capacity from 1986 to 2008.

The results in Table 2 show that a strong predictor of rising state capacity in recent decades, is a country's legacy of state formation in the period before the colonial era, whether measured in 1750 or 1500. An explanation is that in the period following decolonization countries have reverted to their prior indigenous institutional legacies. States in Central Asia and Africa with weak legacies of centralization and bureaucratic development,

Figure 5: State History in 1500, and Date of Independence During Decolonization.



Notes: Polities with stronger legacies of state formation in the period before European colonial rule were among the first to reassert their independence, while polities without strong precolonial states attained independence only much later. State antiquity data from Putterman (State Antiquity Index version 3.1).

were more likely to revert to patrimonialism, whereas polities in East Asia and Central-Eastern Europe with strong histories of indigenous administrative development continued on a trajectory towards effective state formation. The greater degree to which sovereignty has been reasserted in the modern age, the greater the importance of earlier indigenous traditions of statehood[40]. This would also have the implication that with the passage of time, the "persistence of fortune" hypothesis will hold a stronger association with the data than the "reversal of fortune" view, as the deleterious effect of colonial rule fades over time.

Table 2: Precolonial State Antiquity, Colonial Legacies, and Changes in State Capacity, 1986-2008.

Dependent variable: Change in ICRG Quality of Government Index, 1986-2008	Model (1)	(2)	(3)	(4)
State Antiquity Index, 0-1500 AD	0.272*	0.377**	-	-
	(0.126)	(0.127)	-	-
State Antiquity Index, 0-1750 AD	-	-	0.31*	0.417**
	-	-	(0.138)	(0.14)
Colonial legacy: French (0/1)	-0.039	-	-0.039	-
	(0.059)		(0.059)	
Spanish (0/1)	-0.148**	-	-0.148**	-
	(0.051)		(0.05)	
British (0/1)	0.024	-	0.027	-
	(0.056)		(0.056)	
Japanese (0/1)	0.192	-	0.19	-
	(0.117)		(0.117)	
Recent Communist Regime Collapse (0 / 1)	-0.224***	-0.194***	-0.226***	-0.196***
	(0.052)	(0.054)	(0.052)	(0.054)
GDP per capita (instrumented using carbon exports per capita)	0.007	0.009	0.008	0.011
	(0.014)	(0.015)	(0.014)	(0.015)
Rugged Terrain Index (Nunn and Puga)	0.022	0.022	0.021	0.02
	(0.019)	(0.019)	(0.019)	(0.019)
Cumulative Interstate War Duration, 1800-1970	0.001	0.004	0.001	0.004
	(0.003)	(0.003)	(0.003)	(0.003)
Percent European origin	0.003***	0.003***	0.003***	0.003***
	(0.001)	(0)	(0.001)	(0)
ICRG Quality of Government Index, 1986	-0.997***	-0.997***	-0.997***	-0.998***
	(0.004)	(0.004)	(0.004)	(0.004)
Constant	0.362***	0.323***	0.347***	0.306***
	(0.055)	(0.034)	(0.058)	(0.037)
n	97	97	97	97
R^2	0.99	0.99	0.99	0.99

Notes: Dependent Variable is Change in State Capacity, 1986-2008, as measured by the ICRG Quality of Government index. *** significant at the 0.001 level; ** significant at the 0.01 level; * significant at the 0.05 level. High R^2 due to the inclusion of the baseline (1986) variable.

Conclusion

In recent years two apparently inconsistent literatures have developed regarding the long-run legacies of colonialism, which can be termed the "reversal" and "persistence" of fortune theses. At first glance, these two literatures would generate contradictory expectations regarding how colonial rule interacted with trajectories of early state development in order to produce the variation that can be observed in the world today. This article has assessed the relative merits of the reversal thesis, according to which the most developed states of the precolonial era were subject to institutional reversal by European powers, and the persistence view, according to which it the states most established in the early modern era, such as China, Japan, or Ottoman Turkey, were the most likely to resist European encroachment, undergo defensive modernization, and experience "catch-up" growth in the late twentieth century. The "reversal" and "persistence" perspectives can be reconciled by introducing a threshold condition, according to which the effect of early state formation upon a country's development trajectory depends on whether it allowed for effective resistance to colonial rule. Non-European states at the highest levels of precolonial political centralization were able to resist European encroachment and engage in defensive modernization, whereas states closest to, yet just below, the threshold proved the most attractive targets for colonial rule. However, since decolonization, postcolonial polities in countries with strong precolonial states were the first to attain independence and have experienced the fastest recent rise in state capacity: as a result, with the passage of time, the effect of colonialism upon strong precolonial states has begun to reverse, and patterns of global political development have begun to resemble once more those of the precolonial period.

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Declaration of Conflicting Interests

The author declares no potential conflicts of interest with respect to research, authorship and/or publication of this article.

Notes

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[25]Though we can try to imagine a counterfactual scenario in which European powers had agreed in 1885 to not interfere in the African subcontinent, there is no African territory that was left undisturbed by foreign powers, and even more difficult to imagine would have been the consequence of non-intervention in India, or Southeast Asia, or the Americas, given the length of time between initial European contact and their eventual independence. Moreover, while there are limited examples of non-European regimes that avoided colonial rule, notably China, Persia or Japan, it was often their high initial level of state capacity that allowed them to repel attempts at foreign incursion. This endogeneity between strategies of foreign rule and pre-existing indigenous state strength problematises any attempt at causal identification through simple cross-sectional analysis (Gerring et al. 2011). We might compare the state capacity of European nations that were narrowly subject to long-term foreign rule (such as Ireland, Finland, or Poland) to those that narrowly survived as independent powers (such as Belgium, Norway, or Portugal), though this might not provide strong evidence for the hypothesis.

[26]A parallel can be made to endogenous growth theory, which asserts that the economic development of Europe and the West since the early modern period came not through their relations to other countries, but by changes internal to western capitalism, notably, investment in human capital and better property rights. See Romer 1994, and Douglass North and Thomas Robert, *The Rise of the Western World: A New Economic History* (Cambrige: Cambridge University Press, 1973). A stronger version of this hypothesis might even assert that European interstate competition had positive spillover effects for the state capacity of non-European regions: by serving as competitors, by providing models of reform, technical knowledge, and resource-intensive weaponry, European states inadvertently augmented the capacity of their Middle Eastern and East Asian rivals. From the nineteenth century onwards, European states were engines of state capacity, both domestically and in the wider world. Regimes in competition with European powers – Japan, the Ottoman Empire, China – were committed to defensive modernization, and in countries under European colonial tutelage, techniques of state administration and control – the census, conscription, the land cadastre, the civil service exam – became transferred to colonial subjects, in ways that were unlikely had these regions been left isolated from world affairs, as European powers sought to enhance as best as possible their control over territorial possessions. The effect of European innovation in the domain of public administration was comparable to administrative innovation in the private sector, i.e. eventual organizational isomorphism as models of best practice spread to subsidiaries and competitors. See Paul

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[40]The control variable for state capacity at time t_0 (1986) is significant and negative, and this most likely reflects an artifact of the "upper bound": countries with maximum state capacity in the 1980s were of course unlikely to see any increase in state capacity from this point. The collapse of communism is shown to have had a large and deleterious effect on state capacity, and can be shown here longitudinally: ICRG scores fell in most post-communist nations between the mid-1980s and the present day, reflecting the difficulties in maintaining rule of law and preventing widespread embezzlement of state resources during the transition era. Despite the large investments in bureaucratic infrastructure in countries like Qatar and Bahrain, exogenous growth driven by hydrocarbon exports does not appear to have led on average to increased state capacity.