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Economic development during the height of colonialism, c. 1920-1960

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Abstract

During the colonial era, economic strategies and policies were shaped by both the colonisers and the colonized, from the imperial offices in the metropoles to the African farmers in the rural communities. Negotiations and interactions, within and between groups, impacted the outcomes at both the state and the individual levels. While we try to highlight this complexity and diversity, it is impossible to account for all African economies' colonial experience over the full eight decades. Therefore, we only give empirical examples form Africa south of the Sahara and we focus on the period 1920-1960. Further, we identify some key processes and structures that we discuss – the political economy of the colonial states, their financial capacity and labour systems, and the growth and distribution of national and individual incomes. We end the chapter with suggesting some impactful colonial legacies and giving examples of how African countries have dealt with their colonial past.

Introduction

In the long history of Africa, the era of colonial rule represents a short period between the 1880s-1960s. Still, it had a profound impact on governance and economic structures and many scholars trace African countries' current development challenges to colonial legacies. For example, the establishment of extractive institutions (Acemoglu and Robinson 2010); the creation of conflicting legal systems (La Porta et al. 2008); or the uneven human capital development (Nunn 2014). There are also claims that the independent African states continue to be trapped in neo-colonial relationships (Austen 1987). Meanwhile, there are claims by both recent scholars and the Dependency School that the colonial experience was not subversive enough to create pre-conditions for capitalist development and long-term economic progress (Acemoglu and Robinson 2010; Rodney 1973). Others also point to positive colonial outcomes in terms of settlers' transfer of technology, skills, and institutions (Eastery and Levine 2016; Putterman and Weil 2010).

Considering the mixed messages in the literature, we can conclude that it is a complex endeavour to disentangle the extent of colonial impact on African economies and their populations, to identify the drivers and dimensions, and to judge who the winners and the losers were. Arguments and interpretations vary depending on access to empirical evidence, theoretical propositions, and ideological positions. In addition, because colonialism was a process and not an event and its nature was diverse across colonies, its drivers and impact varied over time and space (Frankema et al. 2016). The aim of this chapter is to find a way through the plethora of arguments and give a brief account of some core aspects of economic development during the height of colonialism in Africa. In doing so, we highlight the economic interests of various groups amongst both colonisers and colonized, and we discuss how they shaped and were impacted by colonial strategies. We focus on Africa south of the Sahara[1] and use some empirical examples to illustrate our complex and multi-faceted story.

The previous chapter provided a stylized presentation of the pre-colonial economies and ended with some reflections on pre-colonial legacies that shaped the early colonial era. During the first decades of their rule, colonial powers focused on conquest and territorial control, establishing rudimentary administrations and tax policies, and securing labour for key economic activities, such as the mining industries. The primary strategy of the relatively small and weak colonial administrations was to adapt their policies to local circumstances and to rely on free market forces to run the economy. While important aspects of colonial history played out 1890-1920, in this chapter we focus on the colonial period starting a few years after World War I and ending with the independence era in the 1960s. We consider this to be a time when colonial institutions and policies had an even more profound and distortive impact on the African economies compared to the previous decades, although we also refer back in time when it is of interest. Over time, the principles for the administrative governance systems were developed further, tax collection and labour control practices were adjusted to local circumstances, more groups were involved in the colonial project, the export sectors expanded and so on. These changes had a pervasive impact on people's everyday livelihoods as they got increasingly involved in the colonial economies paying colonial taxes, working in the expanding wage sector, or engaging in the production of specific export crops. As the colonial economies became increasingly regulated, they largely hindered the development of market-led capitalist production systems in the rural areas where most African subjects lived and worked (Hillbom and Green 2019).

Because the characteristics and strategies for colonial economies were shaped by numerous economic actors, we start with a presentation of the most important interest groups. We move on to three overarching themes under which we present the most important components of the economic systems – the political economy of the colonial states, their financial capacity and labour systems, and the growth and distribution of national and individual incomes. Finally, we highlight certain colonial legacies that continue to impact African economies today and we provide a few examples of how different African countries have tried to break away from their colonial past, or not.

Key interest groups

The writing of colonial history is often focused on the divide between the colonizers and the colonized, but this is too simplistic. Both consisted of sub-groups defined by varying political and economic interests. In this section, we disentangle the different groups and their interests to better understand the origins of economic policies and their impact on structures and incomes.

We start with the economic interests of the *colonial powers*. According to the proponents of imperialism in the 19th and early 20th century, the costs of acquiring colonies would be paid back with interest through opportunities to exploit natural resources (Gardner and Roy 2020: 78). Colonies were therefore expected to service the metropole's economy and generate profits from valuable exports such as minerals and tropical agricultural products. While the actual gains from the African

[1] Because of historical events and processes, there is a profound cultural, linguistic, religious, political, and economic divide between Africa south of the Sahara and North Africa (Tunisia, Libya, Morocco, Algeria, and Egypt). The differences have had substantial effects on the makeup and development of the economic systems and colonial policies in the two regions. To be able to tell a more coherent story, we have chosen to exclude North Africa.

colonies differed significantly, constant expectations of great schemes and profits continued to motivate the colonial project (O'Brien 1988).

Upholding an empire, however, meant having costs for providing education, developing infrastructure, paying salaries for government officials and so on. This was the reality of the individual *colonial administrations*. Economic constraints put on them by the metropoles often prevented them from implementing more ambitious development projects, but colonial rule also gave governments access to international bond markets where they could take loans to finance larger investments. Negotiations over money caused conflicts between the local administrations and the metropoles. However, starting in the 1930s and accelerating after WWII, there were increasing transfers of resources and loans, enabling colonial administrations to invest more in socio-economic development (Austen 1987; Cooper 2002).

Meanwhile, some *expatriate enterprises and entrepreneurs* could make significant profits. For example, British companies buying cash crops in West Africa such as Cadbury or the United Africa Company of the Lever Brothers (Unilever) grew into global enterprises. Other companies located within Africa such as Cecil Rhodes' British South Africa Company became both economically and politically influential as it was tasked by the British crown to initiate colonization, rule, and development of Southern and Northern Rhodesia (now Zimbabwe and Zambia) (Parsons 1993). Often the success of private businesses depended on preferential treatment, which was commonly racially motivated, from the metropoles and/or the local colonial administrations. Still, Rönnbäck and Broberg (2019) find that profits of British companies registered at the London stock exchange and operating in colonial Africa overall tended to be low.

African and Asian businesspersons encountered discriminatory institutional structures that obstructed their market participation. Still, a class of merchant capitalists emerged before colonial conquest, primarily in West Africa because of the trading of export crops such as palm oil and ground nuts, and they survived throughout the colonial era, after which some went into manufacturing (Dumett 1983; Olukoju 2004). African and Asian non-agrarian entrepreneurs and firm owners are understudied. Probably they constituted a limited, albeit sometimes successful, group as most people had farming as their main self-employment activity and because of the (unfair) competition from expatriates (Austin 2017).

The relationship between the colonial administrations and the *expatriate settlers* was often strained. The initial expectations that the African colonies would attract significant numbers of settlers quickly faded. Instead, only a few territories such as Kenya and Southern Rhodesia had substantial and politically influential settler groups controlling significant natural resources, especially fertile agricultural land. Even in these colonies, the expatriates only made up a few percent of the total population. In the independent Union of South Africa, the European minority represented roughly 20 percent of the total population in the beginning of the twentieth century. Settlers are often thought of as the elite - either large plantation owners or highly paid government officials, but there were also many poor settlers such as farm hands and smallholders (Mosley 1983). Settler communities throughout Africa used their political influence to convince the administrations to favour their interests by setting up institutional discrimination to, for example, hinder African farmers' commercialization efforts. Still, the responsibility of the administrations was to make ends meet and manage the budget. Therefore they developed pragmatic strategies including abandoning their support to settlers in case these were not economically successful (Frankema et al. 2016).

While the basis for most indigenous agriculture was subsistence food production, there were increasing numbers of *commercial African farmers* who grew some cash crops such as cocoa, tobacco, cotton, or coffee for exports. During the early decades of colonialism, African cash crop producers in non-settler colonies took advantage of the relatively open markets. However, from the 1920s onwards the colonial administrations increasingly regulated both production and sales of African commercial farmers to secure volumes and quality of agricultural exports. The colonial administrations' later encouragement of commercialization should then not be equated with free market opportunities (Austen 1987). Because some African farmers were more successful than others, commercialization fueled rural economic differentiation. In a few cases, such as amongst cocoa farmers in Ghana or cattle holders in Bechuanaland (now Botswana), an agrarian elite with capitalist traits emerged amassing land and labour resources and investing in more capital intensive production (trees and animals) (Bolt and Hillbom 2018; Hill 1970).

An alternative route for Africans to secure cash incomes was to take up wage employment. One of the first reforms after colonial conquest was to set up labour institutions regulating the formal employment of an *African wage labour force* working in the mines and on settler farms. Over the colonial era, this group grew in numbers, and became essential for incomes of colonial enterprises and administrations (Eckert 2019). Still, it never represented more than some 5 to 20 percent of the African population in the different colonies. For short term gain, colonial enterprises and expatriate settlers often kept salaries low, which left African wage workers little choice but to straddle between wage work and self-employed agriculture (Bolt and Green 2015). With the exception of South Africa, which became independent in 1910, no sizeable proletariat in the Marxist sense, meaning a group whose labour is a commodity and who had lost access to their (agrarian) means of production, emerged (Eckert 2019). The duality allowed African workers to make choices regarding their livelihood strategies while it caused settlers to complain that the African wage labour force was unreliable and fluid (Green 2013).

Over the later decades of colonialism, there was slow but growing urbanization and much social change took place in the urban areas. Because of unionization and education, political awareness grew in the cities. Unskilled and skilled workers united in demands for labour rights and higher salaries, and the better educated Africans and Asians were increasingly employed in the expanding colonial administrations. As the urban economies grew, they became increasingly diversified in terms of occupations and incomes, from the self-employed in services and trading with low incomes to a growing *African urban elite* (Cooper 2002; Freund 2007).

The colonial economies

While it is not feasible to cover all aspects of the colonial economies, there were some key structures, processes, and policies that we can discuss and complement with illustrative examples. We start with the political economy of the colonial states and the challenges of the colonial administrations, then turn to the economic relationship between the state and their subjects with a focus on taxation and labour relations, and we close with the outcomes of economic development in terms of growth, incomes, and inequalities.

Governance and types of colonial economies

An often-discussed topic is to what extent it mattered for economic and political development in Africa who the colonial power was. The discussion mostly deals with the differences between Britain and France, the two dominant metropoles, but Belgium, Germany, Italy, Portugal, and Spain also held

African territories at some point in time. Judging by rising GDP per capita in recent decades, former British colonies have overall been doing better than former French colonies (World Bank 2022). While the correlation exists, we cannot present evidence for how this related to differences in colonial legacies because there are other circumstances to consider. For example, many of the French colonies were in the Sahara and had limited valuable natural resources, and the French colonies were more often land-locked making it costly to reach international markets.

In theory, the colonial powers adopted two main styles of administrative interactions with the local communities and subjects. The differences can be traced back to the early colonial era although they became more formalized in the 1920s, and they affected colonial policies in the following decades. The British developed a principle of ‘indirect’ rule, which for the non-settler colonies meant dividing up the administrative responsibilities into geographic areas ruled by the colonisers and others by the indigenous communities. In the latter, local leaders ruled with the political support of the colonial administration and the population was primarily governed through local institutions (Green 2011; Mamdani 2018). The divide meant that different authorities acted as the *de facto* state regulating fundamental economic interactions such as tax collection, contract agreements, property rights, and labour recruitment, and had their own judicial courts (Bolt and Gardner 2020).

Meanwhile, other colonial powers stuck to the principles of ‘direct’ rule where there was no formalized divide and the colonial administrations handled everyday governance of their African subjects’ economic activities. In theory, Africans could learn the language and culture of the colonial power and become citizens included in the European sphere, although in practice it rarely happened. While Europeans under this approach were more open to selective mixing with the indigenous population, the system was defined by racial discrimination (Mamdani 2018). Still, interactions between administrations and local communities depended mostly on pragmatic decisions on everyday issues overshadowing principal differences (Gardner and Roy 2020).

One can categorize African territories according to their economic structures and resource endowments. Samir Amin (1972) identified three ‘types’ of African colonies – concessions, labour reserves, and trade economies. In the first, private concession companies ruled and territories were characterized by limited, although in relative terms valuable, mineral export production and low population densities, for example Northern Rhodesia. Amin’s observation of colonies where expatriate capital and enterprises expropriated natural resources and impacted colonial policies does not only fit territories with large mining sectors. It also applies to the broader term ‘settler colonies’ denoting colonies where expatriates controlled a substantial share of all productive resources and had significant political influence (Mosley 1983). Both concession companies and large-scale settler farming sourced their indigenous work force from Amin’s second type of territory where monetary incomes came from primarily male migrant labour, while the old, women and children stayed behind and engaged in subsistence farming. For example, a large share of the labour working in the mines in Southern Africa was sourced from Mozambique (Alexopoulou and Juif 2017). Other colonies depended on trading crops produced by the local communities, so called ‘peasant colonies’, and most means of production remained in the hands of the indigenous population. In Ghana, European settlement was even actively discouraged because the area was already incorporated in global commodity trade and the colonial administration preferred to leave the existing production system and its export potential intact (Austin 2005).

Despite their differences, the colonial administrations shared a common challenge – to build state capacity. Various arguments have been put forward to explain this struggle. For example, Herbst (2014) stresses that the long history of general high land-labour ratios found in Africa was unconducive to the creation of centralised political rule. While there was high enough population density on which to build institutional and physical infrastructure in places such as the Asante or Buganda kingdoms in Ghana and Uganda respectively, they were not generally found in pre-colonial Africa (see previous chapter on pre-colonial Africa). Therefore, there were limited opportunities for the colonial powers to draw on existing centralized bureaucracy when building the colonial states.

The profitability of the different colonies varied substantially. The rubber boom at the turn of the 19th and 20th centuries enabled King Leopold II of Belgium to become a dollar billionaire in todays' money by exploiting and expropriating resources in the Congo (Hochschild 1999). Meanwhile, the British Bechuanaland Protectorate only generated some modest revenues from limited cattle exports (Hillbom and Bolt 2018). In other cases, colonial hopes turned into disappointments. Britain initially thought that a profitable coffee sector would develop in Nyasaland (now Malawi) and the territory was mentioned in terms of becoming 'another Brazil'. The plan failed and the area had only modest incomes from agricultural exports (Palmer 1985).

Until the final decades of colonialism, resource transfers were negligible from the metropoles to the colonies to subsidize education, infrastructure, government official salaries and so on. For example, between 1844 and 1957, the French government only spent 0.29 percent of its total budget on its colonies in West Africa (Huillery 2014). When the overriding principle was that each colony should secure enough revenues to cover its own costs, the local administrations had to choose between slimming down the already meagre colonial project or to cover the deficit through foreign borrowing. This system reinforced inequality between colonies as territories with limited revenues also had the least resources to invest in socio-economic development projects.

The outcome of the pressure to balance the budget and the lack of capital affected the setup of the administrations. Colonial states became minimalistic, relying on trade taxes for their revenues and spending their limited resources on paying salaries for the necessary administration on controlling the colony's borders. Frederick Cooper (2002) terms this the 'gatekeeper state'. This type of state was practically restricted in its development ambitions by economic conditions. The budgets did not allow for any substantial investments in economic, human, or social development, such as improved agricultural production, industrialization, infrastructure, health care, or education. While the conditions for the 'gatekeeper state' developed already in the early colonial period, it was increasingly strengthened in the 1920s, and reached its height in the 1950s.

As the metropoles' economic policies slowly changed from the early 1930s, they adapted new principles for their African colonies that came into full strength after World War II. This 'developmental colonialism' was driven by two main ambitions. First, to raise funds to rebuild the post-war metropolitan economies. Second, to achieve socio-economic development throughout the empires. Taken together, it was seen to motivate continued colonial dominance because investments that lead to economic growth both benefitted the societies under colonial 'protection' and promised higher future profitability for the colonial powers themselves. Through government grants and aid, there was an expansion of the public sector including the administration, schooling, and infrastructure (Cooper 2002).

Taxation and work

One of the most basic aspects of state capacity is fiscal capacity, entailing the ability to collect taxes and to transfer government revenues to economic, political, and social projects. Creating and upholding a functioning taxation system turned out to be one of the most challenging aspects of colonial rule in Africa. The combination of demands to balance budgets, modest tax revenues, and limited transfers and loans from the metropoles shaped public policy and hindered development ambitions (Frankema and Booth 2019; Gardner 2012). Poor fiscal capacity and weak fiscal contract is still discussed as an important colonial legacy characterizing African countries today.

In the early days of colonial rule, when the monetized economic systems were in their infancy and tax capacity was limited, colonial administrations searched for alternative ways to collect taxes. For example, all colonial empires demanded labour inputs from African subjects as a form of in-kind taxation, although the extent to which the system was used varied. There are no exact calculations of the monetary value of this labour system, but there are estimates of its approximate magnitude for the French colonies. Van Waijenburg (2018) shows that the additional income often exceeded the value of the monetary taxes the administrations collected. The so called corveé labour was used primarily for construction of infrastructure and public works, projects that came at a high human toll. Over time, labour services became less common as administrations raised more revenues from agricultural and mineral exports and subjects paid their taxes in cash.

During our period, colonial administrations primarily relied on direct taxes and trade taxes. Direct taxes consisted of graded income taxes on formal wage employment and hut or poll taxes from the self-employed. The latter were flat taxes that changed over time and varied across colonies in terms of collection practices and levels. When Frankema (2011) calculated the number of days that an unskilled male labourer had to work to pay taxes, he showed that the tax burden for African subjects was quite modest compared to other parts of the empires. The monetary incomes with which people paid their taxes came primarily from either wage employment or sales of cash crops. Hence there was an interplay between the development of the colonial tax system and the livelihoods strategies of different interest groups such as African wage labour and indigenous smallholders producing export crops (Austin 2019; Berg 1961). The amount of government revenues collected through direct taxes varied between colonies and over time depending on the different economic structures, for example, the share of the population in wage labour.

Trade taxes, meaning tariffs on imports and exports, were also imperative for the colonial administrations. Due to tariff levels and the high value of industrial imports compared to unprocessed exports, taxes on imports often provided more revenues than exports. Incomes from trade taxes varied between colonies and over time, but they are estimated to have constituted from 30 to above 60 percent of total revenues. Hopkins (1973) divides colonial administrations' attitudes towards regulating trade generally, and the sales of export crops specifically, into two periods. First, the early colonial period c. 1890-1929 when the economies were open and allowing unregulated trade in national and international markets. Second, the remainder of the colonial era when the administrations ensured that the products passed through state-controlled market channels, for example, marketing boards and state monopolies, which also facilitated the collection of taxes. Marketing boards were particularly important as a tax instrument, paying for investments in socio-economic development in the late colonial era. The regulated trade system continued after independence until Structural Adjustment in the 1980s.

Decisions such as tariff levels, exemptions for certain goods, and regional trade agreements also influenced administrations' decisions on what sectors to encourage and which interest groups to support. They motivated colonial administrations to expand their export sectors, including cash crop agriculture undertaken by both expatriates and indigenous farmers; for example, cocoa in Ghana, Nigeria and the Ivory Coast, coffee in Kenya and Tanganyika (now Tanzania), or peanuts in Senegal. Meanwhile, the colonial administrations did not want to tax their local export sectors and its actors too severely, especially not the favoured expatriates and their enterprises (Frankema et al. 2016; Gardner 2012). Building export sectors based on a few minerals or cash crops was an important strategy for both concessions/settler colonies and peasant/trade colonies. Today, many African countries continue to struggle to diversify their economies to become less dependent on these colonial products.

National expenditures in the early decades of colonialism primarily covered administration, defence, and infrastructure. They catered for the interests of the colonial administrations, expatriate companies, and expatriate and African export agriculture. Despite the administrations being small in terms of number of people employed, they were relatively expensive because of high European salaries (Gardner 2012: 34). Meanwhile, the unskilled wage workers and the subsistence farmers received few benefits. The exception was perhaps the spending from the 1930s onwards on extension officers tasked to improve agricultural production and prevent soil erosion (Cooper 2002). A costly enterprise was the construction of railways at the turn of the 20th century; for example connecting the copper producing regions in the Congo and the tea and coffee plantations in Uganda to the coast and the international markets. Because of the spatial patterning, these strategies did not benefit intra-regional trade and, for the same reason, they have proved to be negative for post-colonial economic development (Jedwab and Moradi 2016).

Under indirect rule, tax collection and public spending was decentralized to indigenous authorities and chiefs. Part of the taxes they collected went to the colonial administrations' coffers, but most of it was spent in the African local communities on salaries, schools, health care, infrastructure and so on. There was a great variation between the local communities in terms of hands-on fiscal capacity and policy that affected Africans on a day-to day basis much more than national policies. The pre-colonial political entities had also collected taxes, but commonly in the form of in-kind assets. In many ways, the decentralized colonial tax system was a continuation of existing administration and policy (Green 2011). There were also new elements, for example, that taxes were increasingly paid in cash instead of in-kind or in labour duties, and the evolving relationship between the colonial states and the African local authorities, which in turn influenced local governance. Sometimes the system resulted in increased rent-seeking and corruption amongst the local leaders, but in many cases decentralization ensured good quality rule benefitting local people (Bolt and Gardner 2020).

Outside of the mining sector, capital was in short supply for European businessmen, and especially for indigenous entrepreneurs. Uche and Ehikwe (2001) found that 90 percent of commercial deposits in Nigeria were made in two British banks registered and headquartered in London. Their outreach in the colony was limited and their main purpose was to service expatriate interests while neglecting to provide capital for African businesses. In the late colonial period, more indigenous banks were established, but they were poorly managed and staffed. As the productive sectors expanded, so did the need for capital, but credit markets and banking systems did not follow suit to cover the needs of the broader scope of economic activities. Explanations for the slow development of financial institutions are mixed. Partly it was because banks questioned the return on investments in Africa. Partly it was due to the lack of collateral as assets such as land were not formally registered with the authorities. Partly it was because of the absence of trust and social networking between Western banks and local businessmen (Gardner and Roy 2020: 165-166). Today, poorly functioning financial institutions continues to be highlighted as a key development challenge for many African countries.

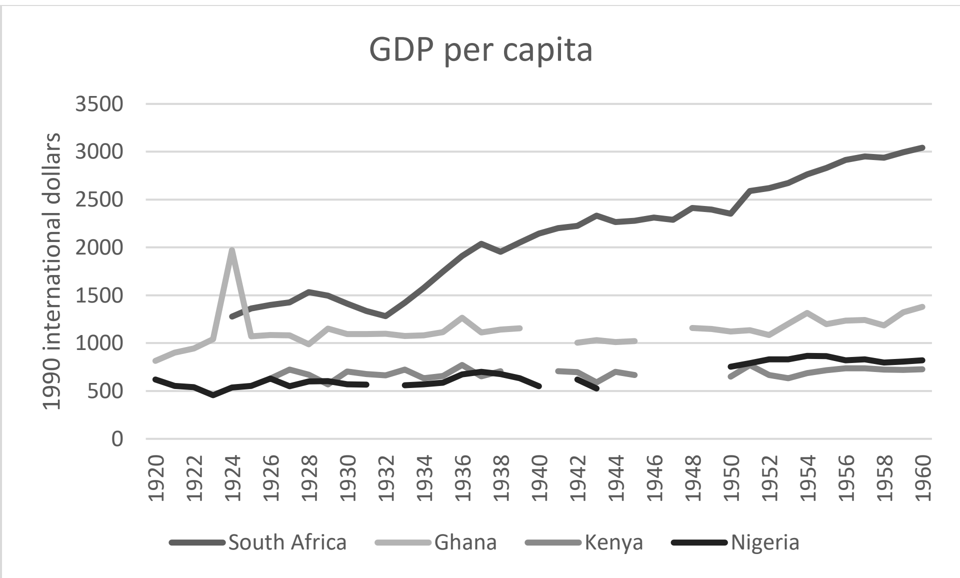
After World War II, metropolitan spending in the African colonies increased to ignite both economic and social progress. The previous requirements on balancing colonial budgets were relaxed, colonial administrations could borrow more, and previously neglected sectors such as schooling and health care received significant transfers. The public sectors grew as additional officials were hired, but they also became more expensive because of salary increases. This was a time of contradictory signals. On the one hand, the colonial powers raised their stakes in Africa and signaled their commitment to their empires, partly to motivate a continuity of colonialism. On the other hand, to strengthen the colonial project, investments were made to further the economic interests of various African groups, there was an Africanisation of the colonial administration, and a focus on social developments for the local subjects (Gardner and Roy 2020). These investments (unintentionally) helped to prepare the territories for decolonization (Cogneau et al. 2018).

Growth, incomes, and inequality

Much remains uncertain about the economic status of the African colonies, their citizens and subjects, but new statistics and calculations are consistently being produced. Recently, Broadberry and Gardner (2022) provided estimates of GDP per capita for eight former British colonies for the period 1885-2008. The main take-away is that while there was significant variation over time and space, the colonial era overall was a period of economic expansion and growth. Levels were generally above subsistence, meaning people could live and be productive, and on par with the largest Asian economies.

In Figure 1, we present the trends for four selected colonies during the period discussed in our chapter, 1920-1960. We see trends of inconsistent growth adding up to various success in terms of long-term improvements in GDP per capita. Independent South Africa experienced significant growth, especially from the Great Depression onwards, based on a profitable mining sector and a more diversified industrial economy compared to the colonial territories. Meanwhile, Ghana provides an example of reoccurring growth, or 'booms and busts' pattern, which has been recorded for several colonial economies and is due to their heavy export dependency and reliance on a small number of minerals and/or agricultural products, commodities with fluctuating prices on the world market. The pattern of inconsistent growth has continued after independence much for the same reasons (Jerven 2010). Finally, Nigeria lacked a successful export sector generating economic growth. While it had a broad economic base as it was the most populous colony in Africa, it was struggling to capture the wealth in economic activities and incomes from informal domestic markets.

Figure 1: Annual GDP per capita for selected African colonies, 1920-1960 (1990 international dollars)



Source: Broadberry and Gardner 2022: Appendix 1, Table A1.

A development of complementary manufacturing sectors could have made the colonial economies more successful and less vulnerable to price fluctuations. Austin, Frankema and Jerven (2017) argue that the abundance of natural resources and the lack of political will by the colonial states there was essentially few drivers to develop the existing pre-colonial handicrafts into viable manufacturing sectors before the 1950s. The exceptions were South Africa, Southern Rhodesia, and Belgian Congo that all had influential expatriate populations protecting their own economic interests. Out of the three, independent South Africa was the only economy that achieved a more extended period of accelerated manufacturing output. Meanwhile, Frederick (2020) describes how indigenous textile production in East Africa withered because of the colonial states' claims on scarce labour resources.

When the economy is growing at the national level, it opens possibilities of rising individual incomes for both wage earners and the self-employed. As with national accounts, real wage studies have primarily been done for the former British colonies and they have focused of African unskilled workers. Together, they highlight variations between both colonies and sectors, and changes over time. Starting in the rural economy, some argue that wage levels for unskilled farm workers in peasant colonies were relatively higher compared to settler colonies (Bowden et al. 2008). However, other comparative studies have shown the opposite, namely that Kenyan workers fared better than their counterparts in Nyasaland and Tanganyika (Klocke et al. 2021). Moving on to the urban areas, Frankema and van Waijenburg (2012) find that real wages for unskilled male workers in colonial Africa were relatively high in an international comparison.

The development of unskilled rural and urban real wages should be understood against the backdrop of the characteristics of the African labour force under colonial 'capitalism'. The wage workers, rural and urban, were part of extended families' diversified livelihood strategies and remained connected to family run agriculture. They could straddle wage work and subsistence farming, moving back and forth between labour contracts and self-employment (Fibaek 2021). The fact that they continued to access agricultural land and had alternative income opportunities gave them an advantage and possibly pushed up wage levels compared to if they had been a proletariat.

In addition to salaries, other types of investments contributed to bettering the conditions and livelihoods of the African workers. For example, in the Congo mining companies stabilized their work force through the implementation of reforms and investments that raised welfare conditions by offering better housing, access to schools and so on (Juif and Frankema 2018). There are also studies recording a general improvement of living standards for the African population during the colonial era. Some have used indicators such as increases in height as an outcome of improved nutrition (Moradi 2010). Others have estimated the joint incomes from food and cash crop production and found rural welfare standards well above subsistence for commercialized farmers (De Haas 2017).

We may also be interested in knowing how incomes were distributed. Today there is substantial variation in income inequality levels in Africa between countries, covering a spectrum from relatively equal economies in western and northern Africa to highly unequal countries in central, eastern, and especially southern Africa (WIID 2021). A growing number of studies try to understand how this came to be by estimating the development of income inequality during the colonial era. They show an increasing overall trend with two main drivers. First, there was a stratification within the wage economy with a smaller elite, primarily made up of European government officials, receiving higher salaries compared to the rest of the population. Second, incomes from commercialization were unevenly distributed with European settlers and African agrarian elites gaining the most (Hillbom et al. 2021). While the colonial era overall brought improvements in living standards to the masses of the indigenous populations, there were some groups of Africans such as large-scale farmers or educated urban government officials who gained substantially more that the rest (Aboagye and Bolt

2021; Bolt and Hillbom 2016). Further, all economic progress took place within an institutional framework governed by racial discrimination with a small group of European colonizers improving their incomes the most.

Concluding remarks: Colonial legacies and efforts to break away

Colonial history has direct bearing on our understanding of African countries' development challenges today, but the connections have not always been self-evident in the development literature. When economists in the 1980s and 1990s observed the poor progress of the African countries, they referred to the so called 'African dummy'. It appeared that just being an African country was bad for growth even when accounting for other explanations (Jerven 2011). Initially, the debate focused on the policies adopted by the independent African states, but a couple of decades later the searchlight returned to historical explanations. We conclude with six selected colonial legacies brought up in the previous sections.

Weak states and exclusive institutions. Many scholars have highlighted the poor performance of the independent African states. Some find explanations for current weak state capacity in the limited numbers of pre-colonial centralised states (Herbst 2014). Others argue that exclusive and conflicting governance structures developed under colonial rule and that they continue to hinder development after independence (Acemoglu and Robinson 2010).

Poor fiscal capacity. The challenges of collecting sufficient direct and trade taxes to pay for the necessary investments in economic, human, and social development remain (Frankema and Booth 2019). In 2020, sub-Saharan Africa's average tax revenue measured as the share of GDP was at 20 percent compared to above 39 percent for the Organization for Economic Cooperation and Development countries. Improving tax administration can only solve part of the problem. In addition, there needs to be a functioning fiscal contract between the state and the taxpayers. When poor, and often corrupted, states do not transfer resources or invest in development enhancing projects, citizens' willingness to pay withers (Aboagye and Hillbom 2020).

Unsustained economic growth. At the time of independence, African states generally were not worse off in economic terms than their Asian counterparts. However, the economic trajectory since independence with patterns of recurring but highly variably growth has proven detrimental for the long-term economic development. Because the institutionally weak and financially poor African states' have largely been unable to develop alternative productive sectors, they continue to be vulnerable to the fluctuations of commodity prices in the international markets. Repeated periods of negative growth, so called economic shrinking, are increasingly discussed as being very harmful to any developing country's long-term economic progress (Broadberry and Gardner 2022; Jerven 2010).

Natural resource dependency. The colonial administrations relied on incomes from sales of minerals and/or agricultural products and the independent states have remained export dependent. Around the turn of the millennium, we witnessed a global commodity boom that benefitted many of the natural resource rich African countries and in the period 2011-2015 the average annual growth in the region was higher than in Asia. However, when prices declined the boom was largely followed by a bust. The current lack of economic diversification can be traced back to colonial economic strategies and policies (Hillbom and Green 2019).

Poor human capital. Human capital formation, in terms of providing education and health care as well as developing human talent and capabilities, was not a priority for the colonial administrations.

Although African countries have invested heavily in human development since independence, much remains to be done before the region can produce knowledge-based economies (Nunn 2014).

Limited private enterprise. Colonial investments and spending mostly catered to the public sector, which was also where most educated wage labour was employed. Meanwhile, the private sector consisted of a few registered expatriate companies and large numbers of unregistered indigenous enterprises. Both groups, but especially the latter, struggled to access capital, which hindered the development of a dynamic and broad-based private sector (Gardner and Roy 2020). This struggle continues today, which is why international donors and development agencies as well as national policy makers increasingly emphasise the need for innovation and entrepreneurship.

Independent African states have tried various avenues to break away, politically and economically, from the legacies of the colonial era. One example is Tanzania where the first president, Julius Nyerere, promoted African socialism. His *ujamaa* ideology (roughly meaning extended family) was based on cooperative economics with the local communities working together for grass root poverty reduction and development. The state enforced a villigisation strategy entailing a re-location of the rural population, moving them closer to social services such as schools and health care centers, and a redistribution of land. Nyerere was successful in creating unity between religious and ethnic groups, and initially there was also social development. His economic policies were, however, not successful and Tanzania came to experience severe economic stagnation (Iliffe 1979).

The expansion of the cocoa sector made Ghana one of the wealthiest colonial territories in Africa, but also a narrow natural resource dependent economy. After independence, President Kwame Nkrumah set out to diversify and modernize the economy by building human capital and developing an ambitious industrialization program, while also putting tax pressure on the cocoa sector. While his efforts to build power dams and heavy industry did not lead to a take-off, in the long-run the economy has diversified into new sectors such as manufacturing and oil (Austin 2013). Meanwhile, neighbouring Ivory Coast was also a cocoa dependent economy, but instead of aiming for a break with France the independent state strengthened its ties with its former colonial power, and continued to rely on the expansion of the cocoa sector. The country initially experienced agricultural-based economic growth in the 1960s and 1970s, but this was followed by a bust and the economy continues to depend heavily on the agricultural sector (Miracle 2013; World Bank 2022).

Not even the region’s two success stories in terms of steady and sustained economic growth, Botswana and Mauritius, provide clear answers on how to best manage colonial legacies. The former has had good state institutions managing incomes from the post-independence expanding diamond industry. This has ensured a steady growth trajectory, but has not resulted in sectorial change or an end to natural resource dependency (Hillbom and Bolt 2018). Meanwhile, Mauritius’ growth trajectory is less spectacular, but it is based on the diversification away from dependency on sugar exports including the development of labour-intensive manufacturing and services. Strategies were forged by a developmental state in the Southeast Asian tradition with a social-liberal political agenda and the break with colonial economic structures was combined with efforts to ensure social and human development (Zafar 2011). However, this small island state is in many ways structurally different from mainland Africa making it challenging to extract relevant lessons.

The quest for understanding economic continuity and change before, during and after colonialism continues. Economic historians are slowly collecting the evidence to understand the past, while the debate on the impact of colonial legacies for the present continues.

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