

# Colonial policies can result in economic growth

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A new study in the *Review of Economic Studies* suggests that areas where Dutch colonizers built sugar factories in the 19th century are more developed today.

Colonial powers have typically organized [economic activity](#) in the colonies to maximize their economic returns. Previous literature has emphasized the long-run negative economic impacts of colonization.

This research examined economic development in the context of the Dutch cultivation system, the integrated industrial and agricultural system for producing [sugar](#) that formed the core of the Dutch colonial enterprise in 19th century Java, an island in today's Indonesia that is home to almost 57% of the country's population. Java was the main population center of the vast Dutch colonial empire in the East Indies. From the early 1830s through the 1870s, the Dutch forced peasants in Java to cultivate sugar, which was processed in local Dutch-owned [factories](#) for export to Europe. The revenues extracted from this system (mostly sugar) made Java among the world's most lucrative colonies. With a population of over 160 million people and 10,000 villages, Java was instrumental in sugar processing and transport- via both forced and free labor.

The Dutch made two main changes to the economy due to colonization: they repurposed land and reorganized surrounding villages to supply labor. Researchers matched [historical records](#) from the Dutch archives to modern locations in current data to trace out the long-run impacts of

these institutions.

The researchers here showed that people today living within a few kilometers of historical sugar factories are more likely to be employed in manufacturing or retail than people who live farther away, who are more likely to work in agriculture. This study indicated that people also appear to be better off economically in places where colonial extraction was more intense. Households living within a few kilometers of a historical factory location have per-capita consumption about 10 percent higher than those living more than 10 kilometers away.

"Colonial powers typically organized the colonial economy to maximize their own returns," said the paper's lead author, Melissa Dell. "While the previous literature has mostly emphasized potential negative consequences, this study shows that the creation of a colonial manufacturing industry in rural Java by the Dutch in the 19th century led to a more modern economy. Today, places near historical Dutch sugar factories are more industrialized, have more public infrastructure, and the population living nearby has higher levels of schooling and is richer than people living near plausible counterfactual sites for the Dutch factories."

**More information:** Melissa Dell et al, The Development Effects of the Extractive Colonial Economy: The Dutch Cultivation System in Java, *The Review of Economic Studies* (2019). [DOI: 10.1093/restud/rdz017](https://doi.org/10.1093/restud/rdz017)

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