Comoros and Mauritius: Analyzing the Economic Impact of Colonial Development and Initial Endowment Factors

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Comoros and Mauritius: Analyzing the Economic Impact of Colonial Development and Initial Endowment Factors
Comoros and Mauritius: Analyzing the Economic Impact of Colonial Development and Initial Endowment Factors

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code and to maintain the integrity of both myself and the College as a whole.

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Abstract: This research studies the colonial history of two African island nations, Comoros and Mauritius, in order to determine the root cause for the heterogeneity of growth rates between these countries. Both Comoros and Mauritius, during colonial times, were dependent on their agricultural sector for growth. Laborers in these countries were primarily slaves and/or low-cost laborers. Their colonial rulers, France and Britain, respectively, utilized the islands for sugar production as well as exporting other natural resources. The British used revenue from sugar production and aid form the mother country to develop Mauritius’ economy in order to meet the developing world’s growing demand for sugar. This led to the development of banks, insurance agencies, and research to increase production. Conversely, France repatriated the majority of profits generated from Comoros exports, resulting in poor infrastructure development both physical and institutional. The differences in development can be explained by natural factor endowments. Comoros, with an existing native population, fostered the development of small special interest groups comprised of French elite that faced little incentive to develop the economy and society. Mauritius lacked a large native population, thus fostering the development of homogenous, encompassing special interest groups. These encompassing groups faced a different set of incentives that spurred growth and development in the Mauritian economy and society.
I. Introduction

The twentieth century brought about the end of the majority of Western colonization around the globe, including countries in Africa. What followed became a difficult economic puzzle of development which economists have since been working to solve. Upon the realization of independence across Africa, the continent’s various economies were affected in unpredictable ways. Between the years 1960 and 1988, Africa experienced an average growth rate one-percent lower than the average growth rate of the global economy. During the latter part of this period, Africa experienced a negative growth rate (Bertocchi and Canova, 2002, p. 1852). A general consensus has yet to be reached that provides a reason for the difference between global development and that of Africa. Recently, literature focuses on explaining the African puzzle by searching for causes of the heterogeneity in economic growth and development between individual African countries, as opposed to a comparison of Africa as a whole with the global economy (Bertocchi and Canova, 2002, p. 1852). Now, the colonization tactics of the metropolitan rulers of African nations are being considered factors of determining the successful growth and development of an economy post-independence.

This paper analyzes the colonial development tactics of two of the most influential colonial rulers in Africa during the 18th, 19th, and 20th centuries: Britain and France. Particularly, the focus is on two island nations located in the Indian Ocean: Comoros and Mauritius. These two countries serve as examples of how the development during the colonial period affected their growth during colonization and post-independence. Once independent, Mauritius experienced periods of high growth rates and has since stabilized to a consistent growth rate between three and four percent (3.5 percent as of 2015). Comoros, on the other hand, has experienced growth
rate volatility ranging from negative to positive values, occasionally fluctuating year to year (The World Bank, GDP growth). During colonization, both countries were agriculture-based societies focusing on the production and export of agricultural goods and are located in a similar climate. In order to explain the difference in growth patterns, the initial endowment factors, primarily population, are noted as the root cause.

This research examines the share of population upon colonization and the subsequent effects of having or lacking a native population. Comoros, a country with a pre-existing native population, fostered the development of a small elite special interest group. This small group held the majority of political and economic power, creating a “top heavy” society in which economic growth and development were slowed by lack of incentive for the small interest group to develop the economy. The French elite pushed natives from their land to gain access to the most profitable acres, leaving the poor quality plots to the native population. The land reforms also resulted in overcrowding of rural areas as the population continued to increase, creating unrest within the society. Little investment was made to develop the agriculture industry beyond what was necessary to maintain production levels. A lack of investment geared towards improving infrastructure, both physical and institutional, left the infrastructure largely underdeveloped.

Mauritius, unlike Comoros, had no native population. The introduction of indentured Indians, following the abolition of slavery, served as the primary source of labor and fostered the development of homogenous, encompassing special interest groups. Unlike the small groups, these encompassing groups faced incentives that led to development of the Mauritian economy and spurred growth in Mauritius. Under British rule, the Mauritian sugar industry was developed early to meet the demand in Europe. The success of the industry led to the development of
physical infrastructure as well as a banking industry. The difference in development between the two countries stems from the existence of a native population. Comoros, with its indigenous population, formed the appropriate environment for the formation of small interest groups which face incentive to only benefit members of their group, not the country as a whole. The lack of an indigenous population in Mauritius disrupted the necessary environment for the formation of small interest groups, allowing more encompassing groups to form which face incentive to develop the entire economy, not only their members.

II. Literature Review

As discussed in the introduction, literature regarding colonial development of developing nations has started to look for the causes of the heterogeneities among growth rates on a more individual level than a broad one. By looking at countries specifically, it may be prove to be beneficial in order to determine a root cause. Among the pioneers of researching the colonial period and its impact on economic growth and development are Acemoglu, Robinson, and Johnson. Their 2001 work considers the impact of development and its relationship with the mortality rate of colonizing settlers. Their findings show that countries which faced a higher mortality rate for settlers received lower levels of development than in areas where settlers were safer. Their results suggest that up to three-quarters of the difference in income per capita of their sample countries can be explained by differences in institutional development. Easterly and Levine (2016) take the prior research a step further, concluding that the greater portion of European settlers in a country, the better the institutional development.

The theoretical framework for this research is inspired by the findings of the above and is drawn from the works of Engerman and Sokoloff (1997) and Olson (1982). Engerman and
Sokoloff (1997) look at the impact of initial factor endowments on development. Their findings suggest that the share of population has a significant impact on development. A country or region with an existing slave or native population tends to form a small elite class which makes economic decisions that benefit only the smaller group’s members. This creates a status quo of income inequality between the two groups. A country with no slave or native population tends to focus on policy decisions and institutional development that promotes economic growth and income equality. Olson (1982) points out the difference in incentives faced by the groups in the above scenarios. The small group in the former example acts as a small special interest group. This group tends to focus only on benefitting its own members, not the whole of society. To benefit the whole of society, the group would have to bear the cost of the improvement while receiving only a minor benefit, if the benefit is distributed across the population equally. The latter scenario assumes the opposite. With no slave or native population, the likelihood of a small special interest group forming decreases, allowing for an encompassing group to form. Because these groups are larger, their decisions to benefit themselves must also consider the negative impact on the rest of society. This offers incentive to minimize the cost of their decision and improve conditions of society beyond their group. The findings of these works are generalized and applied to island nations of Comoros and Mauritius, contributing to the conversation surrounding population share and incentives to develop as faced by the two different groups.

Considering the theoretical model of this research, regarding Comoros and Mauritius, the findings of Acemoglu, Johnson, and Robinson (2001) as well as Easterly and Levine (2016) support the hypothesis which states that the difference in growth rates can be traced back to the colonial period. In countries where settlers were safer, more would move to the country, and the result is better institutional development. As the share of settlers increase, the potential for small
interest groups to gain power decreases, as adding to the group’s population makes it inherently more encompassing. As is discussed throughout the following chapters, the development of a more encompassing interest group leads to better economic and institutional development.

The behaviors of the interest groups have different outcomes. Works such as Bertocchi and Canova (2002) as well as Glaeser et al. (2004) analyze the impact that development during the colonial period has on modern economic statistics. Bertocchi and Canova (2002) investigate the impact that European colonization had on growth in Africa during the 1900’s. Through a bivariate analysis, they found that British colonies, on average, grew 1.1 percent over their sample, .2 percent over France, and .5 percent over others. They also found through this analysis that less economic drain on a colony (repatriated profits, measured by GNP/GDP), found that colonies with low economic penetration grow up to four times faster than those that experienced high penetration. Through a multivariate analysis they found that adding their variables for metropolitan ruler and drain rendered human capital accumulation and ethnic fractionalization insignificant. A regression of 98 countries also provided some interesting evidence. When added one at a time, all of the colonial variables used in the study were significant; the variables for metropolitan ruler and drain independently so. Glaeser et al. (2004) investigated the hypothesis that a country’s institutions are a driving factor of their growth. Their results determined, however, that human and social capital accumulations are a more basic driver of growth, and that the accumulation of those factors has a tendency to shape institutions as well. They show that initial schooling is able to predict improved institutional outcomes over the next five years. It suggests that higher levels of human capital accumulation may lead to better institutional development.
Through the analysis, this research contributes to the conversation regarding the colonial and modern history of Comoros and Mauritius. Drawing on the historical accounts of Newitt (1984), Allen (1999), and Houbert (1981) for information regarding the colonial period, this research examines not only the developments made by colonial rulers, but also determines the driving forces behind development. Applying the theoretical framework, the behaviors of the colonial rulers are explained, pointing to specific factors that influenced the eventual results of European colonization in Comoros and Mauritius.

III. Theoretical Framework

The theoretical framework utilized in this research stems from the work of Engerman and Sokoloff (1997) as well as Mancur Olson (1982). Engerman and Sokoloff (1997) discuss how the initial natural factor endowments of a country can influence institutional development as well as how those institutions shape the use of the factors in the future. Included in their 1997 work is a breakdown of differences in the Northern U.S. and Southern U.S. during the time of slavery and following the abolition of slavery. They found that the Northern part of the U.S. was able to achieve faster economic growth, develop higher quality institutions, and distribute income effectively to a greater share of the population. The main factor for this difference between the two areas is the large slave population in the Southern U.S. The conclusions reached from their analysis forms the first portion of the theoretical framework of this research.

The differences in the share of population in the example areas led to different rates of growth. For the purposes of this research, the existence of an indigenous population will be considered the equivalent to a slave population as used in Engerman and Sokoloff (1997). When a metropolitan ruler establishes a new colony with an indigenous population, they often become
the primary source of labor which establishes a similar system to the Southern U.S. The result then is the development of a relatively small elite population and a large population of individuals with little to no income. Engerman and Sokoloff (1997) argue that this situation leads to policy decisions that favor the small elite class, establishing a norm of income inequality and overall inefficiency. Poor income distribution has been shown to result in an overall slowing of economic growth. The effects of poor income distribution on the economy as presented by Engerman and Sokoloff (1997) are supported by the findings of Mo (2000) that greater income inequality “…has a significant negative effect on the growth rate” (p. 20).

The second scenario occurs when a colonizing nation is able to establish a colony where there is no real indigenous population. Instead of being able to rely on the indigenous people as a source of cheap labor, workers have to be brought in from elsewhere. This involves making employment attractive to a potential labor market, typically completed by offering what one would have to consider a suitable wage. Under this system, workers are able to earn wages and eventually establish savings. This allows for the development of a more affluent middle class and an overall faster rate of economic growth when compared to a country with an indigenous population. Faster growth is driven by better distribution of wealth as opposed to having the majority of income staying in the hands of a small elite class. The formation of a larger middle class also leads to policy decisions that benefit the majority rather than the minority.

When discussing the policy decisions made in each scenario, it is important to consider the incentives that these different groups face. Olson (1982) discusses the actions of special interest groups in a country and the impact that they can have on the economy. For the purposes of this research, the discussion will be limited to two different groups: a small special interest group (such as the elite class of the Southern U.S.) and a larger, more encompassing interest group.
(such as the middle class of the Northern U.S.). The development of these groups depends on the population endowments of a country. When considering the research of Engerman and Sokoloff (1997), it can be seen that with an existing native population, smaller interest groups benefitting the elite are more likely to form. According to Olson (1982), the groups are more likely to form in societies “…where there is political instability and an underdeveloped economy…” (p. 9).

The overall impact of the development of small special interest groups is best summarized as a slowing down of economic growth, according to Olson (1982). This is due to different incentives that the groups face. Small special interest groups often seek to improve the condition of its members, but often the improvements come at the expense of the rest of society. They seek to increase their economic gains by taking more of what already exists, not by creating more. In essence, the small special interest groups seek a larger share of the proverbial pie without increasing the size of the pie itself. For example, consider a “top-heavy” society in which a powerful small special interest group that makes up only five percent of the population holds the majority of political and economic power (Olson, 1982, p. 9). When making policy decisions, this group will weigh the costs and benefits. If making a decision that benefits the economy as a whole, this group bears a great part of the cost, but sees only a portion of the benefits as they are spread throughout the rest of the economy. The result is then a group that pushes for decisions that only benefit the members of the group, as this option has a relatively higher return (Olson, 1982, pp. 41-49).

A country facing the second scenario, no native population, is less likely to form small special interest groups. Instead, due to better income distribution across the economy, encompassing interest groups are more likely to form, which Olson (1982) argues can lead to faster economic growth and development as well as better institutional quality. This difference is
generated from the different set of incentives that these more encompassing groups face. Instead of making decisions based on the benefit of only a small elite population, the encompassing groups work to improve the conditions of a larger share of the population. The decisions made by more encompassing groups impact a larger share of society, so they are incentivized to consider the excess burden placed on the rest of the society from their decisions, as they too assume a large portion of the burden. This results in a society that promotes growth for more than just the encompassing group’s members, benefitting the better part of the society.

In summation, the theoretical framework states that a country with a pre-existing population is more likely to develop small special interest groups which result in political instability, poor income distribution, and slower economic growth and development. A country with no native or slave population is more likely to develop more encompassing special interest groups. These encompassing groups face incentives to better society as a whole through the minimization of the excess burden of their policy and economic decisions. Encompassing groups thus result in better institutional quality, proper distribution of income, and faster economic growth.

Outlined below are the descriptions of two development theories that are used to outline the development of the two countries, Comoros and Mauritius. The inclusion of these theories serves to connect this research to the larger conversation surrounding heterogeneity of growth rates and development in Africa. The Modernization Theory, the first that is outlined, includes Walt Whitman Rostow’s stages of economic growth as outlined in Rostow (1960). Rostow is an economist who served as Special Assistant to National Security Affairs under President Johnson, so the theory’s applicability to non-Western developing nations has been questioned. The theory is being included in this conversation because it closely outlines the effects of development that
Mauritius achieved, providing evidence that the Modernization Theory can be applied to non-Western developing nations as opposed to simply outlining the growth of Western world powers.

The Dependency Theory outlines the results of an underdeveloped economy. Where Mauritius was able to successfully transition from one stage of economic growth to the next, the lack of development in Comoros subjected the country and its economy to the effects of the Dependency Theory that are also outlined below. The two theories together then show the outcomes of either proper or poor development as well as the lasting effects following independence from their respective ruling countries.

A. Modernization Theory of Development

The Modernization Theory originated in the 1950’s and 1960’s and was developed by economists from the West. It was a product of the wave of independence that signaled the end of European colonialism and colonization around the world. Conversation about the development of these newly independent countries drove economic research towards finding a way for these countries to enter and become successful players in the global economy. The economic role of the United States continued to grow during this time, and thus a theory of growth surfaced that has its roots in capitalism and what is considered to be Western thought and practices. Walt Whitman Rostow, in his 1960 work The Stages of Economic Growth: A Non-Communist Manifesto offers a model of economic growth. It is comprised of five different stages of growth, each of which are outlined below.

The first stage in the Rostovian Model is the Traditional Society stage. At this point, the majority of the country’s inhabitants are subsistence farmers. Production levels during this stage are low and prospects of increasing production may not be readily available and often depend on
the needs of the society. Modern technologies have not yet been introduced into these societies or if they have, they are not typically applied across the entire economic landscape. Usually, the primary form of capital input is human labor. Because of this and low levels of productivity, economic activity in the form of trading a surplus is limited, although it can be seen on a local level if a surplus is achieved. Those in a traditional society have limited opportunities for vertical social/economic movement in part because of the subsistence nature of their operations but also because of the family and clan nature of their social structure. The outlook of these societies is considered to be one of long-run fatalism, where the prospects of growth and development available to one generation will be relatively similar to those that may follow a generation or two behind (Rostow, 1960, pp. 4-6).

The second stage of development is the *Pre-Conditions for Take-Off* stage. This stage requires development of both the economy and society. It is characterized by fundamental changes that open the society to economic development as well as prospects for international economic activity. During this stage, emphasis is taken away from reliance on the agricultural sector and is instead moved in a more industrial direction of production. Some countries may find more success by continuing agricultural production, but increased levels of investment in the sector must be supported to enhance competitive ability and focus on increasing exports. Institutional development is also necessary in order to facilitate the increased investment, particularly the development of a banking industry. Physical infrastructure investment is another factor in this stage. As production levels increase and production is diversified, development of reliable transportation helps reduce costs and increase efficiency. Socially, attitudes move from the long-term fatalist to one of growth. During this phase, the facilitation of investment and risk-taking lead to greater levels of entrepreneurship and innovation, moving profit from a few already
wealthy land-owners to the lower-classes, allowing vertical economic and social movement. Movement of capital towards these groups allows for more investment in education and increased education rates, resulting in more skilled laborers and potential entrepreneurs. In general, this stage prepares an economy and society for international relationships and the ability to maintain competitiveness (Rostow, 1960, pp. 17-36).

The stage following the Pre-Conditions for Take-Off stage is the Take-Off stage. Like the prior stage, there is also a continued increase in investment. This is a result of a growing population, which increases the amount of participants in the economy. Income distribution allows those who will utilize funds effectively to have access to greater amounts of capital. During this stage, growth can typically be attributed to some form of stimulus that “…may take the form of a political revolution which affects directly the balance of social power and effective values, the character of economic institutions, the distribution of income, the pattern of investment outlays and the proportion of potential innovations actually applied” (Rostow, 1960, p. 36). This form of shock leads to innovation/changes that result in more stable and reliable levels of economic growth. Social changes are also seen in this stage. As there is now a greater need for skilled laborers and the economy relies less on large supplies of low/no-skilled laborers, birth rates during this period have a tendency to decline. Those involved in government also begin to move towards modern ideals, away from nationalist tendencies and old traditional values (Rostow, 1960, pp. 36-58).

The fourth stage is called the Drive to Maturity. One of the defining features of this period is the continued development of the industrial sector as well as its diversification. According to Rostow (1960), this period can be generalized as the time “…when a society has effectively applied the range of (then) modern technology to the bulk of its resources” (p. 59). The
successful industries that have already been developed over time, then, are able to bear a larger share of the economic burden while other sectors can then be developed and prepared for global competitiveness. The labor market continues to shift supply of labor from the agriculture sector to more modern forms of economic activity: manufacturing and service industries. There is an increase in laborers who “…design or handle complex machines, keep office records and manage big bureaucracies…” (Rostow, 1960, p. 71). This emphasizes not only another shift from unskilled to skilled labor, but also now includes a different from of skilled labor that was perhaps not as prominent in the economy in the prior stages (Rostow, 1960, pp. 59-72).

The final stage is the stage of Mass Consumption. In this stage, economic growth is regular and major industries have developed. There are different paths that a country could take in regards to the stage of Mass Consumption. They are: increase investment into military and foreign policy initiative in order to increase global significance, use the powers of the state to directly affect income distribution as a way to meet social and human development goals, or use economic success to increase the consumption of the citizens beyond basic needs for survival (what could be considered more luxury goods/services). This stage is, essentially, the ideal level of development that all countries can achieve, according to the Modernization Theory, specifically if their development is in line with the five stages of modern development (Rostow, 1960, pp. 73-92). The Modernization Theory suggests a path to development that is in part a result of economic development and diversification as well as societal changes that promote institutional development. Figure 3.1 below will be used throughout the empirical section to track the development of Mauritius and Comoros.
Stage 1: Traditional Society

- Introduction of international economic activity
- Infrastructure development
- Investment
- Growth oriented

Stage 2: Pre-Conditions for Take-Off

- Birth rate decline
- Income Distribution
- Modernization of ideals
- Stimulus

Stage 3: Take-Off

- Diversification of Economy
- Growth of manufacturing and service sectors
- Higher education rates
- Need for skilled labor

Stage 4: Drive to Maturity

- Consumption of goods
  - Luxury goods
- Continued development of industries outside of Agriculture
- Improve global relations

Stage 5: Mass Consumption

Figure 3.1
B. Dependency Theory of Development

The Dependency Theory originated as a response to the Modernization Theory of Development. Where the Modernization Theory praises the capitalist system and Western ideals as a form of path to success via the five stages of economic growth, the Dependency theory criticizes Western practices for the underdevelopment of struggling nations around the globe. This theory focuses on Western influence in developing parts of the world, particularly through the scope of colonialism and the various development practices (or lack thereof) of colonial powers. The Dependency Theory’s primary concern is that modernization practices have not done enough to speed up the development process of young nations, and also does not play a crucial enough role in reducing poverty in these nations. Instead, the Dependency Theory claims that the West extracts the raw materials and exploits the natural resources of developing nations for their own benefit, robbing developing countries from any meaningful share of profit (Matunhu, 2011).

To put this theory into context, one can look to Africa and its colonial experience. During colonization, the theory concerns itself with the extractive practices of colonial rulers. In these cases, Western powers developed the practice of exporting raw materials from African nations using the cheap African labor to lower the price when exporting goods back to the metropolitan ruling countries. Metropolitan rulers then have incentive to continue developing raw material export sectors, leaving other sectors of the economy underdeveloped. In some cases, those raw materials extracted from the developing countries were sold back to the underdeveloped nations at a higher price in the form of a finished product. This is also known as the concept of value added, and is what perpetuates a cycle of debt in developing nations. Finished products from Western countries that developing countries needed for everyday uses were sold to developing
countries at full price. Though they may have been able to produce the goods domestically, the underdevelopment of sectors outside of raw material production eliminated that possibility. The profits generated from exporting raw materials would also not be sufficient to compensate for the required imports because of the low price they were sold for, resulting in trade deficits.

The ultimate result of this is a perpetual debt cycle, where underdeveloped countries find themselves at the mercy of foreign aid, coming from the very nations that are said to be exploiting them in the first place. Essentially, “…the metropolis is dependent for its development on the underdevelopment of its satellite” (Matunhu, 2011, p. 69). Even after colonial powers pulled out from their colonies and began granting/conceding independence the Dependency Theory claims that restrictions are still being placed on developing nations by developed world powers. Now, disparity stems from the IMF, World Bank, and other international financial institutions which use trade agreements and mandatory meeting of certain regulations to influence developing economies. The Dependency Theory contests that this continues to perpetuate disparity in development on a national level. By pressuring developing nations to adopt Western policy suggestions, this creates further economic disparity internally, particularly between urban areas and rural areas. The theory suggest growth is achievable by limiting ties and foreign relations with countries that are facilitating the cycle of dependency, and that growth is most efficiently achieved as an independent state with little foreign relations; a more nationalist view.

Considering the Modernization Theory, the Dependency Theory suggests the inability to transition to a more advanced stage. After years of resource and capital extraction, following independence, countries were often left reliant on the economic sectors that proved profitable for colonial rulers. Without effective investment into infrastructure and human/social capital as well
as industries that can support economic growth (such as banks), these countries are unable to progress. Thus, they are left under similar circumstances as when colonized: with a large, uneducated and unskilled labor force and a small elite class overseeing the operations of the export sector(s). The continued reliance on this system does not promote growth and perpetuates the cycle of exporting agricultural goods and raw materials as well as limit funds available for domestic investment into other sectors or infrastructural/capital investment. The Dependency Theory does well to describe the conditions of these countries that were held back by lack of development during the colonial era.

IV. Empirical Evidence

In this section, the colonial histories of Mauritius and Comoros are outlined and analyzed. Evidence is provided to show the development of encompassing homogenous special interest groups in Mauritius which was made possible by the lack of a native population following the abolition of slavery. The beneficial effects of the development of this interest group as well as the favorable policies set by British rule enabled Mauritius to achieve economic growth and success as outlined by the Modernization Theory of Development. Also shown is the development of a small special interest group in Comoros comprised of the elite French population that inhabited the islands. Poor policy decisions, particularly regarding land distribution, as well as inefficient use of profits resulted in Comoros falling into the perpetual cycle of poverty and underdevelopment as outlined by the Dependency Theory.

Mauritius was uninhabited prior to the arrival of French settlers in 1715. There was, however, early interest shown by the Dutch East India Trading Company in colonizing Mauritius as a station to restock supplies for ships moving throughout routes in the Indian Ocean and
around Africa. Following a short attempt to colonize, the Dutch East India Trading Company eventually abandoned their endeavor. This left the island open to French settlers from nearby island neighbor, Reunion, who officially colonized Mauritius in 1721. French development during this period was focused on aspects other than agricultural and economic development of the island. Although, it did become a hub of commerce; the numbers of merchants increased from 103 living on the island in 1776 to 365 in 1808, and the number of ships utilizing Mauritius’ port increased from 78 in 1769 to 347 in 1803 (Allen, 1999, pp. 10-12). Most of the economic activity on the island surrounded this form of commerce as well as French attempts to capture merchandise from British and other affiliated ships, which is estimated to have totaled “…at least 80,000,000 gold francs” (Allen, 1999, p. 12). The success of these industries led to little development of any sort of export sector in Mauritius under French rule, although the agriculture sector was cultivated more towards the end of the French occupation due to the French losing a major source of their sugar production in the early 1800s.

Eventually, the continued harassment of British vessels in the Indian Ocean by French ships originating from Mauritius led to the British taking of the island in the 1820s. Because the economy was so driven by commerce generated from French maritime endeavors, the economic conditions faltered under initial British rule. This led to further development of the agriculture sector, particularly the sugar industry. After the 1825 repeal of a preferential tariff on sugar imports into the British market from the West Indie area, sugar production was revamped and “revolutionized” in Mauritius as a new tool for economic success (Allen, 1999, p. 12).

Unlike Mauritius, Comoros was inhabited by a native population prior to colonization. The population consisted primarily of Islamic migrants, but because the island was a stepping stone and temporary operating point for European interests, there resided a mixture of other races and
cultures as well. French colonization followed the British take-over of Mauritius. The decision to colonize was made by the French in the 1840’s in order to maintain influence in the Indian Ocean and surrounding areas (Newitt, 1984, pp. 15-16, 24-26). Primarily a subsistence farming culture, little capitalist economic development was to be seen other than under those who wielded political power and exploited the export of agricultural goods. Sugar was a primary export of Comoros during the early years of French rule, but because of overplanting, crop yields started to decline. This led to the cultivation of different agricultural products, some of which were successful and remain so today, such as vanilla and the ylang-ylang plant.

Initially, both countries meet the qualifications of the Traditional Society phase of development. By the time the British took control of the Mauritius in the 1820s, the population consisted of French and creole businessmen, early Indian immigrants, and a slave population on which the island was dependent for labor. Early development by the British consisted of expanding the agricultural sector and making improvements to increase productivity as an effort to meet the growing European demand. Though expansion was taking place, the Mauritian economy initially was subject to reliance on the agricultural sector and international economic prospects were only beginning to be realized. Comoros more accurately fits the definition for the Traditional Society phase. With a subsistence farming population, little technological advancement could be seen on the island in regards to production. International endeavors were also limited to occasional stops by passing ships with other destinations in mind. Because of the subsistence nature of the indigenous population, little development could be seen in other sectors of the economy.

The lack of an indigenous population in Mauritius disrupted the necessary environment for small special interest groups to form. Instead, the British were able to capitalize by working with
the already established plantation-like agriculture system in order to meet the growing demand for sugar in Europe. Upon colonization, Britain gained access to land that was already being farmed and was not required to redistribute land in mass amounts. Doing so may have resulted in political instability and overcrowding of rural areas. Because they were able to reach agreements with the French-speaking creole population, a form of encompassing special interest group formed that worked to increase profitability and research better production methods. Under the system of slavery, the British were also able to import labor as needed, so they were not forced to deal with potentially harmful land reforms regarding the existing population.

The pre-existing population in Comoros created an environment suitable for the development of small special interest groups. This is especially true considering the island’s underdevelopment which Olson (1982) states increases the likelihood of small groups forming. Following the decline of the sugar industry due to overplanting, the agricultural sector in Comoros gave way to new crops that were developed by two large French companies operating in Comoros: the Societe Colonial de Bambao and the Societe de Nioumakele. The former of the two companies, around 1938, is estimated to have “…owned 37 percent of the land on Anjouan, 15 percent of Mayotte, 22 percent of Moheli, and 47 percent of Grand Comore” (Newitt, 1984, p. 98). Eventually, small-scale planters were driven out of business due to economic hardships and were pressured by the French companies to sell their land to growing agriculture companies (Newitt, 1984, p. 97-98).

This form of social setup in Comoros is similar to that of the struggling nations described by Engerman and Sokoloff (1997). Comoros’ poor income distribution resulted from institutional changes set to benefit the small, elite class of European agriculture producers. These French companies serve as an example of a small special interest group. Because the small group holds
the majority of economic and political power, the society of Comoros became what Olson (1982) refers to as “top heavy” (p. 9). In the case of these societies, income distribution is poor, leading to extreme income inequality. The small group makes decisions based on the gains of only a small portion of society, leaving the larger social group bearing the cost of their gains. The profits generated from export goods were either repatriated to France or were needed to pay for the imports required by the islanders since virtually nothing else was produced locally. This resulted in little investment being made back into Comoros beyond what was necessary to continue the operations of the agricultural sector (Newitt, 1984, pp. 99-100). As Engerman and Sokoloff (1997) discusses, this pattern of growth benefitting only a few can slow the economic and institutional development of a country, which is directly seen in Comoros.

The findings of Bertocchi and Canova (2002) emphasize the importance of low economic drain from metropolitan colonial rulers and the resulting economic impact of low drain. Through a bivariate analysis using a set of African nations, the authors found that countries with low economic penetration during earlier periods of the sample experienced higher growth rates later in the time period than countries that experienced high levels of economic penetration. Economic penetration here is measured by the variable Drain, which is a ratio of GNP/GDP used to determine the amount of profits that were repatriated by the metropolitan ruler. The authors state the following: “The discrepancy between GNP and GDP reflects repatriated profits on foreign investment, royalties and direct exploitation activities, and therefore aims at measuring the degree of penetration that the metropolis exerted, roughly, at the end of the colonial period” (Bertocchi and Canova, 2002, p. 1857). The results specifically show that a 1 percent increase in the GNP/GDP ratio increases GDP growth rate per-capita by 0.3 percent and suggests that countries with low economic penetration could experience economic growth at rates up to four
times higher than countries with large amounts of repatriated profits (pp. 1858-1861). The economic drain in Mauritius and Comoros is then important to consider when discussing the country’s development. Investment in successful industries and infrastructure are key components in the early stages of Rostow’s stages, and reflects back to the analysis of Bertocchi and Canova (2002) as well as Glaeser et al. (2004) which provide evidence that low economic drain can lead to increased growth rates, more available domestic capital for investment, and result in better quality of institutions. According to Newitt (1984), the majority of profits made by French endeavors in Comoros were either repatriated or used to support imports, suggesting slower economic and institutional development.

The success of the sugar industry in Mauritius led to infrastructural development, an important factor of the Pre-Conditions for Take-Off stage. Early advancements in the industry and throughout the economy were rather straight-forward. As outlined by Houbert (1981), success of the sugar industry resulted in: “…centralisation of mills, marketing, research, banking, and insurance, which through economies of scale reinforced the profitability of sugar compared with other forms of production in Mauritius” (p. 76). The centralization of the mills accompanied by improvement of transportation routes, beginning with roads and eventually giving way to the development of a rail system, made transporting sugar to various points on the island more efficient and cost-effective. Investment in research and marketing techniques evolved to help Mauritius meet the growing demand for sugar and spread their product throughout the European market. The need for capital increased dramatically in the 1850s, and thus, the formation of the Chamber of Agriculture in 1853 attempted to develop a system of long-term loans with moderate interest rates to increase reliable investment into the sugar industry. Two banks also formed, one locally owned and operated, the other operated using British capital, giving local sugar producers
access to methods of saving and access to credit both domestic and foreign (Allen, 1999, pp. 24-26). Beyond development of infrastructure, there were also social changes taking place during this time that allowed a larger portion of the Mauritian population to participate in the economy and political institution. Reflecting back to Fig. 3.1, the transition from the *Traditional Society* stage to *Pre-Conditions for Take-Off* stage happened early in Britain’s colonial rule of Mauritius. Investment intended to increase output and provide infrastructural development satisfy the conditions for the transition as well as the development of a growth oriented economy.

![Stage 1: Traditional Society](image)

Slavery was abolished in Mauritius in 1835, transitioning existing slaves to an apprentice program which was set to keep laborers working for six years, but most of the new apprentices were able to purchase their freedom and leave the agriculture sector, and in some cases leave Mauritius entirely before the six year period was over. They typically moved to the coast and established more traditional ways of living. This left Mauritian sugar producers looking to India as a new source of cheap labor. Before slavery was abolished, the native Indian population in Mauritius was small, but ballooned shortly after the abolition. Indian share of the population increased to two-thirds of the whole with an estimated 450,000 Indian workers brought to Mauritius (Houbert, 1981, p. 78). The Indian laborers were brought to Mauritius as a form of
indentured labor. Recruiters from Mauritius would travel to India to have potential laborers sign contracts to agree to work for a set wage for a certain period of time. This was attractive particularly to Indians of the lower classes who typically made a fraction of the wages proposed by British recruiters (Mishra, 2009). Those who agreed to the terms most likely did so in an effort to improve their economic prospects and gain the opportunity to break away from their class label in India.

The new pool of employment, coupled with the realization that it is cheaper for sugar producers to hire labor through contractors, led to the development of a population of Indians that were able to save money from either working the plantations and/or leasing cheap Indian labor (this was typically done by Indian immigrants who had already established themselves as entrepreneurs in the country) to meet the growing demand for labor. The ability to earn and save, now attainable by the majority of the population, allowed for the development of a large Indian middle class (Houbert, 1981, pp. 78-79, 81). Their savings allowed the opportunity for education which, until 1957, was limited to pre-existing establishments and a handful of private Roman Catholic schools. However, in 1957, a compulsory education ordinance was established, requiring government-sponsored education for Mauritian children (Boehme, 2016). The development of a growing middle class, agricultural entrepreneurship, and increasing education rates across the classes are important for the social development of a country, according to Rostow’s stages (Rostow, 1960).

The problem of land and population growth continued to plague the economic state of Comoros. While much of the wealth was going directly to the pockets of the elite, the poor population of Comoros continued to expand. In 1870, the estimated population of Comoros was 65,000. Prior to an official French census in 1958 followed by another in 1966, the next best
estimate was in 1935 with a population size of 124,000. The French records indicate population sizes of 183,133 and 244,905 respectively (Newitt, 1984, pp.100-101). Because the majority of cultivatable land belonged to the state and French agricultural companies, the growing population could not be sustained without land reforms. Some reforms did take place during the colonial years, but they typically resulted in a system where Comorians worked for agriculture companies, with payment often only being the ability to live on company property. Land that was allocated for development of new villages consisted of the less-cultivatable areas, keeping the most profitable acres in the hands of private companies and state enterprises; the small special interest groups. With a limited ability to grow a sufficient crop for private consumption and major crop production focused on export goods, food needed to be imported from abroad to sustain a healthy diet (Newitt, 1984, pp. 101-104). This decreased foreign capital holdings and often resulted in a balance of payments deficit.

The education system was poorly developed in Comoros. What did comprise the education system was modeled after the French style. In 1939, only ten primary schools existed on Comoros, and upon the passing of a graduating exam, only five native students were allowed to continue education abroad. Compulsory education was established in the 1960’s, and the number of schools eventually increased to accommodate more students. The majority of children were educated in the Koranic schools that were established early in Comoros’ history; a result of Islamic influence. Those who were educated in the government schools were still taught by educators from Comoros, suggesting little difference in education quality and material, except for increased French influence. French students were educated in private schools that had French educators, creating a deeper divide between the native population and French rulers (Bakar,
1988, pp. 183-185). Following independence, the education system was left in the hands of Comorians, as French educators moved back to their metropolitan state.

An increasing rate of education is shown by Glaeser et al. (2004) to have an impact on institutional development over a five year span. The end of slavery in Mauritius opened the door to increased rates of education. As seen in the following paragraph, a larger portion of Mauritian citizens started to become politically active and push for economic diversity as well as promote income distribution across the classes, primarily in support of the developing middle class. As education rates and quality increased, Mauritius gained more access to skilled labor that was able to facilitate these changes and move away from reliance on the agricultural sector which up until that point supported the economy almost entirely. Development of domestic manufacturing and industrial sectors reduces reliance on foreign imports, increasing foreign capital stock as a result of increased exports and decreased imports, providing a better balance of trade. Comoros, on the other hand, experienced low levels of low quality education, with the French elite offering very few educational opportunities that were typically fruitless for the domestic economy. Graduates often traveled to other parts of the world for better paying jobs or in pursuit of higher education. This serves to further the argument that France’s lack of development, educational in this case, plays an important role in the difference in performance between Comoros and Mauritius. The difference is established in part by disparities in human and social capital accumulation, and ultimately resulted in varying qualities of institutions post-independence.

The developments made during the Pre-Conditions for Take-Off stage set Mauritius up for the transition to the Take-Off stage. This could have been accomplished earlier, but Mauritius’ reliance on a monoculture economy based on sugar subjected the economic state to unexpected changes in global prices. At times, this volatility left the country with an unfavorable balance of
payments account. Though there was some intervention from metropolitan Britain, the majority of the credit provided to Mauritian sugar producers came from domestic sources resulting in an inadequate amount being provided to the agricultural sector (Allen, 1999, pp. 27-31). The volatility of the sugar-based economy led to the formation of the Mauritian Labor Party, which advocated for the Indian population to seek a greater political and economic position in Mauritius and to gain independence from Britain. Reforms and political changes preparing Mauritius for the transition from colony to independence began in 1948, but because Britain wished to maintain a presence in the region, independence was granted later in 1968 when decided upon by a national popular vote. The slow process coupled with Britain leaving behind a head of civil service, security advisors to the prime minister, and commander of the special mobile force, resulted in Mauritius’ transition being relatively smooth and allowed the country to maintain relations with metropolitan Britain (Houbert, 1981, pp. 79-88). This shift led Mauritius to seek new trade partners to increase the success of the sugar industry as well as develop new industries driven by further political involvement of Mauritians, leading to the next stage of growth.

The development of the Indian middle class is one of the larger driving factors behind the country’s current economic standing. In Engerman and Sokoloff’s 1997 article, the authors discuss the importance of factor endowments, income distribution, and institutional development. As a larger portion of the Indian population in Mauritius saved to attain better education or invested in their own endeavors, they were able to influence the political and institutional development to better the larger part of the population and diversify the economy using institutional tools (such as the later development of the Export Processing Zones). The development of political parties pushing for greater income distribution and modern employment
opportunities also played a role in advancing the economic and social prospects of the country. Under British rule, the Indian population in Mauritius acted as an encompassing interest group. This group promoted economic growth through saving and investing as well as pushing for greater income equality via institutions.

While Mauritius continued to develop its people and economy, the domination of the agriculture sector on the Comorian economy can be seen below in Fig. 4.1. Four major crops are included, but what is important to note is that they consistently account for 90-plus percent of total exports, even beyond independence. The French companies made minimal investment in Comoros, importing “…basic machinery necessary to handle the crops, established their own workshops, and provided their own transport, but apart from these measures they did little” (Newitt, 1984, p. 98). Poor development of the agricultural industry also extended into what little of the industrial sector that existed in Comoros during French colonization as well as the education system. In 1949, the first of a few four-year development initiatives set out to improve upon the rural areas of Comoros, but resulted in little development. The official paving of a few roads did not take place until 1960. Only a few landing strips, piers, and government buildings were established during French rule (Newitt, 1984, pp. 110-111). The end of the slave trade slowed maritime movement between islands, and no ferry system or other forms of transportation were officially sponsored until the late 1960’s – early 1970’s. This new form of transportation was an airline that offered round trip tickets over all four islands, but for £32 which was “…twice the annual income of the average Comorian” (Newitt, 1984, pp. 112).
Though in this scenario the formation of an encompassing group is made less likely by the initial endowment of a native population, it is not entirely impossible for one to form. If such a group were able to take shape and become politically active, perhaps the citizens of Comoros could have united against French rule and lobbied for worker’s rights and freedoms, a better land distribution system, and call for other necessary improvements. However, lack of infrastructural development increases the difficulty for more encompassing special interest groups to form. Olson (1982) states that lack of infrastructural development makes it “…more costly and difficult for those in rural areas to mobilize political power to influence the government and gives the residence of the major metropolitan areas, especially the capital city, a disproportionate influence” (p. 167). This is directly seen in Comoros, especially since the country is comprised of multiple islands. The difficulty of traveling from one place to another increased the probability of each specific island developing its own special interest organization with different
goals. The result would then be the existence of heterogeneous groups which Olson (1982) states can slow economic growth and development.

Looking again at Fig. 3.1, by independence, the transition from *Pre-Conditions for Take-Off* had the majority of its requirements satisfied in Mauritius. Data on the birthrate of Mauritius prior to independence is scarce and could be inaccurate, but the trend shown in Fig. 4.3 below suggests that the decline began prior to independence. The “stimulus” noted in Fig. 3.1 could be considered the development of the large Indian middle class and establishment of political parties such as the Mauritian Labor Party. Because the Labor Party represented such a large portion of the population, it would not make sense to consider it a small special interest group. According to Olson (1982), the formation of an encompassing group can have beneficial effects on the economy as a whole, and this is seen in Mauritius. As a government organization, the Mauritanian Labor Party advocated for the working population, pushing for higher wages and freedoms. Acting as an encompassing group, the gains from their decisions spread more evenly over the economy, resulting in lower levels of income inequality.

Following independence, the major political parties in Mauritius united to achieve the common goal of increasing the profitability of the already well-developed sugar industry. Political leaders sought to re-establish ties with France, who turned out to be very interested in
Mauritian investment. With the renewed French ties and continued relationship with Britain, Mauritius was able to gain access to the European Economic Community. Here, Mauritius “…benefited from loans on favourable terms from the European Development Bank, as well as drawing rights on the European Fund for Development. Under the Yaounde II Convention, Mauritian products could enter the markets of the member states of the E.E.C. relatively free of tariffs” (Houbert, 1981, pp. 89-90). Greater access to the European market and a world sugar shortage in the late 1960s contributed to a profitable period for Mauritius. Agricultural entrepreneurs and the sugar elite now had large amounts of capital to invest in the new developing industries: manufacturing and tourism.

The 1970 Export Processing Zones Act was passed in Mauritius, which “…directed entrepreneurial energies on the island into manufacturing export-led growth” (Bräutigam, 1997, p. 49). This shift of capital was attractive to entrepreneurs because of the list of goods included in the European Economic Community trade deals and the new relationships with countries that had knowledge of necessary production methods which made exporting to Europe cheap, while developing the ability to manufacture goods locally. The Mauritian government also provided some assistance and incentives to those wishing to invest in the new manufacturing center. These included: “…infrastructure, sites and factory space at low rents, cheap energy and duty-free raw materials, banking facilities, 'tax holidays', repatriation of profits, a guarantee against nationalisation, and 'political stability’” (Houbert, 1981, p. 93). Access to the European market was not only attractive to domestic investors, but coupled with accessibility to educated labor in Mauritius, investment was attracted from other foreign firms in Europe, China, South America, and other areas (Houbert, 1981, p. 93). The success of the industry backed by new investors led export growth from this sector to increase by 31 percent per year, and increased employment in
the Export Processing Zone by 38 percent (Bräutigam, 1997, p. 49). Looking at Fig. 4.2 below, it is clear to see the increase in prevalence of the manufacturing sector. Exports from the manufacturing sector began to increase at a high rate, marked by the introduction of the Export Processing Zones.

![Graph showing Manufactures exports for Comoros and Mauritius from 1960 to 2016.](image)

**Figure 4.2: The World Bank, Manufactures exports**

Zafar (2011) attributes much of Mauritius’ success to the ability of the public and private sector to work together and exchange information so as to reach a general consensus regarding economic policy. This increases the beneficial effects of an encompassing special interest group and can include Olson’s (1982) discussion of the formation of a homogenous group of special interest organizations that work together for the benefit of the society. If Mauritius was plagued with political instability, the likelihood of a heterogeneous group of special interest organizations would increase. Olson (1982) states that a heterogeneous group makes it more difficult for a consensus to be reached, and the disagreements generated by differing goals can slow the policy
making process. This can result in lower levels of economic growth and development (pp. 23-25).

Comoros was unable to fare as well as Mauritius once independent. The industrial/manufacturing sectors of Comoros were primarily based on traditional goods often using hand-made methods of production. Construction methods were also traditional, showing a lack of modern technological use. French interests in Comoros were limited to the export of agricultural goods, so the industrial/manufacturing sectors remained undeveloped during French rule. Though data is scarce regarding these sectors, looking back at Fig. 4.2 shows that even 20+ years after independence, Comoros still lacked a sufficient manufacturing industry.

Due to the lack of development during French colonization of Comoros, the country suffered economically after reaching a majority vote to determine their independence in 1975. At this time, French aid covered three-quarters of the government budget, and the reliability of that aid faltered with the decision to declare independence and would stop during the times of political unrest. One of the prevailing government regimes, under Ali Soilih, attempted socialist reforms which decentralized the government, divided estates for those who did not own property as a way of correcting France’s poor land policies, and made production of domestic sources of food a national objective. However, events in Madagascar in 1976 and a volcanic eruption in 1977 forced former citizens of Comoros to relocate back to the islands, leaving Comoros with a large population in need of foreign assistance and disrupting land reforms. Despite the need, little assistance arrived as Newitt (1984) also includes that the disbanding of the central administration resulted in “…no machinery left to organize the distribution of aid” (p. 118).
One other social hallmark of the *Take-Off* stage is the decline in the birth rate of a country. This is a result of less need for large amounts of uneducated/unskilled labor. As early as the World Bank is able to provide data, the trend can be seen in Mauritius beginning in the 1960s, where the birth rate only continued to fall as time pressed on. Fig. 4.3 will show that the crude birth rate per 1,000 citizens in 1960 was 44.208, which fell to almost half (23) in 1973. From there, the rate continues to steadily decline. Though Comoros also experiences a decline, it remains steady until after independence from France where it declines only slightly, compared to the more dramatic decline in Mauritius.

![Figure 4.3: The World Bank, Birth rate, crude](image)

The transition from the *Take-off* stage to the fourth stage, *Drive to Maturity*, can be seen through different aspects of the Mauritian economy. Following independence, Mauritius began the process of making education more available to citizens, providing free education up to and including secondary level education from 1976 on. In 1988, Mauritius also granted free post-secondary levels of education (Federal Research Division of the Library of Congress, 1988-1999). A greater educated labor force, and moves to mechanize agricultural production, pushed a
larger share of the labor supply first into the industrial/manufacturing sector as well as into the services industry. Figures 4.4 4.5, and 4.6 will show the shifts in the share of labor. Though data is more recent than other figures, the trend can nonetheless be seen. From the early 1990s, male employment in the agriculture sector commanded 14-15 percent, falling to less than 8 percent according to the most recent data. Likewise, female employment in agriculture fell from 12 percent in 1964 to 6 percent in 2011-2012. Employment in the industrial sector for males has stagnated, as shown in Fig. 4.5, decreasing slightly from 40.1 percent in 1990 to 32 percent in 2014, with female employment decreasing from 50 to 26 percent over the same time period. Though this figure shows a decrease in employment in this industry, it may be because the data available does not go back to the beginnings of the Export Processing Zones in 1970 where the initial rise in employment in this sector would have been expected to be the largest. The resulting decline in the more preset case can be attributed to rise in prominence of the service industry which continues to command a growing portion of the economy. Fig. 4.6 shows the change in the service sector, with male employment reaching a high of 59.9 percent in 2014 over 42 percent in 1990 and with female employment in the sector rising from 35.4 percent to 69.5 percent over the same time period.

Though the same economic data is unavailable for Comoros, we can assume trends in economic behavior by observing Fig. 4.7. This graph shows the percent of GDP of the agriculture, services, and industrial sector, value added. The values for the industrial sector remain rather constant. Agriculture and the services sector also vary little, but appear to have an inverse relationship. The assumption here would be that around 2010, the economy began to rely more on the services industry than agriculture, which is a step towards modernizing an economy.
Figure 4.4: The World Bank, Employment in agriculture (male, female)

Figure 4.5: The World Bank, Employment in industry (male, female)
These changes are also reflected in the percent of GDP that the industries command. The agriculture sector peaked at the earliest record available from the World Bank at 23.9 percent value added to GDP in 1976 before steadily declining to a low of 2.9 percent in 2015. The manufacturing industry, using the same statistic, peaked at 25.3 percent in 1987 before declining
to 16.1 percent in 2015. The service industry in 1976 had a value of 50.8 percent, fluctuating slightly in the years following before steadily increasing to 74.4 percent in 2015; this can be seen in Fig. 4.6, below. Fig. 4.7 shows the GDP growth rate of Mauritius and its progression as well as the GDP per capita growth rate. Characteristics of the Drive to Maturity stage also include regular, steady GDP growth as well as growth of GDP per capita. These changes satisfy the conditions for transitioning to the next stage of the Modernization Theory.

**Figure 4.8:** The World Bank, Agriculture - Manufacturing - Services, etc. (value added as % of GDP)

**Figure 4.9:** The World Bank, GDP growth - GDP per capita growth
Despite facing some economic volatility during times of extreme swings in the global price of sugar, Mauritius has successfully developed its economy which has resulted in economic growth and diversification. Mauritius no longer relies on a single crop for advancement and now boasts a profitable service sector. Durberry (2004) completed research to determine if diversification of the economy was the right choice for Mauritius and assessed the impact that the tourism (service) industry has had on the economy. The results showed that while export goods have driven growth in the past and despite still being a significant factor in Mauritius’ growth, tourism has become the main driver for economic growth. Durberry (2004) praises the diversification of the economy as well as investment in tourism which can provide growth when exports are not sufficient (p. 399). The development of the factors of the Pre-Conditions for Take-Off stage during British colonization established an economic base for Mauritius to build on following independence. The cultivation of education programs, the development of both physical and institutional infrastructure, and access to the European market through relationships with Britain spurred diverse investment into different sectors of the economy, a decision also influenced by the evolving political climate.

These advancements were made possible by the initial endowments of Mauritius. The lack of native population set the society up for the development of encompassing special interest groups which Olson (1982) argues is more beneficial for economic growth than small special interest
groups. Because these groups are relatively homogenous, the benefit from their policy decisions spread across more than one group, resulting in: better income distribution, higher education rates, economic diversification, and other signs of a successful modern economy.

The French failed to move Comoros beyond the *Traditional Society* stage. With the repatriation of profits and lack of investment interests beyond giving aid to the islands resulted in a retraction of economic performance following independence; the effects of which were exacerbated by political instability and socialist attitudes towards development. Newitt (1984) called for reforms that would develop production of import-saving goods (soap, salt, candles, etc.), industrial development of export goods, and increased investment in the tourism industry. Although Newitt (1984) worries that these will not pick up the economy as fast as needed, they are ways to increase foreign exchange reserves and limit the country’s dependency on imported goods. Bakar (1988) criticizes France’s development of the education system, stating that they did not invest enough to benefit the native population. The transition from colony to independent state did little to improve the education system, especially considering the removal of French educators from Comoros. Bourde (1965) also criticizes the colonial development of Comoros. Lack of infrastructural development, education investment, and reliance on aid from foreign countries to make up for capital deficits prevented meaningful development. Bourde (1965) discusses a few of the attempted reforms of the 1960s and the various factors that caused them to be ineffective including French influence at the government level which often stopped reforms or slowed their development. Also worth noting during the time is the unrest of the youth who “…demand education, modernisation, and equal opportunity, and are critical of class distinction, privilege, costly marriage traditions, and the monopoly of political influence by the rich and the well-born” (Bourde, 1960, p. 101). The general consensus of scholars is that the lack of modern
development during French rule was detrimental to the overall growth prospects of the country, and poorly prepared Comoros for the transition from colony to independence.

The transition from a Traditional Society to the second stage was never completed during France’s colonial rule over Comoros. The existence of a native population gave way to the formation of a small special interest organization in the form of French corporations that faced little incentive to develop Comoros’ economy. Though slave labor was abolished, French corporations and the governing body forced the native population from their land, and employed them on the company owned plantations for little to no pay. This system resulted in a large uneducated labor force and population of subsistence farmers that received little to no income. Without development of sectors beyond agriculture, repatriated profits, and poor income distribution, Comoros was left with an unfavorable balance of trade as it produced little beyond agricultural goods and required significant imports. These factors compiled to slow the overall growth of Comoros and resulted in underdevelopment.

V. Conclusion

The initial endowment factors of both Comoros and Mauritius fostered either economic growth and development or underdevelopment. In the case of Comoros, an existing native population resulted in the formation of a small special interest group in the form of colonial
French companies and the French governing body. This group formed a “top heavy” society that faced little to no incentive to invest in and develop Comoros’ economy. The result is a period of little economic development, subjecting Comoros to the effects of the Dependency Theory.

The lack of a large native population in Mauritius resulted in a different outcome. The agreements made between Mauritius’ French-speaking creole population and colonizing Britain formed the first encompassing special interest group that sought to develop the economy to meet a growing demand of sugar in Europe. Following the abolition of slavery, the introduction of indentured Indian labor led to the formation of a larger encompassing group representing the growing middle class population. As this group developed, it was incentivized to improve the economic conditions of the country as a whole. As more homogenous special interest groups formed, economic diversification and growth occurred at a relatively rapid rate, as predicted by the theoretical framework.

Britain’s developments prepared Mauritius for success post-independence by developing the factors of modernization included in the Pre-Conditions for Take-Off stage during colonial rule. France, on the other hand, failed to make meaningful investment in Comoros during colonization, evidenced by a severe lack of infrastructural development and Comoros’ struggle to attain sustainable subsistence farming levels which continued even after independence. Mauritius succeeded in diversifying the country’s economy, now relying much less on agriculture, and is working to develop more modern sectors to maintain global competitiveness. The evolution of Mauritius is closely outlined by the five stages of modernization, suggesting that other countries could find success following the steps of modernization, allowing their institutional systems and infrastructure to grow with the support of a diverse economy.
Comoros continues to struggle economically. The GDP growth rate, though it has not been negative since 1996, has remained rather low, and the GDP value in current US$ has only increased from about $200 million in 2000 to a little over $600 million in 2014. To compare, Mauritius’ GDP over the same time period increased from $4.5 billion to $11.5 billion (The World Bank, GDP). McElroy and Morris (2002) discuss the economic state of countries like Comoros, and describe Comoros as a MIRAB state; one that is reliant on migration, remittances, aid, and bureaucracy for development in place of other economic activity such as export goods and a tourism sector. The authors also conclude that African islands that developed export and tourism sectors appeared to fare better than even continental African countries (p. 51). Looking at Fig. 5.1 below, Comoros’ dependency on official development aid (ODA) can be seen. This measurement of ODA as a percent of imports measures a country’s dependency on foreign aid. As is shown, the dependency on aid has decreased, but still remains rather high compared to the stable trend of Mauritius. In 2012, Comoros qualified for official development assistance from the IMF, and has since been working to fulfill the organization’s requests for infrastructural development and the modernization of the economy. If the funds are utilized for the appropriate development, the next few years may show Comoros trending towards a development path that, like Mauritius, can be outlined by the Rosotw stages of growth.
Future research could be expanded to include other African nations and even colonized countries in other parts of the world. Mauritius faced an unusual case of having no significant native population which resulted in a better quality of development. It would perhaps be beneficial to take a closer look at the initial factor endowments of other successful and struggling countries around the world that also experienced a period of colonization to see if the conclusions drawn from this research hold in other scenarios. As developing nations continue to command a larger portion of the global economy, conversation regarding what slowed growth will undoubtedly continue.
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