

*The Round Table*  
Vol. 94, No. 1, 31–46, January 2005



# The Contribution of ‘Social Capital’ to Economic Growth: Lessons from Island Jurisdictions

GODFREY BALDACCHINO  
University of Prince Edward Island, Canada

**ABSTRACT** *This paper is concerned with the relationship of ‘social capital’ to economic development, with a deliberate focus on island territories. It argues that an appreciation of ‘social capital’ theory makes for a more informed understanding of how many (though not all) small, peripheral and network-driven island societies develop ‘good governance’ practices and manage a commendable standard of living. ‘Island neo-corporatism’ merits recognition on its own terms as the deep structure to ‘good governance’; and, in combination with jurisdictional powers, it is a key primer of economic development.*

**KEY WORDS:** small islands, social capital, jurisdiction, neo-corporatism, good governance, economic development

## Introduction

Good governance, political stability and economic development are closely intertwined. Political stability and inclusiveness, rule of law, and ‘due process’ in the operation of government enhance the legitimacy of the state, inhibit the growth of terrorist activity, foster the growth of civil society and promote a more equitable distribution of economic assets and access to social services (Knack, 2003). Among these features, ‘good governance’ in particular is now hailed as “the single most important factor in eradicating poverty and promoting economic development” (United Nations, 1999; see also Wijkman, 1998). Good governance comprises the rule of law, effective state institutions, transparency and accountability in the management of public affairs, respect for human rights, and the participation of all citizens in the decisions that affect their lives.

These statements, however, require closer scrutiny. First, evidence suggests that even democratic regimes with efficient governments and functioning institutions are not necessarily spared from rampant poverty or inequality (UNDP, 2003). Second, good governance should be distinguished from good government and should not

---

*Correspondence Address:* Godfrey Baldacchino, University of Prince Edward Island, PEI, Canada. Email: [galdacchino@upeii.ca](mailto:galdacchino@upeii.ca)

therefore be restricted to an appraisal of the operations of a state and its institutions (Rosenau and Czempiel, 1992), an approach popular among ‘modernization theorists’ (e.g. Huntington, 1968). But, most serious of all, the ‘democracy and good governance’ thesis becomes bland in its seductive reductionism, thwarting the search for alternative, explanatory variables which may be at least as important in understanding the achievement of economic growth and general prosperity, as well as in eliminating poverty. One may need to look elsewhere for plausible, causal explanations. After all, if democracy and good governance do not necessarily suggest themselves as the key parameters for explaining economic success, they may actually be epi-phenomena, the visible effects of other, deeper forces at work that are mainly *social* rather than political.

Small island territories may be the best sites for seeing the effects, or absence, of a strong social fabric. The track record of democracy and good governance in most of the world’s small states, most of which are islands or island archipelagoes within the British Commonwealth, appears to be well established (Anckar and Anckar, 1995; Hintjens and Newitt, 1992). Politics there have long been recognized as “more benign” and “freer of internal violence” (Dommen, 1980).

Furthermore, many of these same small jurisdictions are also doing relatively well economically. Seven of the ten most prosperous states in the world today—Iceland, Aruba, Bermuda, Bahrain, French Polynesia, Jersey, Luxembourg—have populations of less than one million, and all except one is an island (*The Economist*, 2003; CIA World Factbook, 2004). Almost 40% of small island economies (with populations of less than three million) had a GNP per capita above US\$9200 in 2001, in contrast to 18% of large states (with populations of over 10 million) and 26% of the world’s 207 states and territories (World Bank, 2002; Armstrong and Read, 2003, p. 245). Small island economies have significantly *higher* per capita income than others in their region (Easterly and Kraay, 2000, p. 2024, emphasis in original); while those with close political linkages to former colonial powers now exhibit among the highest levels of economic prosperity (Bertram, 2004).

Is there evidence of a direct link between democracy and prosperity? Democracy and good governance in small island territories may be necessary but insufficient conditions for explaining their economic performance. Srebrnik (2004) provides a compelling argument for a strong link between small island nations and democratic values; therein he recognizes that there are “cultural determinants” for democracy. One may need to look beyond democracy and good governance.

This paper contends that it is to social capital theory that one may need to turn in order to better understand how what are often small and peripheral island societies manage a commendable standard of living. What is understood by *social capital* is the resourcefulness of a people to respond positively, collectively and responsibly to an identified challenge—be it political (such as a diplomatic crisis), economic (the loss of terms of trade of a key export item), labour-related (major job losses) or social (landings of illegal immigrants). The OECD defines social capital as “networks, together with shared norms, values and understandings that facilitate co-operation within and among groups” (Helliwell, 2003, p. 9). In considering the manner in which a people ‘get their act together’, social capital serves as the cultural asset or ‘social glue’ which permits stakeholders to work for the (often long-term and fuzzy) national interest while overriding (often short-term and tangible) sectarian

ones. In organization it contrasts sharply with national or sub-national policy initiatives and reactions that are class-, race- or ethnicity-inspired. In process it is characterized by negotiations in a highly participative, pluralist context that are eventually amenable to (often creative) compromise and 'win-win' solutions. Thus, actions in a high social capital setting contrast sharply with the resort to divisive and damaging tactics and 'zero sum' actions typical of a low social capital setting. These characteristics have often been applied to Scandinavian states as well as to Switzerland, Austria and the Netherlands, in relation to which they are certainly best known (Lijphart and Crepaz, 1991); but the arguments are often posited as if such practices were exclusive to such states: this paper argues otherwise.

### **Culture as Key**

Proclaiming that "the ability of a people to work together for common purposes and to trust each other... is crucial for economic success" (Coleman, 1988, p. 98) would have been dismissed as a bold statement just a few years ago. Today, there is an increasing appreciation of this line of reasoning, pioneered by authors from diverse disciplinary backgrounds, including political scientists, economists and lifelong learning scholars (Rothstein, 2003; Putnam, 1993; Landes, 1998; Field *et al.*, 2001). "The cornerstone of economic success is the creation of a society suffused with trust and social cooperation amongst its members", argues Srebrnik (2000, p. 56); while "an effective political economy depends on the self-conscious untangling of three interdependent and mutually reinforcing factors: law, policy and culture", propose Baldacchino and Milne (2000, p. 231). "If we learn anything from the history of economic development, it is that culture makes all the difference. (Here, Max Weber was right on)", Landes (1998, p. 516) reminds us. Other scholars highlight the contribution of social capital to good governance and effective public policy (Bois and Posner, 1998; Braithwaite and Levi, 1998).

Turning to such issues as trust, values and cooperation in order to explain economic success of course brings along its own conceptual, methodological and ideological headaches. After all, such features have at best been on the fringe of economic development debates, and totally absent at worst. The nature of the 'economy-culture' relationship remains fairly intangible, multi-causal and highly complex. Gone is the comfortable framing of quantitative causal variables into mathematical equations and regression tables. Moreover, since it does not lend itself easily to a 'technicist' rendition of economic development so popular among econometricians, the 'economy-culture' nexus attracts few supporters and researchers, perpetuating its relatively scant visibility in the literature.

Finally, and perhaps most importantly, the approach is temptingly accommodating to policy manipulation. It lies dangerously close to advocating the engineering of a particular type of society or 'imagined community' (after Anderson, 1983) as desired or determined by an autocratic elite and via such means as mass media, pop music or propaganda. In this paper the reference is to a liberal, *social* or *societal* corporatism which results from a pluralist democratic process of community engagement; not to top-down, neo-fascist, authoritarian or totalitarian, *state* corporatism (e.g. Katzenstein, 1985; Schmitter, 1983).

In spite of these difficulties the reference to social capital theory in explaining economic growth is finding support within the perennial process of revising the established wisdom behind the basis of economic success. Some of the grand economic development theories and associated strategies of the 20th century, such as protectionism, autarchy and socialism, have clearly failed: globalization has made short shrift of them. With their demise, new spaces have opened up for conceptualizing economic development strategy. Within such spaces of revisionism, one should recognize ‘identity’ *per se* as a political resource, with obvious links to some of the most powerful forces of our time, powerful enough to transform human beings into rebels, martyrs, revolutionaries: nationalism, ethnicity and sovereignty (e.g. Trompf, 1993; Bahcheli *et al.*, 2004). One therefore cannot discount that the desire for, and pursuit of, self-government and identity are strong inducers of contemporary social change in modern history (Anderson, 1983; Connor, 1994; Kellas, 1991).

Meanwhile, mainstream development theory has been concentrating time and effort trying to explain how intrinsically resource-rich territories end up suffering poverty. There is yet a second, equally challenging, paradox which calls for attention: how many intrinsically poor and small nations—most of which are islands straddled with what appear to be the added handicaps of insularity and marginality—nevertheless generate and report enviable levels of wealth (Baldacchino, 1993; Prasad, 2003) and achieve higher levels of Gross National Income per capita than other countries (Easterly and Kraay, 2000; Armstrong and Read, 2004). There is a pressing need to move ahead with research on social capital, since “being an island does not seem to be the handicap to economic performance that one would intuitively expect” (Armstrong and Read, 2003, p. 255). Given the need of smaller jurisdictions to be able to respond quickly and flexibly to exogenous changes and shocks, social capital may provide an insight into the ‘resilience’ which counters the alleged structural vulnerabilities of such sites (UNESCO, 2003). Research on the nature and role of social capital in micro-states and small island communities is likely to prove “very profitable” (Armstrong and Read, 2004, p. 26).

Finally, even at a micro, enterprise level, organizational culture is now readily recognized as a key component of competitiveness (Peters and Waterman, 1982; Trompenaars, 1993). Cultural analysis yields important insights about the life and dynamics of ‘learning organizations’, how they manage to ‘rise to the occasion’ and respond effectively to the challenges of exogenous change (Calvert *et al.*, 1994; Schein, 1992).

### **Island Studies**

Islands are certainly bountiful. Scholars and policy analysts today are becoming rather intrigued by an emerging ‘world of islands’ and pleasantly surprised by their common ‘ecology’ (Commonwealth Secretariat, 1985, p. 6). This provides a promising basis for comparative, inter-island, inter-disciplinary inquiry. All the more so because various island stereotypes, ranging dizzily from paradises to prisons, are being debunked, while other paradigms reveal themselves as continental and therefore partial and not so suited to diagnosing ‘islandness’ (Baldacchino, 2004a). Such an interest is also a welcome response to the much enhanced political presence and international clout of many island territories today: there are currently

30 sovereign island states within the 192-member United Nations with populations of less than 1.5 million.<sup>1</sup> (This also explains an overlapping scholarship with small, or micro, states.) That number would be tripled if one included entities which are not strictly sovereign but which have an unusually high degree of political and economic autonomy.<sup>2</sup> Within the European Union, no fewer than 286 island regions have been identified as the targets of ‘specific measures’ since the adoption of the Treaty of Amsterdam (Planistat Europe, 2003). Many other sub-national island territories, *because* they are islands, are jurisdictions that enjoy some measure of sub-national, administrative autonomy (Baldacchino and Milne, 2000). Advances in the logistics and technology of human or data exchange have made it increasingly feasible, and financially less prohibitive, to visit or study islands and/or to bring together researchers, policy makers and civil society spokespersons from islands. Raw data and information on the relatively forlorn and remote is today more accessible; the ‘discovery’ of the new, strange or anomalous—where these still exist—is more likely, and the potential for its dissemination all the more widespread and rapid.

### **Island Advantage**

One may postulate that islands, especially small islands, come along with some distinct advantages in relation to the constitution of social capital. However, any such propositions would only be valid if they are also in a position to explain the collapse of good governance and democratic crises in a number of small island states, as indicated by coups, partisan and/or ethnic violence and ‘failed states’ in such places as Cyprus, Fiji, Haiti, Madagascar, Mauritius, the Solomons, Sri Lanka and Vanuatu.

First, small islands are special because their “geographical precision” facilitates a (unique) sense of place (Weale, 1992); a deployment towards the sea and a maritime destiny that facilitates trade; and an obvious sense of alterity with the rest of the world beyond the horizon. Place, and its shared definition, fosters (though it does not guarantee) a sense of ‘unitarism’ (Baldacchino, 1999).

Second, ‘place’ can be invented and reconstituted—although it can also be lost—with encroaching globalization. Once again, small ‘cross-roads’ islands are lucky because most have been obliged to operate, or have even been historically constructed, as global platforms (Churchill Semple, 1911, p. 424; Connell and King, 1999, pp. 3–4). These have been ‘global villages’ for a very long time, perhaps the longest exponents of such a status. They are creatures of trans-territoriality: their history and culture, as well as their political administration, are a perennial dialectic between the woof of home and the warp of away; between openness and closure; between ‘roots’ and ‘routes’ (*Ariel*, special issue, 2001; Brinklow *et al.*, 2000; Clifford, 1997).

Third, islands have also been lucky in not being able even to contemplate autarkist development strategies. They have had to export—staples, manufactures, services and people—or perish. Lacking a hinterland, they have worked best by transcending the limitations of their small physical environment and forestall the development of an agricultural-driven economy, because they had no other viable economic alternative (Hintjens and Newitt, 1992). Hong Kong, Ireland, Malta, Mauritius, Singapore and Taiwan are good examples of this (Streeten, 1993, p. 199).

Willingness to learn, flexibility and the readiness to adapt in a world of change are crucial ingredients for strong economic performance. Such a learning capacity is in turn linked to a distinctive style of politics often referred to as ‘neo-corporatism’ (Mansbridge, 1995; Schmitter, 1983). It is what Katzenstein (2003, p. 15) also highlights as a style of negotiation which is “a hybrid of pure power and pure persuasion”, going beyond mere manoeuvring for advantage. It is, rather, embedded in a cultural, nationally diffused and widespread perception of proneness to external threats and invasions. It is a political system harbouring an executive government that is watched very closely by a scrutinizing and politically savvy public (Kersell, 1985, p. 377). Such a syndrome is likely to interface with, or itself construct, an island identity:

Smallness, isolation and their need, as dwarfs in a world of giants, to assert their identities, induce their [island] inhabitants to link their personal identities closely with that of the state itself. (Lowenthal, 1987, p. 29)

The intense public scrutiny of the political system extends to the social. A complex web of acquaintances, contacts and networks emerges among societies where there is role diffusion (individuals agree, or are obliged, to work beyond their job description); role enlargement (individuals have more space for innovation at work because of leaner hierarchies and often absent superordinates); and role multiplicity (where individuals wear many hats and practise polyvalency) (Baldacchino, 1997; Benedict, 1967; Boissevain, 1974). Such a web extends to all social members and is at once both clannish (escalating and roping in allies in conditions of conflict) and mollifying (even the worst of enemies would have common friends or would personally know individuals whom they both trust).

Thus, societies tend to do a better job, culturally and economically, when they are well run jurisdictions with open export-gearred economies, harbouring an *ethnie* (a people), a ‘moral community’ with a shared history and language (Fukuyama, 1996; Katzenstein, 1985). Islands are typically blessed with the geographical physicality, social fabric and historical attributes to facilitate this condition.

The condition of islandness, therefore, should not be underestimated. Consider the tense episodes—usually cultural, but at times politically charged—over of the division of power affecting island regions of larger (continental or archipelagic) states.

It is precisely these major, dramatic moments of such charged tension that need to be considered next, since they may clearly present themselves as episodes which suggest precisely the opposite of what this paper is arguing. In other words, sectarian violence and mismanagement of public sector resources may have led to, or been a result of, widespread disenchantment with the legitimacy of the local state in a number of small islands. So where is the presumed social capital in such locations?

### **Exceptions to Island Unitarism**

Tensions—usually cultural but at times politically driven—over the division of power affecting island regions of larger (continental or archipelagic) states abound.<sup>3</sup> In effect, the breakdown in governance witnessed in a number of island territories

can be appraised, apart from specific historical and cultural circumstances, as a clear outcome of the failure to facilitate the development of a strong, nationwide, island identity.

We may have among us a clutch of sovereign states which, however, are yet to 'become' nations (e.g. Baldacchino, 2002) and where therefore sub-national identities—like partisan loyalty, specific insularities in archipelagic territories and ethnic/racial referents—continue to assume a powerful, popular cultural ascendancy. Public policy by governments who seek to rally support from distinct sub-national cleavages unwittingly continues to fuel such a sub-national identification process and thus to render hollow any rhetoric in favour of 'national unity' (Srebrnik, 2004, pp. 334–338). Partisan politics can also take on damaging, proto-ethnic qualities—as in the case of Jamaica or Malta (Baldacchino, 2002). This diagnosis also explains a potential for political fission even in very small jurisdictions—referred to as the 'Tuvalu Effect' (e.g. MacDonald, 1975). Small islands are not immune from damaging internal splits (Doumenge, 1998; Milne, 2002). In some cases, partition or secession may be waiting to happen, though the stronger stakeholder would probably be dead set against the move: witness the cases of Bougainville (Premdas, 1998), Tobago (Premdas and Williams, 1992) or Nevis (Premdas, 2001).

### **For a Progressive Sense of Place**

Corporatism doesn't just happen and an *ethnie* is not exactly a given. It would be wrong to succumb to the tempting simplicity of geographic determinism, arguing that smallness and insularity *per se* generate social capital, in some strange, almost automatic or natural manner. One needs to conceive of a "*progressive sense of place*" (Massey, 1993, p. 66)—dynamized and rendered vibrant by a people keen to express, manifest and locate it centrally within their *Weltanschauung*, or life-world. A progressive sense of place, Doreen Massey continues, consists in "articulated moments in networks of social relations and understandings" (1993, p. 66). One needs to assess the extent to which an island people are exactly that: an articulated, *island* people. Islandness seamlessly replaces, or takes upon itself, the attributes of ethnicity. It becomes the referent fabric.

Judging from the lessons of both success and failure, what are the essential features of 'articulated social relations'? A review of the literature and examples of 'best practice' suggest that they should embody as many of the following five characteristics as possible:

1. A respect for the dialectic of islands: roots and routes—which *does not* suggest defensive monoculturalism. Rather, one is contemplating here an openness to diversity and pluralism, with minimal social class and status barriers and tensions, in order to facilitate a flexible, supple, 'learning organization' setting (McClelland, 1967).
2. Transcending geophysical delineations by reaching out to the (relatively large) diasporic hinterland of islanders abroad—crucial for markets, flow of people and ideas, investment and entrepreneurship. The rhetoric of the skills/brain drain also needs to be reined in; we have only ourselves to blame if we cannot hold on to or bring back those who have left, usually for their own good; the real

challenge is not to prevent the mobile and able from leaving but to learn how eventually to tap their new skills for local purposes. One needs to cultivate an indigenous ‘glocal’ elite, one which is proud of its roots yet at ease in both local and global spaces (after Courchene, 1995).

3. Ensuring that the administrative apparatus (the state, if a sovereign territory) is the embodiment of the nation. Has this machinery been captured and taken over by a comprador faction, leading to public disillusionment, particularly about its redistributive and representative functions? The political institutions inherited by many postcolonial states lack a foundation in the indigenous culture, are guided by elites of questionable skill and are managed by poorly trained bureaucrats who place personal and group interests above those of the state (Palmer, 1997, pp. 217–227; Srebrnik, 2000, p. 65).
4. Does the public administration believe in itself, or is it the victim of low self-esteem and of an inferiority complex? A high level of popular confidence in the public service and political institutions is essential. An effective, educated and neutral bureaucracy, one which facilitates the operations of both state and civil society, is a powerful contributor to, as well as a reflection of, high social capital.
5. Expanding on the nature of understandings, to incorporate all forms of human and other natural expression; in other words, seeking a holistic sense of place. Islandness, for example, cannot fail to include a keen environmental sensitivity, or to find expression in art, song and literature.

These characteristics are nothing less than the raw constituents of the ‘geometry of power’ (Massey, 1993). They are the manifestations of high levels of social capital which can catapult an island people into the world with bursting confidence in their ability to handle—together—whatever may be in store.

### **Models of Development**

Of course, the development trajectory of small islands does not always help to generate such visions and facilitate the construction of such robust identities.

Diseconomies of scale, resource scarcity (at times after imperialist despoliation) and absence of markets can easily engender and engrain a ‘dependency plus deficit’ pathology among island communities. This tends to reduce the public policy of the periphery to searches for the maximization of ‘rents’—including fiscal transfers (Kakazu, 1988; Poirine, 1995). Such societies tend towards ‘cargo cults’ (Worsley, 1968). Vulnerability becomes a self-fulfilling prophecy, in spite of contrary empirical evidence (Armstrong and Read, 2002). Intrapreneurship (working the system and deploying political and diplomatic acumen to maintain—rather than reduce—dependency flows) replaces entrepreneurship. Higher education reinforces the syndrome by exalting continental, modernizing paradigms: of knowledge, of curricula, of avenues for learning or employment. A string of regional modernizing programmes blessed from the metropole becomes legitimate; their measurable effects—so many kilometres of macadamized roads or of laid sewage drains, so many new jobs, so many dollars of direct investment. . . becoming a mesmerizing, yet facile, synonym for ‘development’. The local state becomes a reactive conduit for the

receipt and distribution of external wealth, rather than a proactive promoter and instigator of local enterprise and wealth creation. In turn, the indigenous resources of the small and peripheral—including their traditions and customs—are devalued, labelled as primitive and dismissed as non-conducive to progress. The end-result is a structural impossibility to develop. Development ‘from the outside in’ looks and feels like common sense; but, as long as it is not ‘from the inside out’, can it ever be *good* sense (Baldacchino and Greenwood, 1998)?

Governments will contribute to the development potential of small islands only if their efforts have the effect of supporting or enhancing the mobilization of *indigenous* island resources. (Bickerton, 1998, p. 257, emphasis added)

There is a range of idiosyncratic cultural expressions that may accompany and in their own way fuel such dispositions. In their most extreme form—that of alienated dependency—they may lose or ditch local symbols, local cultural resources, embracing in their stead the icons of the metropole on which they now depend. They become ‘raran’ or ‘dwarf’ societies (Harrigan, 1978), proudly mimicking the development policies presumably tried and tested in the metropole. Place succumbs to space, being an object of, and party to, incorporation. Otherwise, in a condition of conscious incompetence, these symbols tend towards malaise, dejection, even despair; a sense of loss of ownership and loss of control over public policy; of fatalism; of a historical outcome which locates a specific island people as creatures or victims, rather than creators or agents, of their predicament. This is a hopeless and disabling script; one of negative energy. It becomes all the more tempting and justifiable when the island people’s jurisdictional capacities have been reduced with the passage of time.

In contrast, the arts and culture of vibrant economies with high social capital assets are ‘glocal’. They move easily between home and away, are at ease with foreigners, and are often themselves ingenious vehicles for export promotion. They are expressions of confidence, of assertive intent to seek and tap extra-insular markets, often with original products and services.

At first sight it may appear contradictory to note that resource-poor islands have usually fared much better economically than resource-rich ones. Not so. The problem with island-based mineral resources is that they encourage an interfacing of the island into a global economic system which is typically beyond the island’s control. This is, again, development ‘from the outside in’. Mono-product economies are typical of small islands, where the ‘crowding out’ effect and infamous ‘Dutch disease’ economics easily hold sway (Blazic-Metzner and Hughes, 1982; Corden and Neary, 1982). Thus, minerals, cash crops or staples—be it oil in Trinidad, cod in Newfoundland, coal in Cape Breton, phosphate in Nauru or bananas in Dominica—assume paramount importance in the insular micro-economy, elbowing out other investments or potential economic or entrepreneurial growth poles. The big and concentrated—as the foreign tends to be—enjoys preference over the local, the small, the diverse and the flexible. The international terms of such trade tend to worsen in the long run and transitions or diversifications are difficult (politically, and not just economically) though not impossible: consider the shift from sugar to manufactures in

Mauritius; or that from military services to tourism in Malta. Indeed, small, resource-poor and ‘vulnerable’ island economies usually do a better and faster job of their economic restructuring: a function of Hobson’s choice?

### **Enter Sovereignty as Resource**

Sovereignty is one other key, though unorthodox, parameter in the ‘culture–economic development’ equation. It can constitute an indigenous island resource. Sovereignty, apart from itself facilitating identity and the inculcation of a progressive sense of place, provides the jurisdictional capacity to structure and restructure law and economic policy; it also enhances the stature of a location beyond its physical size. Jurisdiction thus stands out as a key primer for carving one’s economic destiny. It is proving naïve to consider sovereignty (like identity) as operating under some kind of binary (that is, either 0 or 1), principle (e.g. Armstrong and Read, 2004). Sovereignty appears best described as a continuum, and has many layers—especially with the creative statecraft avidly demonstrated by small island jurisdictions in recent years (e.g. Fagerlund, 1997; Prasad, 2004). It also benefits today from inertia or ‘extantism’: once some power is conceded or grasped unilaterally, it is diplomatically difficult for it to be taken back or taken away (Bartmann, 2002).

Again, islands are lucky here, since islandness is almost certain to provide an inducement for some degree of political or administrative autonomy. Through the effective use of the instruments of jurisdiction—including power over legislation generally, and over banking and insurance, taxation, citizenship, exports and imports, natural resources, transportation and international trade agreements specifically—the terms of the inevitable engagement of a small island people with the external world fall more readily, though never fully, into its political lap (Baldacchino, 2004b).

The international politico-economic environment today holds promise for such a dramatic ‘unleashing of localism’ (Bartmann, 2000, p. 52): Old and hackneyed arguments about the presumed non-viability of small, especially peripheral, territories have been debunked through practice (Bertram and Watters, 1985). Tuvalu had barely 8000 citizens when it was granted political independence, and it has not folded up. Arguments about ‘non-viability’ are simply not viable; in Fritz Schumacher’s (1973, p. 65) words, they are “a non problem”.

Furthermore, the innumerable combinations of ‘shared rule’ and ‘self-rule’ arrangements in existence today provide evidence of the political ingenuity of small island jurisdictions. These cash in on the established notion that smallness facilitates novel international (including neocolonial) relationships (Watts, 2000). How else can one explain why—and in spite of prognostications to the contrary (e.g. Sutton, 1987, p. 5)—such territories as Bermuda, Aruba or Réunion do not wish to become sovereign and continue to practise ‘voluntary colonialism’ (Baldacchino, 2004c).

Finally, supranational entities (like the Gulf Cooperation Council, the European Union, the North American Free Trade Agreement or the Association of South-East Asian Nations), and an increasingly liberalized international trade regime both reward regionally driven initiatives that may successfully bypass national governments. ‘De facto states’ in the international system—like the Turkish Republic of Northern Cyprus or the Tamil-controlled parts of Sri Lanka (Tamil Eelam), both on

islands—deploy ‘para-diplomacy’, pressing for recognition on the international stage, seeking to bypass other regimes (Bahcheli *et al.*, 2004; Baldacchino, 2005).

## **Conclusion**

Small islands find themselves poised to take upon themselves increased autonomy and responsibility for their own future—but only if they want to, often after (in)tense negotiation with imperial, colonial or federal stewards, and especially if they have enough faith in themselves that they can do a better job. East Timor is the latest to have taken the plunge as a sovereign state, under UN stewardship, in May 2002.

This paper concludes with a tribute to a literary classic from an island territory which is not a sovereign state: Cape Breton in Atlantic Canada. (That the erstwhile island has been connected by a bridge to the mainland may have much to do with its diminished sense of jurisdiction.) I quote from Alistair MacLeod’s essay ‘The Return’, a vivid, multicoloured rendition of one islander’s view of (in this case, his) home on returning from away:

It is an evening during the summer that I am ten years old and I am on a train with my parents as it rushes towards the end of Eastern Nova Scotia. “You’ll be able to see it any minute now, Alex”, says my father excitedly, “look out the window, any minute now”.

and soon. . .

“There it is”, shouts my father triumphantly. “Look Alex, there’s Cape Breton!” He takes his left hand down from the baggage rack and points across us to the blueness that is the Strait of Canso, with the gulls hanging almost stationary above the tiny fishing boats and the dark green of the spruce and fir mountains rising out of the water and trailing white wisps of mist about them like discarded ribbons hanging about a newly opened package. (MacLeod, 1989, pp. 72–73)

The specifics of the island environment could change. The means of transport is much more likely to be a ship or an aeroplane, rather than a train. Yet the setting portrayed above could refer to any island home. It is the excitement and the triumph which announces the sight that we need to focus on. Is it merely the consolation of a long journey’s end? Is it the solace and comfort of glimpsing a familiar terrain? Or is there, lurking between the lines, a strong sense of national pride, of partaking of a collective destiny, of a willingness to take on the wide world with unabashed confidence, along with fellow islanders, purely as a matter of course?

The political autonomy enjoyed by many small island territories in the contemporary political system often translates successfully into the deployment of stronger measures of export orientation, economic liberalization, flexible adaptation and creative trans-territorial diplomacy, when compared to like-sized mainland territories (Poirine, 1998). These measures typically translate into an ideology of nationwide social partnership and high levels of domestic social capital. Anthropologist and islands scholar McCall (1996, p. 3) puts it succinctly:

When islands control themselves, there is innovation and the elaboration of island high culture in monuments and, probably other works of art and literature. When, however, islands fall victim to continental control, the peripheralized islanders become conservative, mimic their masters and become exchange-oriented with island resources in people, materials and ideas flowing to continental cores of power and influence.

His arguments can be safely extended to embrace economic development.

Wolfgang Hirczy ‘discovered’ that smaller states (like Malta and Iceland) have very strong voter turnouts in democratic elections; but his analysis is partial, since he attributed this practice to the “mobilization [of voters] by political actors” (Hirczy, 1995, p. 263). In contrast, in a then rare exemplar of comparative island scholarship, which was echoed later by Dahl and Tufte (1974), political scientist Jeffrey Richards correctly put his finger on the “societal homogeneity and particularism associated with smallness; the strong self-conscious feeling of a sense of collective identity asserted against the outside world; the more intimate relationship of state and society” (Richards, 1972, p. 170).

Culture and economic development are essential and mutually reinforcing to human existence: one without the other induces material, moral or cultural poverty. Together, they reinforce and source each other. When accompanied by jurisdictional powers and island neo-corporatism, their relationship may be closer and more direct than one may otherwise imagine.

### **Acknowledgements**

The germ of this paper was the keynote address delivered at the North Atlantic Forum 2002, held in Sydney, Cape Breton, Canada in October 2002 and organized by the Community Economic Development Institute at the University College of Cape Breton (UCCB). A subsequent draft was presented to the Canadian Industrial Relations Association in June 2003. I am grateful to Barry Bartmann, Jane Ledwell, Ariana Salvo, Henry F. Srebrnik and anonymous peer reviewers for critical remarks. The usual disclaimers apply.

### **Notes**

1. Fiji, Marshall Islands, Kiribati, Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu (all in the Pacific); Antigua & Barbuda, Bahamas, Barbados, Dominica, Grenada, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Trinidad & Tobago (Caribbean); Malta, Cyprus (Mediterranean); Comoros, Maldives, Mauritius, Seychelles (Indian Ocean); Iceland (North Atlantic); Cape Verde; São Tomé & Príncipe (off West Africa) and Bahrain (Arabian Gulf).
2. These would include the dependent territories of the former colonial powers: Great Britain (such as Bermuda), France (New Caledonia), the Netherlands (Aruba) and the USA (Guam), as well as Pacific territories of which Australia or New Zealand are trustees (Norfolk; Niue). India, Norway and Denmark are also the controlling authorities of other island territories, including Greenland, the world’s largest island (see Royle, 1989, Table 1).
3. These include: Hawai’i in relation to the USA; the Ålands in relation to Finland; Corsica in relation to France; the Isle of Man in relation to the UK; Madeira in relation to Portugal; and Tasmania in relation to Australia. ‘Unequal dyads’, where one of the islands is the seat of government, include Antigua and Barbuda; St Kitts and Nevis; Trinidad and Tobago; Mauritius and Rodrigues; Sao Tomé

and Principe, Malta and Gozo. The Australian government dispatched 2000 troops to quash civil strife and restore order in the Solomon Islands in 2003.

## References

- Anckar, D. and Anckar, C. (1995) Size, insularity and democracy, *Scandinavian Political Studies*, 18(2), pp. 211–229.
- Anderson, B. (1983) *Imagined Communities: Reflections on the Origins and Spread of Nationalism*, (London: Verso).
- Ariel* (A Review of International English Literature) (2001) 32(1).
- Armstrong, H. W. and Read, R. (2002) The phantom of liberty? Economic growth and the vulnerability of small states, *Journal of International Development*, 14(2), pp. 435–458.
- Armstrong, H. W. and Read, R. (2003) Small states, islands and small states that are also islands, *Studies in Regional Science*, 33(1), pp. 237–260.
- Armstrong, H. W. and Read, R. (2004) Insularity, remoteness, mountains and archipelagoes: a combination of challenges facing small states?, paper presented at the international conference on the political economy of small islands, Victoria University of Wellington, 23–25 February.
- Bahcheli, T., Bartmann, B. and Srebrnik, H. F. (Eds) (2004) *De Facto States: The Quest for Sovereignty* (London: Frank Cass).
- Baldacchino, G. (1993) Bursting the bubble: the pseudo-development strategies of microstates, *Development and Change*, 24(1), pp. 29–51.
- Baldacchino, G. (1997) *Global Tourism and Informal Labour Relations: The Small Scale Syndrome at Work* (London: Mansell).
- Baldacchino, G. (1999) A double dose of unitarism: employment relations in a small firm in a small island state, *International Journal of Employment Studies*, 7(2), pp. 103–121.
- Baldacchino, G. (2002) A nationless state? Malta, national identity and the European Union, *West European Politics*, 25(4), pp. 191–206.
- Baldacchino, G. (2004a) The coming of age of island studies, *Tijdschrift voor Economische en Sociale Geografie*, 95(3), pp. 272–283.
- Baldacchino, G. (2004b) Engaging the hinterland beyond: two ideal-type strategies of externality management for small island territories, paper presented at the international conference on the political economy of small islands, Victoria University of Wellington, 23–25 February. Forthcoming in *Asia–Pacific Viewpoint*.
- Baldacchino, G. (2004c) Autonomous but not sovereign? A review of island sub-nationalism, *Canadian Review of Studies in Nationalism*, 31(1–2), pp. 77–91.
- Baldacchino, G. (2005) Small islands versus big cities: lessons in the political economy of regional development from the world's small islands, *Journal of Technology Transfer*, forthcoming.
- Baldacchino, G. and Greenwood, R. (1998) Introduction: strategies of development for small island territories of the North Atlantic: common sense versus good sense, in *Competing Strategies of Socio-Economic Development for Small Islands*, pp. 9–27 (Charlottetown: Institute of Island Studies, University of Prince Edward Island).
- Baldacchino, G. & Milne, D. (Eds) (2000) *Lessons from the Political Economy of Small Islands: The Resourcefulness of Jurisdiction* (Basingstoke: Macmillan).
- Bartmann, B. (2000) Patterns of localism in a changing global system, in G. Baldacchino and D. Milne (Eds), *Lessons from the Political Economy of Small Islands*, pp. 38–55 (Basingstoke: Macmillan).
- Bartmann, B. (2002) Meeting the needs of microstate security, *The Round Table*, 365, pp. 361–374.
- Benedict, B. (1967) Sociological aspects of smallness, in B. Benedict (Ed.), *Problems of Smaller Societies*, pp. 45–55 (London: Athlone Press for the Institute of Commonwealth Studies).
- Bertram, G. (2004) On the convergence of small island economies with their metropolitan patrons, *World Development*, 32(2), pp. 343–364.
- Bickerton, J. (1998) Federal regional development policies and Atlantic Canada's islands, in G. Baldacchino and R. Greenwood (Eds), *Competing Strategies of Socio-Economic Development for Small Islands*, pp. 238–267 (Charlottetown: Institute of Island Studies, University of Prince Edward Island).
- Blazic-Metzner, B. and Hughes, H. (1982) Growth experience of small economies, in B. Jalan (Ed.), *Problems and Policies in Small Economies*, pp. 85–102 (London: Croom Helm).

- Bois, C. and Posner, D. (1998) Social capital: explaining its origins and effects on government performance, *British Journal of Political Science*, 28(4), pp. 686–693.
- Boissevain, J. (1974) *Friends of Friends: Networks, Manipulations and Coalitions*, (Oxford: Blackwell).
- Braithwaite, V. and Levi, M. (Eds) (1998) *Trust and Governance* (New York: Russell Sage).
- Brinklow, L., Ledwell, F. and Ledwell, J. (Eds) (2000) *Message in a Bottle: The Literature of Small Islands* (Charlottetown: Institute of Island Studies, University of Prince Edward Island).
- Calvert, G., Mobley, S. and Marshall, L. (1994) Grasping the learning organisation, *Training and Development*, 48(6), pp. 38–43.
- Central Intelligence Agency (CIA) (2004) *World Factbook*, available at: [www.cia.gov/cia/publications/factbook](http://www.cia.gov/cia/publications/factbook), accessed 22 January 2005.
- Churchill Semple, E. (1911) *Influences of the Geographic Environment* (London: Constable).
- Clifford, J. (1997) *Routes: Travel and Translation in the late Twentieth Century* (Harvard, MA: Harvard University Press).
- Coleman, J. S. (1998) Social capital in the creation of human capital, in C. Winship and S. Rosen (Eds), *Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure*, pp. 95–120 (Chicago, IL: University of Chicago Press).
- Commonwealth Secretariat (1985) *Educational Development: The Small States of the Commonwealth*, report of a Pan-Commonwealth Experts' Meeting (London: Commonwealth Secretariat).
- Connell, J. and King, R. (1999) Island migration in a changing world, in R. King and J. Connell (Eds), *Small Worlds, Global Lives: Islands and Migration*, pp. 1–26 (London: Pinter).
- Connor, W. (1994) *Ethnonationalism: The Quest for Understanding* (Princeton, NJ: Princeton University Press).
- Corden, W. M. and Neary, P. (1982) Booming sectors and deindustrialisation in small open economies, *Economic Journal*, 92, pp. 825–848.
- Courchene, T. S. (1995) Glocalization: the regional/international interface, *Canadian Journal of Regional Science/Revue Canadienne des Sciences Régionales*, 18(1), pp. 1–20.
- Dahl, R. A. and Tufte, E. R. (1974) *Size and Democracy* (Stanford, CA: Stanford University Press).
- Dommen, E. C. (1980) Some distinguishing characteristics of island states, *World Development*, 8(12), pp. 931–943.
- Doumenge, F. (1998) Considerations for small island development today, in G. Baldacchino and R. Greenwood (Eds), *Competing Strategies of Socio-Economic Development for Small Islands*, pp. 337–347 (Charlottetown: Institute of Island Studies, University of Prince Edward Island).
- Easterly, W. & Kraay, A. (2000) Small states, small problems? Income, growth and volatility in small states, *World Development*, 28(11), pp. 2013–2027.
- The Economist* (2003) When small is beautiful 20 December, p. 108.
- Fagerlund, N. (1997) Autonomous European island regions enjoying a special relationship with the European Union, in L. Lyck (Ed.), *Constitutional and Economic Space of the Small Nordic Jurisdictions*, pp. 90–121 (Copenhagen: NordRefo).
- Field, J., Baron, S. and Schuller, T. (2001) *Social Capital: Critical Perspectives* (Oxford: Oxford University Press).
- Fukuyama, F. (1996) *Trust: The Social Virtues and the Creation of Prosperity* (London: Penguin).
- Harrigan, N. E. (1978) A theoretical analysis of the concept of microstates: the Raran Model, unpublished paper presented at conference on the development of microstates, Caribbean Research Institute, Virgin Islands, April.
- Helliwell, J. F. (2003) Maintaining social ties: social capital in a global information age, *Policy Options*, 24(8), pp. 9–15.
- Hintjens, H. M. and Newitt, M. D. D. (1992) *The Political Economy of Small Tropical Islands: The Importance of Being Small* (Exeter: University of Exeter Press).
- Hirczy, W. (1995) Explaining near-universal turn-out: the case of Malta, *European Journal of Political Research*, 27(2), pp. 255–272.
- Huntington, S. P. (1968) *Political Order in Changing Societies* (New Haven, CT: Yale University Press).
- Kakazu, H. (1988) Resources and development in small islands: a rent seeking approach, paper presented at the conference on industrialization and economic development of South Pacific Island States, University of the South Pacific, Suva, Fiji.
- Katzenstein, P. J. (1985) *Small States in World Markets: Industrial Policy in Europe* (Ithaca, NY: Cornell University Press).

- Katzenstein, P. J. (2003) Small states and small states revisited, *New Political Economy*, 8(1), pp. 9–30.
- Kellas, J. G. (1991) *The Politics of Nationalism and Ethnicity* (London: Macmillan).
- Kersell, J. E. (1985) The administration of government in Bermuda, *Public Administration and Development*, 5(4), pp. 373–384.
- Knack, S. (Ed.) (2003) *Democracy, Governance and Growth* (Lansing, MI: University of Michigan Press).
- Landes, D. S. (1998) *The Wealth and Poverty of Nations: Why Some are so Rich and Some are so Poor* (New York: W.W. Norton).
- Lijphart, A. and Crepaz, M. (1991) Corporatism and consensus: democracy in eighteen countries: conceptual and empirical linkages, *British Journal of Political Science*, 21(2), pp. 235–246.
- Lowenthal, D. (1987) Social features, in C. Clarke and T. Payne (Eds), *Politics, Security and Development in Small States*, pp. 26–49 (London: Allen & Unwin).
- Macdonald, B. K. (1975) The separation of the Gilbert and Ellice Islands, *Journal of Pacific History*, 10(4), pp. 84–88.
- MacLeod, A. (1989) The Return, in: *The Lost Salt Gift of Blood* (Ontario: McLelland and Stewart).
- Mansbridge, J. (1995) A deliberative perspective on neo-corporatism, in J. Cohen and J. Rogers (Eds), *Associations and Democracy*, pp. 133–147 (London, Verso).
- Massey, D. (1993) Power-geometry and a progressive sense of place, in J. Bird, B. Curtis, G. Robertson, L. Tickner and T. Putnam (Eds), *Mapping the Futures: Local Cultures, Global Change*, pp. 59–69 (London, Routledge).
- McCall, G. (1996) How to tell the private sector when you see it: nissological notes from the Pacific Islands, paper presented at the conference on the effects of economic globalisation and regional integration on small countries, Cyprus, September.
- McClelland, D. (1967) *The Achieving Society* (New York: Free Press).
- Milne, D. (2002) One state or two? Political realism on the Cyprus question, *The Round Table*, 368, pp. 145–162.
- Palmer, M. (1997) *Political Development: Dilemmas and Challenges* (Itasca, IL: Peacock).
- Peters, R. S. and Waterman, R. H. (1982) *In Search of Excellence: Lessons from America's best run Companies* (New York: Harper & Row).
- Planistat Europe (2003) *Analysis of the Island Regions and Outermost Regions of the European Union*, Part 1: The Island Regions and Territories, at [http://europa.eu.int/comm/regional\\_policy/sources/docgener/studies/pdf/filesrup/islands\\_part1\\_summary\\_en.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/studies/pdf/filesrup/islands_part1_summary_en.pdf), accessed 16 July 2004.
- Poirine, B. (1995) *Les petits économies insulaires: théories et stratégies de développement* (Paris: L'Harmattan).
- Poirine, B. (1998) Should we hate or love MIRAB?, *The Contemporary Pacific*, 10(1), pp. 65–107.
- Prasad, N. (2003) Small islands' quest for economic development, *Asia-Pacific Development Journal*, 10(1), pp. 47–67.
- Prasad, N. (2004) Escaping regulation, escaping convention: development strategies in small economies, *World Economics*, 5(1), pp. 41–65.
- Premdas, R. R. (1998) Secession and decentralization: the Bougainville case, *Canadian Review of Studies in Nationalism*, 25(1), pp. 23–36.
- Premdas, R. R. (2001) Identity and secession in a small island state: Nevis, *Canadian Review of Studies in Nationalism*, 28(1–2), pp. 27–44.
- Premdas, R. R. and Williams, H. (1992) Tobago: the quest for self-determination in the Caribbean, *Canadian Review of Studies in Nationalism*, 19(1–2), pp. 117–127.
- Putnam, R. D. (1993) The prosperous community: social capital and public life, *The American Prospect*, 13, pp. 35–42.
- Richards, J. (1972) Politics in small independent communities: conflict or consensus?, *Journal of Commonwealth and Comparative Politics*, 20(2), pp. 155–171.
- Rosenau, J. N. and Czempiel, E.-O. (Eds) (1992) *Governance Without Government: Order and Change in World Politics* (Cambridge, MA: Cambridge University Press).
- Rothstein, B. (2003) Social capital, economic growth and quality of government: the causal mechanism, *New Political Economy*, 8(1), pp. 49–71.
- Royle, S.A. (1989) A human geography of islands, *Geography*, 74(1), pp. 106–116.
- Schein, E. (1992) *Organizational Culture and Leadership* (San Francisco, CA: Jossey-Bass).
- Schmitter, P. C. (1983) Democratic theory and neo-corporatist practice, *Social Research*, 50(4), pp. 885–928.

- Schumacher, E. F. (1973) *Small is Beautiful: A Study of Economics as if People Mattered* (London: Blond & Briggs).
- Srebrnik, H. F. (2000) Identity, culture and confidence in the global economy, in G. Baldacchino and D. Milne (Eds), *Lessons from the Political Economy of Small Islands: The Resourcefulness of Jurisdiction*, pp. 56–71 (Basingstoke: Macmillan).
- Srebrnik, H. F. (2004) Small island nations and democratic values, *World Development*, 32(2), pp. 329–342.
- Streeten, P. P. (1993) The special problems of small countries, *World Development*, 21(2), pp. 197–202.
- Sutton, P. (1987) Political aspects, in C. Clarke and T. Payne (Eds), *Politics, Security and Development in Small States*, pp. 3–25 (London: Allen & Unwin).
- Trompenaars, F. (1993) *Riding the Waves of Culture* (New York: Random House Business Books).
- Trompf, G. (Ed.) (1993) *Islands and Enclaves: Nationalisms and Separatist Pressures in Island and Littoral Contexts* (New Delhi: Sterling Publishers).
- United Nations Development Programme (UNDP) (2003) *Human Development Report* (New York: Oxford University Press).
- UNESCO (2003) *Small Island Voice*, at: [www.unesco.org/csi/smis/siv/sivindex.htm](http://www.unesco.org/csi/smis/siv/sivindex.htm), accessed 16 July 2004.
- United Nations (1999) Speech by Secretary General Kofi Annan at ninth international anti-corruption conference, Durban, 10–15 October, available at [www.transparency.org/iacc/9th\\_iacc/papers/day1/plenary/dnld/d1pl\\_kannan.pdf](http://www.transparency.org/iacc/9th_iacc/papers/day1/plenary/dnld/d1pl_kannan.pdf), accessed 16 July 2004.
- Watts, R. L. (2000) Islands in comparative perspective, in G. Baldacchino and D. Milne (Eds), *Lessons from the Political Economy of Small Islands: The Resourcefulness of Jurisdiction*, pp. 17–37 (Basingstoke: Macmillan).
- Weale, D. (1992) *Them Times* (Charlottetown: Institute of Island Studies, University of Prince Edward Island).
- Wijkman, A. (1998) Does sustainable development require good governance?, *UN Chronicle*, 1, pp. 86–88.
- World Bank (2002) *World Development Report 2003* (Oxford: Oxford University Press).
- Worsley, P. (1968) *The Trumpet shall Sound: A Study of 'Cargo Cults' in Melanesia* (London: Paladin).