

# Quantitative panel studies of the political economy of the cape colony

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**Erik Green, Professor at Lund University in Sweden, investigates the legacy of a settler colony by focusing on quantitative panel studies of the political economy of the Cape Colony**

Institutions, commonly defined as the “rules of the game” in a society, play a key role in shaping a country’s ability to grow out of poverty. Given this, the variation in institutions across time and space in general and why growth-impeding institutions tend to persist, in

particular, has received much attention among scholars in recent decades.

A growing body of research suggests that the differences we see in institutions – and the resulting economic outcomes – can be traced back to the impact of European colonialism. This idea is central to the work of researchers like Acemoglu, Johnson, and Robinson, who won the 2024 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, and others who have explored the topic in depth (Acemoglu and Robinson 2012; Engerman and Sokoloff 2000, 2002, 2005; Easterly and Levine 2012).

A significant limitation of this research is that they have failed to empirically observe how and why colonial institutions evolved. The chief reason is the lack of sufficient historical data. Instead, the literature identify institutions ex-post, i.e., based on their outcomes. Poor countries today are assumed to be so because of growth-impeding institutions that evolved in colonial times. We lack proper quantitative empirical analysis of how colonial institutions evolved the way they did, and without such understanding, it is difficult to assess their impact on economic and social development.

Many scholars have assumed that European colonialism was an event driven solely by the interests of the colonising powers or the settlers, which is a bit misleading. While it's true that colonisers eventually took control of vast regions of the Global South and forced local populations under their rule, this didn't happen all at once. In fact, the process was gradual, shaped by both collaboration and conflict between colonisers and the Indigenous people. This ongoing, uncertain, and often fractured evolution is what this research project aims to explore in more detail.

## **Studying the development of colonial institutions**

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Thanks to a project called [The legacy of a settler colony: Quantitative panel studies of the political economy of the Cape Colony](#), we now have access to an incredibly detailed set of data that allows us to study the development of colonial institutions over time. The project provides a unique historical database that tracks economic and demographic data from the Cape Colony (modern-day South Africa) over nearly 200 years (1660-1840). With the help of a generous grant from the Swedish research funding body [Riksbanken's Jubileumsfond](#) (around €3 million, Dnr: M20-0041), a team of 15 researchers from Sweden, the Netherlands, South Africa, and the U.S. are working to build this database and use it to provide empirical quantitative analyses of the evolution of the Cape Colony economy and its institutions ([www.capepanel.org](http://www.capepanel.org)).

Having this detailed, annual data allows us to challenge some key assumptions in the existing literature on colonialism. For example, in studies by Green (2022) and Carlos et al. (2024), we show that European colonialism wasn't just an "exogenous" event, meaning it wasn't as simple as Europeans arriving in a new land and taking control overnight. Instead, it was a slow and complicated process that started well before the formal colonisation of these territories. Factors like the Indigenous people's responses, ecological conditions, and market dynamics all played a critical role alongside the intentions of the European colonisers.

In another study (Fourie, Green, Rijpma, and Von Fintel 2024), we found that the common belief that the majority of European settlers in the Cape Colony quickly became wealthy is misleading. While it's true that settlers were generally wealthier than the Indigenous Khoisan people, life was still hard for many Europeans. In fact, there was very little upward mobility among most of the European settler farmers, contrary to the idea that settlers arrived poor and became rich within a generation.

The research also shows that European settlers were not a homogenous group with shared interests. In reality, tensions and political disagreements were just as common within the settler community as they were between settlers and Indigenous groups or between settlers and the Dutch East India Company (VOC) (Green 2022).

The Cape Colony, like many other colonial territories, was built on slavery. From 1652 to 1808, tens of thousands of slaves were imported to the colony from Asia and East Africa to work on farms and in homes. While life for enslaved people was brutal and oppressive, they were not completely passive.

In her research, Kate Ekama (2024) highlights how enslaved individuals often worked to buy their own freedom or that of others, showing that they played an active role in shaping their destinies, even within the constraints of a slave economy. This challenges the common narrative of the enslaved as mere victims and calls for a better understanding of their agency.

## Colonialism and economic development

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These empirical studies suggest some important theoretical shifts for the broader literature on colonialism and economic development. Ignoring the role of non-European actors in shaping colonial societies leads to an incomplete – and often morally problematic – understanding of colonialism.

Likewise, treating European colonisers as a unified group with shared interests oversimplifies the reality of colonial politics, where various groups of settlers often disagreed or fought amongst themselves. It also reminds us that colonialism was not part of a grand, preordained plan but a slow, uncertain, and often unpredictable process.

Ultimately, the institutions that formed the foundation of colonial societies like the Cape Colony resulted from complex interactions between many different actors, not just the colonisers. Recognising this complexity is essential for understanding how colonial institutions evolved and contributed to or impeded long-term economic development in the Global South.

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Primary Contributor

Erik Green  
Lund University

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