

## Historical institutionalism in the Maldives: A case of governance failure

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*ABSTRACT This article explains the problem of governance in the Maldives in terms of how weak historical institutions embedded in the present political system have limited the government's capacity to govern for the development of the broader society. This is done in light of the argument that the Maldives has experienced problems with development, especially within key socio-economic areas including health, education and community-based economic activities, despite the development achieved with its booming tourism industry during the 1980s–2000s. Using the present literature on development and governance, the article shows that this underdevelopment has been caused by a failure to achieve good governance of economic resources. Through a historical-institutional evaluation of the politico-institutional developments during the 1880s–1960s, this article explains that the Maldives acquired weak historical institutions that may have been transmitted through time to become embedded in the present political system and reduced the government's capacity to govern efficiently. It is argued that the institutional foundations were based on undemocratic constitutional rules, created and shaped by the past monarchical political practice, and that these historically transmitted rules have reduced the government's capacity to govern effectively leading to the problems with development experienced by the Maldives today.*

### Introduction

This article presents a historical-institutional (HI) evaluation of the politico-institutional developments in the Maldives during the 1880s–1960s. It aims to explain that weak historical institutions embedded in the present political system<sup>1</sup> have reduced the state's capacity<sup>2</sup> to govern economic resources for broader developmental purposes. It is argued that the Maldives has not achieved the level of development it should have during recent decades despite the large revenue base generated by tourism during that period (Ministry of Tourism, 2011). In fact, over the decades, tourism has generated a large revenue base that could have—but presumably has not—been used to support the development of other socio-economic areas in the Maldives. Through a descriptive assessment of the growth achieved with the booming tourism industry against the overall development trends in the Maldives, this article observes that there has been significant underdevelopment in other socio-economic areas—including health, education and community-based economic

activities such as fishing—which has affected the sustainable progress of the broader society (Department of National Planning [DNP], 2010a; Ministry of Planning and National Development [MPND], 2007; United Nations Development Programme [UNDP], 2011). With reference to the literature on development and governance, it claims that this development problem is testimony to a lack of good governance of economic activities for the long-term development of the broader society (Clark, 2006; North, Acemoglu, Fukuyama & Rodrik, 2008; Stiglitz, Sen & Fitoussi, 2009).

The main purpose of this article is not to analyze how the present development trends have been affected by ‘bad’ governance in the Maldives; rather, using existing institutionalist theories, it develops an analytical framework to explain why the government, as the central governing body of the state, has failed to establish a good governance system to manage economic resources including tourism resource over the past decades. This is explained in terms of how the historical institutions embedded in the present political system could have weakened the government’s capacity to achieve good governance of socio-economic activities.

Institutionalist theories explain that the undemocratic historical constitutional rules embedded in a political system can reduce a government’s capacity to create good governance mechanisms (Bell, 2011; Etheredge & Short, 1983; North, 1990; Peters, 1999). Further, according to the governance literature reviewed here, undemocratic historical constitutional rules embedded in a political system can fail to provide adequate institutional constraints and incentives for the government to govern socio-economic activities for the benefit of the broader society (Bell & Hindmoor, 2009; Tullock, Seldon & Brady, 2002). ‘Democratic constitutional rules’ are a socially transmitted set of rules that provide democratic institutional instruments, including constitutional check and balance mechanisms to guide and govern politico-economic interplay in societies (see Hodgson, 2006; Ratnapala, 2003). Conversely, undemocratic constitutional rules lack such constitutional check and balance mechanisms. The historical-institutionalism (HI) literature explains that such rules can be transmitted through time and become embedded in political systems of the present and future (Bell, 2011; Peters, 1999).

In this respect, this article aims to show that undemocratic historical constitutional foundations can be a key factor affecting the way in which the present governance arrangements are moulded in the Maldives. It evaluates the origins of the present constitutional rules in the Maldives to show how they have been created and shaped by the past monarchical political practice that does not encompass the basic functions of good governance such as democracy, transparency and accountability—functions that prevent acts of mis-governance including rent-seeking activities—in managing socio-economic activities (Baland & Francois, 2000; Bell & Hindmoor, 2009; Fischer, 2006). Thus, this suggests that past bad governance practice can be transmitted to the present political system to weaken the government’s capacity to adopt the good governance functions that are required to manage economic resources for long-term development. To verify this argument, the article examines British colonial and Vora trader practices and the interaction between these and the political practices of the Maldives during the late nineteenth and early

twentieth centuries. This historical-institutional evaluation explains how the culture of ‘dynastical’ politics dominated and shaped the political system of the Maldives, and affected economic governance structures in subsequent periods. The aim is to show that the present political system of the Maldives has acquired historically transmitted undemocratic constitutional rules developed by the monarchical rule of the 1880s–1960s, which has weakened the government’s capacity to govern effectively.

The proceeding part explains the development trends in the Maldives with respect to the role of governance in development. It aims to show how the problems with development in the Maldives can be equated to a governance failure. Using an HI framework, the next part undertakes an empirical evaluation of the historical political practices and constitutionalism during the 1880s–1960s period. This section looks at the institutional foundations that have affected the governance systems in the Maldives, by showing that undemocratic historical constitutional rules can be transmitted through time to the present political system and reduce the government capacity to establish ‘good’ governance in socio-economic management. The article then presents a HI analysis of post-independence governance system to show a loss of state capacity to govern has occurred due to historical institutions. In conclusion, it summarises the key arguments.

### **A Case of Underdevelopment and Governance Failure**

Over the last few decades, the Maldives has experienced problems with development in key socio-economic areas, despite the development achieved as a result of the country’s booming tourism industry. These development problems have been caused by a broader governance failure. Here, it is claimed that an assessment of the development trends in key socio-economic areas—including health, education and community-based economic activities—can be used to testify the weak governance of certain key activities.

In this respect, a significant recent political event representing a possible loss of state capacity in the Maldives is worth highlighting. In February 2012, the first-ever democratically elected government was replaced by a new one, following an alleged political ‘coup’<sup>3</sup> executed by some mutinous law-enforcement agents and opposition parties (Rasheed, 2012). This event in particular cannot be the only analytical barometer with which to explain government failure with respect to the development problems the country faces today. However, activities surrounding this event indicate the loss of the government’s capacity to manage socio-political and economic activities in the most democratic manner—several debates have developed regarding the cause(s) of this change; however, these lie beyond the scope of this article.<sup>4</sup> From an institutionalist viewpoint, the event highlights the fact that a weak political system is the inevitable cause of this change (Rasheed, 2012).

This section specifically looks at the developmental aspects of governance to show that the lack of good governance of socio-economic resources—specifically tourism resources—over the past decades has led to the underdevelopment of key socio-economic areas. It cites imbalances in development in these areas as a key manifestation of underdevelopment in the Maldives. It investigates socio-economic inequality—income inequality and the inequitable distribution of

social and economic opportunities—experienced by different community units in the Maldives with respect to these areas. The community units include social groups living in the capital, Malé, and the atolls.

### **Development and Governance**

With the introduction of laws and establishment of political institutions, including foreign investment laws, tourism regulations and a department of tourism as a ‘control’ mechanism to govern tourism in a socially and economically effective way since the late 1970s (Government of Maldives and Dangroup, 1983, pp. 203–205), tourism in the Maldives began and continued to make significant contributions to economic growth. During 2006–2010, about 700,000 tourists visited the Maldives annually, generating a large sum of foreign exchange and making substantial contributions to overall economic growth (Ministry of Tourism, 2011). Recent statistics show that the per annum tourism receipt in 2010 was US\$713.6 million (Ministry of Tourism, Arts and Culture [MTAC], 2010). An aggregated projection may show that the Maldives has generated an overall windfall of roughly US\$4 billion between 2001 and 2009 (Ministry of Tourism and Civil Aviation, 2006; MTAC, 2010). This is a huge sum given the country’s small and stable economy of about 300,000 people.<sup>5</sup> Despite this growth associated with tourism, this article observes that the overall level of development in other areas has remained disappointing over these same decades. This can be seen in the underdeveloped socio-economic infrastructure, as demonstrated by level socio-economic inequality in the Maldives.

### **Economic Inequality and Imbalanced Development**

Gross domestic product (GDP) indicators and growth indicators for tourism do not necessarily reflect the specific development patterns in individual community units. In the Maldives, fast national development has coexisted with underdevelopment in important domestic utilities. For example, the Maldives attained a constant Gini coefficient of 0.41 between 1997 and 2004. When this level of inequality is set against the overall GDP growth during this period—GDP increased from MRF5,144.6 million in 1997 to MRF8,311.2 million in 2004 (Department of National Planning, 2010b)—two implications are apparent: first, that steady growth with unchanged inequality is an indicator of the underdevelopment of some parts of the economy, and, second, it is likely that this inequality remained unchanged or worsened as the GDP continued to increase to MRF2.2 billion in 2008 (Department of National Planning, 2011c). Conversely, if inequality—in terms of socio-economic underdevelopment within the nation—exists presently, it may indicate that the circumstances contributing to unbalanced development have not improved considerably.

In the health sector, despite the recognisable improvements made by the government in an effort to provide equitable health-care services to all citizens, including improving the capacity of health-care providers, universalising vaccination schemes and developing hospitals in Malé and the atolls, some areas require further development to create a sustainable health system. For

example, the provision of pharmaceutical services remains an area of concern in terms of the delivery of adequate services to the general population and an increase in the number of patients has put pressure on the health-care system in terms of services and financing and the increasing demand for general services cannot be met due to the lack of resources available in the health system (MPND, 2007). As an example, while the two main hospitals are located in the capital, Malé, hospitals and health-care centres built in other atolls are neither well equipped nor well financed (Ministry of Health and Family, 2009).

In the education sector, the problem lies with insufficient national planning and a weak national education curriculum. In retrospect, over the past few decades, education has contributed to the economic and social stability of the nation, increasing the general knowledge of the people over the years through universal education (Manik, 1997; MPND, 2007; United Nations Educational, Scientific and Cultural Organization [UNESCO], 2010–2011). However, a major shortcoming of the education system is that it has not created an adequate local workforce capable of meeting the demands of the growing market economy—national development increases the demand for a highly skilled and trained workforce (MPND, 2007). A government report revealed that about 15,000 youths living in Malé are unemployed—the total population of the city is about 104,000 and the youth population is about 30,000 (Ministry of Education, 2007). The number of expatriates working in the Maldives is more than double the youth population—as of 2008, there were about 80,839 expatriates working in the country (DNP, 2010a). According to the Seventh National Development Plan, “in 2006, 30.5 percent of expatriates were engaged in construction sector, 20.6 percent in tourism and 15.4 percent in community, social and personal services” (MPND, 2007, p. 49). The increased number of expatriates and youth unemployment can be viewed as due to a weak education system to produce long-term, planned outcome.

In contrast, the economic activities of the local communities can be considered. Significant parts of the Maldivian population, especially those in the atolls, rely on community-based economic activities such as agriculture and fisheries. In this respect, fishing has been a main source of income for island communities, which comprise a significant portion of the local population. Fishery activities have recently expanded locally and internationally with the introduction of a fish freezing and storing system, which was the first technological development in over 100 years of fishing (MPND 2007; Department of National Planning, 2008; Maldives Country Review, 2008a).

However, the total number of people employed in the fisheries industry has not changed much—an average of 11,498 was involved in the 1990s, 9,295 in the 2000s and 8,388 in 2006 (Department of National Planning, 2011b). This slight decline in the number of people employed in the industry can be linked to the less reliable income and the precarious employment it generated, especially when compared with tourism. A substantive reason for this decline could be the underdevelopment of the fisheries infrastructure as a result of development-policy shortfalls in this area (MPND, 2007). This can be explained by the underdeveloped socio-economic conditions resulting from the inadequate distribution or redistribution of national revenue—which is largely supported by income from tourism—to provide and develop adequate human and capital resources for the development of island communities by utilising fishing as an important community-based economic activity that could generate direct and



indirect employment (Teh & Sumaila, 2013). This can reduce the capacity of local communities involved in fishing activities to experience the indirect ‘multiplier effects’ of community fishing using the new technology available. Community fishing has indirect multiplier effects upstream and downstream of the production activity. The underlying claim here is that although fishing activity alone may make a relatively small contribution to the GDP, other activities that occur in connection with fishing could generate income and employment, alleviating poverty and food insecurity in small communities (Beare & Rushoke, n.d.; Food and Agriculture Organization of the United Nations [FAO], 2005).

At this point, one could argue that fisheries should not be developed at the expense of tourism. However, economic assets, including those supporting health and education, can be distributed in a more equitable manner so that all sectors of society benefit and develop; however, this has not happened in the Maldives.

### **Governance Failure as Institutional Weakness**

Development agencies such as the World Bank have established and continued to formulate policy frameworks with the support of financial and economic resources to address developmental problems faced by societies worldwide (Moore, 1993). Institution building, or state-capacity building, has been an approach promoted by such agencies and development scholars (Stevens & Gnanaselvam, 1995; Teskey, Schnell & Poole, 2012). This enables nation states to establish sufficient institutions that support good governance mechanisms (North et al., 2008). This process requires adequate political institutions that support efficient interaction between government and society.

Tourism in the Maldives has developed very quickly, boosting growth in GDP accounts. In this respect, sustainable and equitable development requires that island communities also develop. This requires policy commitments through good governance systems supported by adequate institutions (Kohn, 2009; North et al., 2008; North, Wallis, Webb & Weingast, 2007). The existence of inequality and imbalanced development in the Maldives suggests that it has a discriminating economic system, which deprives parts of the economy of equitable access to socio-economic opportunity, as illustrated by persistent, but manageable, problems with the development of key social utilities and domestic infrastructure (Kuznets, 1966; Szirmai, 2005). This economic system, it is argued, is a product of policy shortfalls caused by broader governance failure.

The lack of sufficient political and economic institutions can reduce the capacity of a government to formulate and implement economic or development policies to achieve balanced development—development that would benefit all of society (Haddad, Hossain, McGregor & Mehta, 2011; Layard, 2010; McGregor, 2007; North et al., 2008; Sen, 1985). Despite the growth achieved in GDP per capita accounts affected by a booming tourism industry, it is argued that the broader society has not equitably benefited from the development that has been achieved in the Maldives. The Maldives has so far experienced broader problems with development, which may be an indication of the lack of effective governance of tourism resources.

At this point, a descriptive analysis of the development trends in the health,

education and fisheries sectors as a community-based activity may be helpful in showing the imbalanced development that may be equated to a governance failure associated with weak political institutions.

### **Nineteenth and Twentieth Century Governance**

From the 1880s to the mid 1960s, the Maldives was governed by monarchical governments headed by kings whose main interests were to enhance their power over their subjects (Maldives Country Review, 2008b; 2011). A ruling class composed of monarchical rulers, their families and other opposing politically powerful families controlled the political state. Rulers inherited their positions according to customary monarchical practice. Their governments were formed according to their political desires and functioned as personalised systems (see Acemoglu & Robinson, 2012).

This political system had undemocratic institutional features—the monarchy had excessive power over society, and family-based rules dominated the political scene. How this system evolved during the said period had a significant impact on the politico-institutional foundations supporting the governance system in the Maldives. Such institutional foundations can affect subsequent development trends and changes by affecting policy choices or governance arrangements formulated and implemented through time (Bell, 2004; Peters, 1999). An evaluation of the historical interplay between political and economic activities can be used to explain how pre-existing undemocratic constitutional rules can both play a central role in reducing state capacity to achieve democratic governance—as can be observed in today’s Western democracies—and have a ‘sticky’ property that inhibits change or democratic reform, unless an external force is applied to change them (Bell, 2011).

Historical institutionalists have long held the view that a past policy failure can persist into present times when the surrounding constitutional rules have failed to change the root cause of that failure (Bell, 2011; Peters, Pierre & King, 2005; Rasheed, 2012). The concept of institutional ‘path dependency’ explains this effect of institutions (North, 1990). Path-dependency theory explains that institutions have the characteristic of fixating on a certain path. When the inherent institutions are undemocratic, they create undemocratic paths for present and future politico-economic interplay (Peters, 1999; Peters et al., 2005). Such pre-existing weak institutional paths may be changed through time (Streeck & Thelen, 2005). However, the nature of that change depends on the nature of the politico-economic interplay within the pre-existing institutional settings (North, 1990). As such, any traditionally transmitted undemocratic political practices embedded in that political system may weaken the whole constitutional government<sup>6</sup> and reduce the government’s capacity to enact democratic legislation and practices to support good governance (Osei, 2004). To understand the institutional foundations moulding the political system and subsequent governance arrangements in the Maldives, one has to understand the institutional properties of the past monarchical rule.

### **Institutional Properties of the Monarchial Rule**

‘Individualistic’ struggle for power was a key feature of monarchical-era politics. The individualistic, or personalized, political system reduced the government’s capacity to govern society in the most efficient manner—by involving a governance process that manages the activities of a society for its long-term development. This was caused by the lack of democratic rules in the monarchical system. Note that this article does not problematize monarchical systems; rather, it explores the weak institutional properties of such authoritarian systems that do not support the good governance functions as observed by today’s Western democracies. Governance theories stress that democratic institutions are required for the government to establish effective governance of socio-economic activities (Bell & Hindmoor, 2009; Jessop, 1997; Kooiman & Jentoft, 2009; Lance, Georgiadou & Bregt, 2009; Sorensen, 2006). In the absence of democratic institutions, political leaders can manipulate policies and state legislation, and more easily impose hierarchical authority over political and economic activities to achieve self-interested goals (Skach, 2005).

Moreover, such systems lack the ‘adaptive efficiency’<sup>7</sup> to establish democratic governance of socio-economic activities. Rulers lack incentives to create administrative mechanisms to enhance public service by creating systems for negotiation between the government and the community to promote societal development. In public choice viewpoint (Hindmoor, 1999; 2006; Tullock, 1988; Tullock et al., 2002), political activity remained isolated from society. This happens when there is rent-seeking activity, when either “the return to an asset in excess of its best alternative earning” (Meier & Rauch, 2005, p. 502) or the “rent is a return in excess of opportunity cost” (Ngo, 2008, p. 29), when the share of income is “obtained without generating a productive contribution in exchange” (Fischer, 2006, p. 23). In a rent-seeking situation, the government has no incentive to promote the interests of the public—it responds to the privileged groups in the economy who generate rent for the government. An authoritative government can utilise its power to acquire such rent, hence be less accountable to the public. Thus, in the Maldives, the only communication between the monarchy and society was in the form of monarchical directives for social obedience; any objection to these was seen as a threat to the incumbent’s rule and was dealt with by punishment (personal communication, 2009)<sup>8</sup>.

During the mid 1880s and 1890s, political leadership in the Maldives was based on close ties with influential politicians who had strong financial resources and strong family bonds. A’sultan Ibrahim Nooradheen (hereafter King Nooradheen) was king of the Maldives during this period. King Nooradheen was the son of A’sultan Mohammed Imaadhudheen IV (hereafter King Imaadhudheen), an original descendent of the Kakaage family (the most influential family at the time) and an original architect of the political framework that accommodated the British in 1887. King Imaadhudheen is believed to have wanted his family to rule the Maldives, so appointed his son Nooradheen as king.

However, the Kakaage family was not the only family with the political will and financial resources to influence the political system. The Athireege



family also had sufficient economic and financial resources to challenge King Nooradheen's leadership, even to the point of overthrowing his government (Manik, 1997). For instance, the incumbent government of the mid 1880s feared that rising political elites, such as Sumu'wul Ameer Ibrahim Dhoshimeyna Kileygefaan (hereafter Dhoshimeyna Kileygefaanu)—a strong affiliate of the opposing Athireege family—might declare revolutionary acts against it (Manik, 1997). Dhoshimeyna Kileygefaanu was an educated and mature Maldivian politician mainly as a result of his family's connections. He supposedly had the financial resources and the political capacity to overthrow the government (Manik, 1997; Naseer, 1998). He was a famous and influential person during this period.

His appointment as prime minister during this period was considered a strategic move towards strengthening the family bonds between the ruling and opposition families in order to reduce the political tensions between them (Naseer, 1998). Historical studies do not specify any particular reasons for the competition between these families other than the political and personal interests of the powerful elite. Some historians believe this behaviour has been embedded in the political culture of the Maldives for over 800 years (Manik, 1997).

However, such strategic moves made by the government did not prevent politicians like Dhoshimeyna Kileygefaanu from influencing and, at times, threatening the government. Dhoshimeyna Kileygefaanu's individual and political capacity personally threatened the king. As a result, despite his own decision to appoint Dhoshimeyna Kileygefaanu as prime minister, the king subsequently decided to remove him from this position (Manik, 1997). Dhoshimeyna Kileygefaanu's removal further aggravated the existing tensions between the king and his opposing families. With the help of a group of political players known as Havaru—a militant group formed of powerful people from six main regions of the city of Malé—Dhoshimeyna Kileygefaanu organized a successful coup to overthrow King Nooradheen, whom he replaced with A'sultan Mohammed Mueenudheen (hereafter King Mueenudheen). King Mueenudheen was the heir to the throne from the Kakaage side, indicating that a new king did not necessarily need to be from an opposing faction. Further, this indicates that the overthrow of King Nooradheen was a personal matter for Dhoshimeyna Kileygefaanu. Importantly, King Mueenudheen did not reappoint Dhoshimeyna Kileygefaanu as prime minister (Manik, 1997).

In retaliation, Dhoshimeyna Kileygefaanu allegedly organized several mutinous socio-political movements against the government in the 1880s, including the Great Fire<sup>9</sup> (Naseer, 1998). The Great Fire created political instability and affected public perception of the government. However, despite the political and economic damage the event caused, it failed to overthrow the government. The result was that its architects, including Dhoshimeyna Kileygefaanu, were arrested and sentenced to jail by a court of law (Manik, 1997).

In the aftermath of the incident, the tension between the opposition and the government increased, especially after Dhoshimeyna Kileygefaanu's arrest, when his two sons sought the support of the British—who were already in the South Asian region in pursuit of their imperial agenda—to free their father and

the other alleged political conspirators. ‘British imperialism’ can be understood as a process that sought the growth of its empire (Beattie, 2010). The British used the political situation in the Maldives to intervene in its domestic affairs (Manik, 1997; Mufeed, 2009; Naseer, 1998). It became easier for the opposition to use the British presence in the country to their advantage. Their initial plan was to make the Maldives a British colony. However, the Havaru and majority of the local population opposed this plan; and hence their next approach was to bring the country under British protection.

The government saw British protection as a strategic opportunity to protect the nation against foreign invasions from regional pirates and colonisers, as well as local threats (Manik, 1997), with the aim being political stability and enhanced public confidence in the government. In 1887, King Mueenudheen reached an agreement with the British to turn the Maldives into a British protected state (Manik, 1997; Naseer, 1998), with the country partially surrendering its sovereignty to the British colonial authorities. The move was in the political and strategic interests of the ruling elite at that time (Maldives Country Review, 2008b; Manik, 1997). The Protectorate Treaty was established on 16 December 1887 through a letter of exchange between King Mueenudheen and the representative of the Crown based in Sri Lanka (Manik, 1997). The key conditions of the British deal required King Mueenudheen to resign and reappoint King Nooradheen as head of state and Dhoshimeyna Kileygefaanu as prime minister. This was communicated under agreement that British become an external resource to support the king in protecting and preserving his political office. Although the British were presumed to have superior institutional systems, their engagement in the Maldives was merely considered as a means of ensuring political security for the ruler rather than as a means to develop a mechanism of democratic governance.

### **Lack of Governance of Economic Activities**

With this institutional backdrop, the management of economic activities was entangled with the rent-seeking activities of political and business actors. Lack of democratic institutions and political practice enabled rent-seeking activity to occur in the governance process. At least theoretically, rent seeking involves making policies favourable to privileged political and private groups. Political leaders of countries such as Trinidad, Nigeria and Saudi Arabia, which possessed weak constitutional rules to protect property rights, adopted policies that allowed rent seeking and used their oil gains to finance increased consumption, which in turn undermined the growth of those countries (Baland & Francois, 2000; Fischer, 2006). The Maldivian government’s engagement with the Voras possessed similar characteristics, whereby rent-seeking relationships enabled the Voras to monopolise the marketplace for a long time; Vora business was officially prohibited by the government in 1962 (Mufeed, 2009).

King Nooradheen is believed to have brought the Voras into his political game plan to finance political campaigns, including state foreign policy concerning the British. The Vora traders were from Mumbai, India, and were protected by the British colonial authorities based in India and Sri Lanka (the closest regional neighbours of the Maldives) (Manik, 1997; Mufeed, 2009). The Voras brought advanced and sophisticated free-market practices and ideologies

into Maldivian society. They had knowledge of free-market principles, largely inherited through their experiences with British trade in the region, and were involved in crony capitalism.<sup>10</sup> British colonial laws governed their regional activity, and they used this title to influence and manipulate regional trade.

The Voras functioned in a weaker institutional environment than contemporary capitalist societies, like present Western democracies with advanced institutional scaffoldings and technology. Therefore, the Voras were able to do business more freely without being constrained by any significant market regulations. They controlled the monetary system and trade transactions, leading to the subsequent accumulation of significant public debt as the government started to make deals with and borrowed money from them (Mufeed, 2009).

The Voras had political interests to support and promote the interests of the government favourable to them. Government leaders established special connections with the Voras to obtain revenue from them to cover certain political and administrative charges, including those involving the British (Mufeed, 2009). This limited the government's role in implementing economic policies to benefit the rest of society (Manik, 1997). The Voras both initiated crony capitalism and lured the government into rent-seeking activities engendered by self-interested local rulers and their associate foreign traders.

### **Failure to Develop Democratic Constitutional Rules**

A personalised political system also created political barriers for the state to establish constitutional rules and democratic governance during the 1900s. In the early 1930s, the Maldives established a formal set of constitutional rules to govern its politico-economic activities (Ali-Didi, 2010). In 1931, the Majlis (a legislative council assembled by the king) drafted the first-ever written constitution of the Maldives. However, the drafting process was significantly influenced by A'sultan Mohamed Shamshudheen (King Shamshudheen) and his government's relationship with the British (Commonwealth Law Bulletin, 1982; Manik, 1997). A legislative council was established to formulate constitutional rules, within the boundaries of Islam, that could facilitate the king's governance of the State of the Maldives without violating the terms of the agreement between the Maldives and the British (Ali-Didi, 2010). Consequently, a written draft produced by the British became the basis of the first written constitution established in 1932, which replaced the 781-year-old system of inheritance with that of a constitutionally appointed monarch, or king (Manik, 1997).

Presumably, the 1932 Constitution was not created with the intention to establish a democratic governance system. Rather, it made legal provision for rulers to have unlimited authority over state affairs. This weakness in the Constitution facilitated monarchical practices, undermining any chance of democratic governance. The constitutional provisions promoted the interests and traditional practices of the king and failed to provide a check and balance mechanism to govern the king's actions, merely legitimising his undemocratic actions (Ali-Didi, 2010). These weaknesses in the Constitution reduced the public's confidence in the government. The initial objective had been to create a good constitution; however, as this was not achieved, the king was forced

to abolish the 1932 Constitution to establish a better constitution and regain public confidence.

Following the abolition of the first constitution, five or six (seven in some historical accounts) constitutions were subsequently drafted and adopted between the 1930s and 1960s. However, these constitutions also failed to create a political system with an effective legislature that would create laws that fit the existing socio-economic conditions and facilitate further societal development. In hindsight, the society was not ready for change, hence there were no political incentives to develop innovative laws (Manik, 1997).

That said, in the early 1953, a new constitution was adopted to replace the constitutional monarchy with a constitutional republic (Maldives Country Review, 2007). It was created with the intent to establish a more modern Western-style political system. However, this constitution replaced the monarch with a president and left most of the monarchical political practices unchanged. This constitution also failed to address basic societal needs and gave too much power to the president (Ali-Didi, 2010). The 1953 Constitution failed to maintain the republic and a monarchy rose again (Maldives Country Review, 2008b).

Moreover, the changing mood of politicians and state leaders in the 1960s had an effect on the way in which constitution making occurred in the Maldives. Political leaders like Ibrahim Nasir, the first president of the post-independence era, started to express their nationalistic views in the government decision-making process. The new strategy was to rule the country as an independent sovereign nation (Manik, 1997). Activities surrounding this event explain how a nationalistic ideology among rulers, which created the need to establish an independent state free of British interference in internal affairs, affected subsequent institutional developments.

Initially, there were no concerns about such British policies, but suspicions were raised in 1956 when the government decided to sign an agreement with the British to surrender its sovereignty to Britain. During the 1950s and 1960s, the Maldivian government convened special cabinet meetings to present a draft agreement to be signed between the Maldives and Britain. Locally known as the fahu copy (final draft), it required the Maldives to become a British colony for 100 years (Manik, 1997).

This 100-year agreement was initiated by Prime Minister Ibrahim Faamudheri Kileygefaanu (hereafter Faamudheyri Kileygefaanu), who, as the head of government, had the authority to make such policy decisions. Faamudheyri Kileygefaanu had close connections with the British authorities in Sri Lanka, who often provided political and economic support to his family and friends. In December 1956, Faamudheyri Kileygefaanu signed an agreement with the British authorities in Sri Lanka during his visit there without the consent of parliament or cabinet members, presenting the signed draft agreement to his cabinet upon his return home. The agreement, also known as the 'initial agreement', required the government to surrender Addu Atoll to Britain for the construction of a British air-force base (Manik, 1997). This came as a huge shock to the cabinet ministers. However, as the prime minister had acquired unlimited decision-making powers, the cabinet could not oppose this decision at the time.

Nasir (who, according to some local sources, was looking after the ministries of finance and defence in Faamudheyri Kileygefaanu's government during the 1950s), and a number of his comrades, did not agree with or consent to the prime minister's decision. He openly objected to the proposal and argued that the agreement would destroy the sovereignty and independence of the Maldives forever (Manik, 1997). After heated debate in the parliament, the government and members of parliament and the cabinet decided not to sign a final draft without a public referendum. This decision actually stalled the process indefinitely. The British were furious and remained in the country for a long time, pushing for a signature from the Maldivian side (Manik, 1997).

At this time of political tension between local politicians, the government and the British authorities, Nasir, as an influential politician, was able to push an agenda of independence from Britain. He became prime minister on 11 December 1957. With his education and knowledge of domestic and international politics, Nasir was successful in promoting independence within the government system. The political divide and tensions created during the initial phases of the British promotion of the 100-year agreement also engendered national unity among the broader local population, producing a group of politicians, which included Nasir and his supporters, that preferred nationalism to British protectionism.

This ideological change among key politicians, especially those in parliament, helped Nasir to draw up an agreement for independence with the support of cabinet ministers and members of parliament. The British were not pleased with this decision, and continued to pressure it to sign the final draft (Manik, 1997). Nasir's final solution to this problem was to convene a parliamentary session to vote on the final draft. A further decision was made to hold a public referendum to obtain the public's view of the draft. The result of the vote was weighted against signing, and it was, therefore, decided to abolish the final draft (Manik, 1997). Finally, the British decided to respect this decision of the people of the Maldives and reconsider the government's proposal for independence. After further negotiations with the British authorities in Sri Lanka, Nasir succeeded in gaining independence for the Maldives on 26 July 1965 (Maldives Country Review, 2008b). By the late 1950s, there was also the desire to achieve economic and political self-sufficiency to terminate British involvement in the country (Manik, 1997). Independence brought new institutionalism and political ideologies to the Maldives.

Nasir decided to re-establish a republic, with a president as the head of state. With the support of parliament, A'sultan Mohammed Fareedu Al'auzam (King Fareed) formulated a new constitution in 1967. The constitutional assembly decided to amend it to accommodate the principles of a presidential system. On 11 November 1968, the first constitution of the independent state was adopted by the constitutional assembly (Ali-Didi, 2010). However, it only had weak democratic provisions, merely re-instating a republic with a president in place of a monarch. Nasir, who held the post of prime minister at the time of formulation, became the first president under it (Maldives Country Review, 2007).

Establishing a democratic constitution was not as straightforward, as it is impossible to totally avoid the culturally ingrained political practices and



recreate a new system (North, 1990). From an institutionalist point of view, despite a government's effort to change the formal rules or constitution, the resulting political system may be undermined by the weak or undemocratic informal rules ingrained in the pre-existing political system (North, 1990; Thelen, 1999). Thus, the 1968 Constitution inevitably acquired qualities from the monarchical system (Manik, 1997). Therefore, this democratically weak constitution became the constitutional framework that governed political economic activities during the 1960s–2000s.

### **Properties of Pre-independence Governance: An HI Analysis**

The monarchical political practices embedded in the constitutional framework enabled political leaders to have absolute authority over socio-economic resources (Commonwealth Law Bulletin, 1982) and limited the government's capacity to govern those resources for the benefit of the broader society. This institutional foundation created a weak political system lacking adequate democratic institutional incentives and constraints to make the government accountable to the public.

Against this historical-institutional backdrop, political leaders of the new republic of the 1960s were given excessive power with which to control all of society's activities. For instance, placing the courts and the legislature under the political domain of the president only increased the power political leaders and politicians had over the legal system—the president had the constitutional authority to hire and fire judges and members of parliament (Commonwealth Law Bulletin, 1982). This created a political system that lacked the likelihood of establishing future democratic practices as it was not adaptively efficient (North, 1990). This traditionally transmitted institutional weakness in the system further reduced the government's capacity to achieve adequate governance of political economic activities during the post-independence period.

Although the Maldives achieved independence and established a constitution that formed a republic, the governance structure was solely based on past monarchical institutionalism—undemocratic political practices remained key institutional foundations during the 1960s–2000s. It was only in 2008 that the country established a modern Western-style democratic constitution and held its first-ever multi-party democratic elections. Despite the changes made to the constitutional framework during the preceding decades, one can argue that the Maldives was unsuccessful in governing its socio-economic resources to achieve the type of balanced development discussed above. As bad government or governance failures in the past can be transmitted to mould subsequent political systems through time, governments can continue to fail to establish good governance mechanisms unless they are adaptively efficient enough to amend the original constitutional rules that had initially weakened governance in the past and through time (North, 1990; Peters et al., 2005; Rasheed, 2012). This was not possible in the Maldives because the past monarchical practices embedded in the 1968 Constitution weakened the constraints and incentives structure essential to form democratic governance during the 1960s–2000s.

The post-independence period experienced a traditionally transmitted, state-centric, undemocratic political system. It appears that the 1968 Constitution

allowed the government to manipulate economic activities and adopt rent-seeking policies (Ellis, 1998). For example, one of the key economic policy initiatives of the post-independence era concerned developing the fisheries sector during the 1950s–1960s.<sup>11</sup> President Nasir’s main aim was to make the country economically self-sufficient (Manik, 1997). However, it appears that the fisheries development programme became a policy tool used to gain the support and approval of the public for the president and his constitutional authority to govern society. Further, it seems that the government was capable of influencing the traditional thinking of fishing communities by providing them with the opportunity to advance their work through new technological means. For example, traditional dhonis, or sailboats, were eventually (but slowly) replaced by engine boats ideally to increase fishing activity and to help to generate revenue for the government and government-controlled private businesses (Ellis, 1998). However, in economic terms, this project did not sufficiently improve the general skills or knowledge of the island communities to create the workforce required for sustainable development. The government did not formulate and implement adequate policies to educate people about new technological standards and potentials, and did not aim to manage the development of the fishing sector in a way to have a significant socio-economic impact on the society (personal communication, 4 May 2011).

Further, the lack of adaptive efficiency caused by traditionally transmitted undemocratic constitutional rules was also evident during the 1970s–1990s, when a new government launched new agenda to enhance development and strengthen the constitutional system. The 1968 Constitution did not provide adequate constraints and incentives for politicians to amend the pre-existing weak constitutional rules to accommodate economic activities, especially those associated with the newly developing tourism industry, to support a balanced development of society. It gave too much power to the ruling class, creating an absolute-authority system that allowed political leaders to amend and reshape existing institutions to maintain the status quo—this can be seen in the long delay in the constitutional amendment process undertaken over 1978–1998.

It could be argued that the Maldives changed this institutional foundation when it enacted a democratic constitution in 2008. However, the effectiveness of the 2008 Constitution in guaranteeing democratic practices and good governance will depend on the adaptive efficiency of the new constitutional government (Ratnapala, 2003) in maintaining democracy in the Maldives. As previously highlighted, the first-ever democratically elected government was replaced by a new government in 2012 due to its alleged failure to govern socio-political activities according to the legislative provisions set by the 2008 Constitution (Rasheed, 2012). The underlying argument here is that despite the democratic reforms of the 2000s that generated a new constitution in 2008, the historically transmitted undemocratic constitutional rules embedded in the political system have persisted to the present political system, causing short- and long-term governance problems that have led to developmental problems in the Maldives.

## Conclusion

This historical-institutional evaluation of the politico-institutional foundations of the Maldives during the 1880s–1960s has explained that the undemocratic historical institutions embedded in the present political system have reduced the government’s capacity to achieve effective governance of socio-economic activities during recent decades. This has been claimed because, despite the development achieved with the booming tourism industry, the Maldives continues to experience problems with development in other key areas that has significantly affected the broader development of society. This development imbalance has been argued to be due to the weakness of the political system, which has affected the governance system.

This article has evaluated the origins of the constitutional rules developed from past monarchical political practices with weak democratic provisions. Using political-science theories, it has shown that the undemocratic constitutional rules developed during the monarchical era may reduce the state’s capacity to govern effectively. In this, HI has explained how historical undemocratic constitutional rules may be transmitted into present and future political systems and if historical institutions possess undemocratic properties then those properties can affect present and future governance systems.

This evaluation has showed how the monarchical political practices of this period created undemocratic institutional foundations, leading to a weak political system that gave undemocratic powers to the rulers or government, which allowed them to manipulate socio-economic activities to promote the political and individual interests of the ruling class. From an HI point of view, undemocratic historical constitutional rules embedded in present political system of the Maldives reduced the adaptive efficiency of a government to establish democratic governance in recent decades.

**Acknowledgements.** Author acknowledges that this article has parts of research conducted for his PhD at the University of Queensland.

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### Footnotes

<sup>1</sup> For the purposes of this article, ‘political system’ is defined as the sum of all legal, political, economic and social institutions created by the constitution of the state.

<sup>2</sup> For the purposes of this article, ‘state capacity’ and ‘government’s capacity’ are used synonymously; whereas government’s capacity is defined as the ability (as provided by the constitution of the state) to govern or manage the socio-economic activities of a society.

<sup>3</sup> The term ‘coup’ has been used by some international media sources to report this event.

<sup>4</sup> Events surrounding this change—pre- and post-change periods—entail key events indicating the weaknesses within the executive, the judiciary and the legislator in adhering to best democratic practice. From the alleged arbitrary arrest of a senior judge of the Criminal Court by the outgoing government (Lynas, 2012) to the lack of compliance by that government to constitutional principles following court order declaring the arrest was unconstitutional (Hussain12, 2012) and the failure of the national security forces to control a series of civil unrest events allegedly engendered by some mutinous law-enforcement agents and opposition parties in retaliation to the outgoing government’s alleged misconduct are testimony to the state’s failure to uphold democratic institutionalism under the 2008 Constitution.

<sup>5</sup> The 2006 official census shows that the population growth rate has decreased and stabilised since the 1980s (Department of National Planning, 2011a).

<sup>6</sup> ‘Constitutional government’ is the sum of all political institutions created by the constitution of the state to undertake all socio-political and economic activities of a country (Ratnapala, 2003).

<sup>7</sup> ‘Adaptive efficiency’ can be explained in terms of a society’s willingness to

make changes to its social, economic and political structures. This willingness further depends on the type of rules or institutions governing that society. If such institutions create adequate incentives and constraints for the society to develop, then that society is considered adaptively efficient (North, 1990).

<sup>8</sup> Important information about the history of the Maldives has been drawn from one-to-one interviews with local historians. Their names are not included for ethical reasons.

<sup>9</sup> The Great Fire was a result of an organised political movement aimed at overthrowing the ruling family. The incident destroyed the main economic infrastructure of the capital city, including major Vora businesses and public homes. The incident illustrates the political mood of that time (Naseer, 1998) and also reflects the role played by the opposition in bringing the British to the Maldives in order to challenge the government—the Voras were closely linked to the British; the economic damage sustained by them concerned the British.

<sup>10</sup> ‘Crony capitalism’ can be explained in terms of the chaebol system in South Korea, in which ‘giant’ businesses develop close ties to the government in order to enrich their business while at the same time helping the politicians in power to achieve their political objectives (Allen, 2000).

<sup>11</sup> President Nasir’s fisheries development programme was one of the key economic policies of his government. This programme is highlighted to illustrate the impact of the pre-existing weak (undemocratic) political system of the post-independence period.