

RESEARCH ARTICLE

Banking on the Ruins of Empire: Developing Global Finance in Kuwait and Singapore

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Abstract

Decolonization left the future of small, city-states uncertain. Without large domestic markets to turn to, some city-states developed financial industries. Comparing Kuwait and Singapore, I examine how these states developed their financial sectors after decades of colonial underdevelopment. While both states sought to develop international financial centers, Singapore was far more successful in doing so. Kuwait opened numerous merchant-owned, domestic commercial banks but with sluggish rates of growth, while Singapore saw the emergence of new state-run banks; the consolidation, modernization, and growth of privately owned banks; and the establishment of a rapidly growing global financial center. I identify three processes to explain this divergence: (1) the state's ability to discipline merchant-capitalists; (2) the institutional legacies of colonialism and postcolonial maneuvering; and (3) the incorporation of transnational experts into ruling coalitions. By unearthing the mechanisms of financial development, this article contributes to sociologies of development, finance, expertise, and small states.

Keywords: Finance; historical sociology; state; colonialism; development; global economy; Middle East; Singapore

Introduction

During the height of Third World global decolonization, struggles for political independence were intertwined with struggles for economic sovereignty and development. But unlike larger, postcolonial states, small city-states without access to rural hinterlands and large domestic markets could ill-afford to rely on more autarkic forms of economic development. Political leaders of city-states saw the development of finance as one path toward securing their place in a rapidly changing global economy and undoing the legacies of colonial underdevelopment.

Kuwait and Singapore are two examples of small, city-states that tried to develop finance in pursuit of economic sovereignty and development. In the 1950s, prior to

Table 1. Comparison of Kuwait and Singapore in 1966

	Population (millions)	Nominal GDP (\$USD, billions)	Nominal GDP per capita (\$USD)	Financial services (percent of GDP)
Kuwait	0.57	2.39	4,176	4 (non-oil GDP)*
Singapore	1.93	1.1	567	13.2 (includes business services)**

Sources: World Bank Open Data; *The Planning Board (1968) Survey of Conditions in Kuwait, 1963/64–1967/68, Kuwait: Government Printing Press; **Department of Statistics (1983) Economic & Social Statistics Singapore, 1960–1982, Singapore: National Library Board Singapore.

Table 2. Comparison of Kuwait and Singapore in 1982

	Population (millions)	Nominal GDP (\$USD, billions)	Nominal GDP per capita (\$USD)	Financial services (percent of GDP)
Kuwait	1.66	21.58	12,978	5.0 (non-oil GDP)*
Singapore	2.65	16.08	6,077	21.9 (includes business services)**

Sources: World Bank Open Data; *Moosa, Imad A. (1986) “A study of Kuwait’s Monetary Sector,” University of Sheffield. **Department of Statistics (1983) Economic & Social Statistics Singapore, 1960–1982, Singapore: National Library Board Singapore.

independence, both Singapore and Kuwait were part of the Sterling Area,¹ and their financial sectors were dominated by British and European banks. However, by the early 1970s, the Sterling Area was largely defunct, British banks no longer reigned supreme, and both states were overseeing rapid financial expansion. Yet, Kuwait’s and Singapore’s financial sectors looked very different from one another (see Tables 1 and 2). Kuwait was home to several privately owned commercial banks run by local merchants. Although it hoped to be “a leading international financial center in the not too distant future,” Kuwait’s banking sector was almost exclusively Kuwaiti-owned (The Planning Board 1969: 53). In contrast, Singapore quickly evolved into an international financial center, with banks from across the globe flooding in to operate on the island. It became the primary funding center in Southeast Asia, a leading global foreign exchange market, and a hub for wealth management, commercial banking, and equity trading (Schenk 2020). Unlike many offshore tax havens, however, Singapore’s private, commercial banks consolidated and modernized alongside new, state-run commercial banks. Even today, local banks in Kuwait and Singapore have followed very different paths. While Kuwaiti commercial banks were leading players across the Middle East for many decades, they are now smaller than their Saudi, Qatari, and Emirati counterparts. Singaporean banks, on the other hand, are by far the largest financial institutions in Southeast Asia. Why did Singapore, and not Kuwait, succeed in constructing a globally integrated financial center, despite their comparable size, colonial legacies, and early efforts at financial institution building?

¹The Sterling Area was an exchange control area where members pegged their currencies to the pound sterling, keeping a significant portion of their foreign reserves as sterling balances in London.

I argue that Singapore's transformation into an international financial center was not the result of *laissez-faire* deregulation or imperial continuity, but of deliberate state-led development. By contrasting this trajectory with Kuwait – a similarly small, postcolonial state that pursued the development of finance, but achieved more limited outcomes – this article provides a historically grounded alternative to dominant accounts of offshore finance as either the result of simply elite capture, neocolonialism, or market fundamentalism. I identify three different processes that account for Kuwait and Singapore's divergent paths of financial development: (1) the state's ability to discipline capitalists; (2) the institutional legacies of colonialism and postcolonial maneuvering; and (3) the incorporation of transnational experts into ruling coalitions.

Literature review

Existing theories of small-state development provide useful insights into why some city-states pursue globally oriented service sectors such as finance. These accounts typically emphasize small market size, reliance on trade, and limited territorial size as features appropriate for developing nodal infrastructures and globally integrated industries (Baldacchino and Wivel 2020; Campbell and Hall 2009; Martinus et al. 2021). Some small states have even devised unorthodox economic innovations in response to globalized flows of capital to secure their place in an ever-changing global economy, such as citizenship by investment schemes, free trade zones, and flag registers (Palan 2006).

Finance is one important developmental pathway available to city-states. Italian city-states in the fifteenth century, for example, secured their place in the world through the accumulation of capital from long-distance trade and high finance, demonstrating that “even small territories could become huge containers of power by pursuing one-sidedly the accumulation of riches rather than the acquisition of territories and subjects” (Arrighi 2010: 40). Similarly, in the twentieth and twenty-first centuries, small states and city-states identified banking and finance as a key sector worthy of economic transformation, such as Lebanon and Panama (Safieddine 2019; Zimbalist and Weeks 1991). Even the development of offshore finance has, in some cases, enhanced state power by providing peripheral states with preferential liquidity and the ability to secretly pursue contradictory economic policies (Binder 2023).

The characteristics typical of small city-states – dependency on external capital and global trade – align well with the requirements for financial sector development. Compared to manufacturing, finance demands less extensive territorial control, labor, or physical resources (Baldacchino and Wivel 2020). Olds and Yeung (2004) argue that city-states are better suited to developing global nodal economies because they lack the national-versus-urban political cleavages typical in other contexts, allowing for focused resource mobilization towards national objectives. Similarly, Palan (2010) argues that British-linked city-states were more likely to become international financial centers since they lacked vast and expansive hinterlands and offered fiscal and regulatory incentives to nonresident finance. However, these explanations imply that the ability to become a global city-state hinges on the relative degree of separation between national and urban politics. While important, this cannot explain variation among city-states, such as Kuwait and Singapore.

Other scholars suggest that closely knit, elite coalitions common in city-states help facilitate the development of unorthodox and creative developmental endeavors, such as specialized, globally oriented industries (Campbell and Hall 2009; Katzenstein 1985; Veenendaal and Corbett 2015). According to Campbell and Hall (2009), small countries that are more culturally homogenous tend to develop an ideology of “social partnership,” which facilitates the establishment of institutions that promote flexibility in response to global economic change. Others argue that small, neo-corporatist economies are better equipped to respond to the challenges presented by internationalization as they are more sensitive to market signals and can quickly make old institutions perform new functions (Baldacchino 2020; Ornston 2012). Yet, Singapore’s ruling elite and citizenry were far less culturally and ethnically homogenous than Kuwait’s. And if anything, relations between Singapore’s political and economic elites on the eve of independence were more fractured than those in Kuwait. Kuwait’s mercantile class possessed institutional channels to bargain with the state, while in Singapore, such cooperation was historically weaker. In fact, it is not obvious why elite cohesion alone would incentivize deep structural change, rather than simple rent redistribution.

Scholarship on the resource curse highlights how oil wealth can inhibit economic diversification via Dutch Disease, weak institutions, and corruption (Beblawi and Luciani 1987; Ross 1999). Undoubtedly, the presence of oil plays a unique role in Kuwait’s political economy, especially compared to Singapore. Yet, oil production alone does not determine a country’s political economy. It cannot explain variation in developmental outcomes among oil states, such as Norway, Kuwait, Equatorial Guinea, and Brunei, for example. There are even significant differences among the oil-rich states of the Persian Gulf: Bahrain launched offshore financial services in the mid-1970s, while financial sectors in Saudi Arabia, Qatar, and the UAE were far less developed than Kuwait’s. In fact, Kuwaiti banks were some of the largest in the region, precisely *because* they worked with capital generated from the oil economy (Jones 1987). Conversely, Taiwan and South Korea – both examples of resource-poor, developmental states – did not go on to establish regional financial centers, let alone global ones; instead, their banking sectors were almost entirely nationalized. While an overvalued exchange rate driven by oil production can harm industrial growth, it need not hinder the development of a global financial sector; Wall Street and the City of London, for instance, have historically favored strong currencies (Frieden 2015).

This article builds on and contrasts with these alternative explanations by engaging the literature on development and the developmental state. Sociologists of development have built a strong theoretical tradition explaining development successes and failures in the global South, focusing on how states incentivize capitalists to pursue developmental goals (Chibber 2003; Evans 1995; Haggard 2018). However, this is politically challenging, as capitalists often wield structural power over the state through control of investment decisions (Block 1987). Rather than offering unconditional support, states typically condition assistance, such as subsidies or technical advice, on reciprocal obligations. As such, a state’s ability to discipline capitalists is seen as crucial to developmental success (Amsden 1992; Maggor 2021). Yet, development scholars have primarily focused on manufacturing

and industrialization, rarely examining finance as a developmental pathway. When development scholars do study finance, it is usually framed as a tool for industrial development rather than a sector in its own right (Woo 1991). How states discipline capital in service sectors, like finance, remains unclear.

Conversely, sociologists of finance emphasize the state's role in shaping financial markets – whether to avoid wealth redistribution, manage social divides, or fund war and social programs through credit expansion (Carruthers 1996; Krippner 2011; Prasad 2012; Quinn 2019). However, they often sidestep the broader developmental implications of finance. While finance's role in producing inequality, shaping business-state relations, and generating structural power is well studied, viewing finance as a form of development is less explored. This article contributes to the sociology of development by clarifying how states discipline finance capital for developmental aims and invites sociologists of finance to incorporate development theories into their analyses.

Second, unlike much of the development literature where industrialization is treated as a nationally scaled project, finance is often international: central banks and currency boards must hold diversified foreign reserves, commercial banks are entangled in global trade flows, and capital surpluses are often invested abroad. Building international financial markets requires peripheral states to navigate, exploit, or challenge existing monetary arrangements (Arrighi 2010; Palan 2010). Historians of global finance have richly detailed the emergence of offshore tax havens and international financial centers, yet they often overlook how some of these centers pursued financial globalization not only to serve international capital but also as part of broader national development strategies (Ogle 2020; Palan 2010). This article contributes to studies of development and finance by explaining how colonial monetary institutions both constrain and provide opportunities for peripheral city-states to construct globally oriented financial sectors to advance national development goals.

Last, the role of transnational expertise remains undertheorized in studies of the developmental state. Classic accounts often depict experts as apolitical, technocratic actors embedded within domestic bureaucracies (Amsden 1992; Evans 1995; Johnson 1982). In contrast, more critical perspectives emphasize how transnational experts often constrain developing countries by facilitating the upward flow of political authority from national governments to international agencies, by relaying specific norms of governance and particular ideological commitments at odds with local conditions, or by advocating for politically anodyne solutions to political problems (Fourcade 2006; Kentikelenis et al. 2016; Seabrooke and Sending 2020; Weber 2021). Yet, newly independent states seeking to build globally integrated sectors – especially in finance – actively sought out transnational expertise. As Halliday and Carruthers (2007) show, such expertise was central to designing legal and institutional infrastructures for international finance. So how did states solicit the “right” kind of transnational experts and how did these experts successfully push through policy? By using the cases of Singapore and Kuwait, this article contributes to theories of development and the sociology of expertise by unearthing the conditions under which state elites formed successful partnerships with transnational experts.

Case selection and methodology

Kuwait and Singapore shared many key characteristics prior to political independence.² Both states were heavily involved in entrepôt trade and home to large local merchant classes that dominated key sectors of the economy. Situated within the British imperial orbit, they were crucial to covering Britain's balance of payments problems through petroleum exports (Kuwait) and rubber and tin exports (Singapore/Malaya). As members of the Sterling Area, their currencies were pegged to the pound sterling and they kept a significant portion of their foreign reserves as sterling balances in London. In fact, Kuwait and Singapore were among the largest holders of sterling in the 1950s and 1960s (Schenk 2010). Regionally, both states also had fraught relationships with their larger neighbors. Kuwait faced repeated threats of annexation from Iraq and was suspected of being a handmaiden to British imperialism, while Singapore was caught in the crosshairs of regional confrontations between Indonesia and Malaysia (1963–1966) and expelled from the latter in 1965. Given these key similarities, this article explores why Singapore and Kuwait's financial developmental paths differed so dramatically in the span of just a few decades.

I also chose Kuwait and Singapore because of their desire to develop financial sectors and capitalize on emerging global markets and shifting geopolitics. As city-states lacking large rural labor forces, landed elites, or major agricultural economies, neither could rely on agrarian transformation or large domestic markets to spur development. Both Singapore and Kuwait tried to develop as financial hubs as a form of economic diversification, in contrast to most other postcolonial states that instituted stricter forms of capital controls or nationalized their banking sectors. To be sure, not all city-states sought to become financial hubs; however, it was an option for many in the face of few nationally scaled economic industries.

To explain their diverging financial trajectories, I use process tracing to examine shifts in business–state relations, ties with Britain, and alliances between transnational experts and state officials (Lange 2017). I collected primary source data from the Kuwait Planning Board reports and the Singaporean Ministry for Finance to understand how these states sought to develop their financial sectors. I also relied on archival data from the National Archives and the Bank of England archives in the UK to trace how postcolonial states negotiated with officials from HM Treasury, the Bank of England, and the Foreign Office. I then triangulated the data with the secondary literature on British imperial monetary policy and the Sterling Area. I combined primary and secondary sources to examine business–state relations and the role of transnational experts.

Disciplining capitalists

Kuwait

By the late 1970s, Kuwait's commercial banking sector was effectively monopolized by merchant-owned private banks, which exhibited modest growth and confined

²Kuwait gained formal independence in 1961 while Singapore's independence was a more protracted affair, beginning with self-rule in 1959, merger with Malaysia in 1963, and expulsion from Malaysia and subsequent formal independence in 1965.

lending to trade, household consumption, and real estate (Presley and Wilson 1991). The state barred foreign banks and mandated majority local ownership of commercial banks in 1970. Despite oil wealth and fiscal autonomy, Kuwait never became the international financial center that some elites had envisioned (The Planning Board 1969). Why, then, did the state shield these banks from competition and avoid disciplining them?

One explanation is that, at a certain critical juncture, Kuwaiti merchants *did* acquire structural power over the state. In 1951, multinational oil firms agreed to split profits equally with the Kuwaiti emir (Wight 2021). This enabled the emir to settle family debts and cut tariffs. However, rising expenditures soon triggered a fiscal crisis. By 1953, the emir again turned to merchants for loans, promising them a large share of future oil revenues in return (Crystal 1995).

While this account is compelling in that it demonstrates the structural power of capitalists over the state during moments of fiscal crisis, it remains unsatisfactory for two reasons. First, it assumes that merchants acted as a cohesive bloc, rather than engaging the emir through fragmented, ad hoc arrangements. Second, it fails to explain why the Kuwaiti state repeatedly sought to curry favor with Kuwaiti merchants in the banking sector well into the 1960s – a period when the state's finances were healthy. To explain *continued* merchant dominance of the private sector and the state's inability to discipline them, it is crucial to examine how merchants forged a unified class capable of articulating collective demands on the state, despite the absence of any structural power.

Merchant influence in Kuwait traces back to the 1938 *majlis* movement, where institutional networks were formed within the merchant class and between merchants and the state. That year, Kuwaiti merchants demanded a legislative council to represent their interests (Alebrahim 2021; Herb 2014). Although the council was dissolved and the movement crushed, it fostered strong in-group solidarity among merchants, who continued to function as a cohesive corporate body (Crystal 1995). Mechanisms of boundary-making, such as outmarriage taboos and the *diwaniyya*, a male social forum for political discussion, helped sustain their cohesion and offered a channel for airing economic grievances to the ruler.

The 1938 *majlis* movement also laid the groundwork for powerful business associations. After its collapse, the consolidation of merchant influence led to the formation of the Kuwaiti Chamber of Commerce and Industry (KCCI) in 1959. Rather than fragment or jockey for individual power, Kuwaiti business elites “opted for a strategy of internal solidarity and cohesion” (Moore 2004: 189). The KCCI's unity proved crucial for shaping state economic policy and managing intra-merchant tensions during fiscal crises. As Yom (2011) argues, these merchant-led coalitions persisted into the 1960s and became difficult to dislodge.

The rise of a distinct Kuwaiti merchant class in the 1940s and 1950s was also closely tied to the creation of an exclusionary citizenship regime. Predominantly Arab merchants pushed for economic enclosure, lobbying the state to privilege “local” industries and traders. The KCCI generally excluded noncitizens and served as a gatekeeper between national and global economic spheres (Boodrookas 2020; Moore 2004). Citizenship conferred significant economic advantages, including landownership, monopoly rights, cheap credit from British banks, and control over noncitizen labor (Boodrookas 2020).

So powerful was this small network of merchant families that they were able to assume positions in some of the most important levers of state power.³ In 1960, the Development Board was reconstituted with Sheikh Al-Ali Al-Sabah as the President, along with board members from leading merchant families who mostly held positions at the National Bank of Kuwait and the KCCI. Moreover, intermarriage between influential merchant families and the ruling Al-Sabah family was an important way in which merchants maintained their privileged economic status. Through marriage, families like the Al-Ghanims were privy to the ruler's most important negotiations and served as bankers to his relatives (Crystal 1995). This meant that the Kuwaiti state, ruling family members, and leading merchant families were closely intertwined with one another on matters of economic development and planning.

In the field of commercial banking, their close ties to the ruling family and economic privileges meant that merchants were never seriously subjected to any forms of state disciplining. In fact, they were often assisted by the state in their financial ventures. In 1952, the National Bank of Kuwait was founded by leading merchants with the Kuwaiti emir's approval. In 1961, by virtue of Emiri Decree No. 5 of 1960, the Commercial Bank of Kuwait and the Gulf Bank began operations, and in 1968, the Al-Ahli Bank was opened (Jones 1987). In all cases, the banks were founded by influential merchant families such as Al-Khaled, Al-Ghunaim, Al-Ghanim, Al-Kharafi, Al-Hamad, and Al-Sager. Throughout the 1960s, the state also rejected a number of applications from foreign and non-Kuwaiti Arab banks, thus protecting local merchants from foreign competition (Jones 1987). Neither compelled to innovate nor forge new markets, these commercial banks retained British management for their daily operations and recorded sluggish levels of growth. In 1970, the banking sector's contribution to non-oil GDP remained at 4 percent despite the fact that Kuwait was home to some of the largest banks in the region and new commercial banks continued to open (The Planning Board 1970). Unsurprisingly, Kuwaiti banks have now lost their leading position in the region to their counterparts in Saudi Arabia, Qatar, and the United Arab Emirates.

The case of Kuwait is instructive for sociologists of development and political economy. It demonstrates that theories of state-led development in the industrial sector, which emphasize the necessity of disciplining capital, are also applicable to financial services (Amsden 1992; Chibber 2003; Maggor 2021). As the Kuwaiti state was unable to acquire any sort of relative autonomy from mercantile interests, it lacked the institutional capacity to discipline private finance. Merchants established their own commercial banks with minimal resistance, were shielded from foreign competition, relied on British managerial expertise, and maintained the lion's share of their assets abroad without much financial innovation. Yet Kuwait also challenges a central assumption in development theory: that capitalists must hold control over investment to exercise power over the state. In Kuwait, despite their limited structural leverage, merchants maintained dominance through other forms of embeddedness. Years of political mobilization, citizenship privileges, and intermarriage created a small, tight-knit network of merchants who exerted power through state institutions and dominated the realm of commercial banking, free from state demands.

³National Archives, Arabian Department, 1960. BA 1107/1. Kuwait Development Board.

Singapore

Singapore, on the other hand, consolidated and modernized its domestic commercial banking sector and helped develop new regional and international financial markets. Economic architects, like Finance Minister Goh Keng Swee, wanted to build a major financial center in Singapore, but felt that local banks could not achieve this themselves (Desker and Kwa 2011). In fact, Singapore's ruling People's Action Party (PAP) viewed the local finance capitalist class as unproductive rentiers wholly incapable of marshaling the party's ambitious developmental plans (Tsui-Auch 2004). Founded in 1954 by a group of largely English-educated, middle-class lawyers, trade unionists, and journalists, the PAP also accused these largely Chinese finance capitalists of sympathizing and funding the PAP's political challengers and promoting "Chinese chauvinism" (Low 2001). Singaporean state elites had long viewed the private financial sector as in need of reform and modernization if they were to fulfill the developmental vision of a globally oriented financial sector.

But given that Singapore was still fiscally dependent on local capitalists, how did it manage to reform and develop its own modern banking sector? Scholars of Singapore's history and political economy have generally resolved this paradox by arguing that Singapore's ruling elite was ideologically hostile to the country's local bourgeoisie. This explanation focuses on the *motives* of the PAP, but tells us little about the precise *mechanisms* through which the state disciplined Singapore's local merchants-capitalists in the financial sector. While the Kuwaiti case demonstrates that strong ties between capitalists and the state can hamper the ability of the state to discipline capital, it is not obvious that political marginalization necessarily produces acquiescence to state demands, let alone developmental collaboration or cooperation.

I argue that the successful disciplining of private finance capital in Singapore took place through two processes. First, the state attained autonomy from private finance capital. Unlike other sectors, finance wields distinct structural power: banks influence the cost of capital, allocate resources, manage the money supply, and absorb government debt. To arrest the power of private finance capital, the state established its own financial institutions and developed its own sources of finance, independent of the domestic financial bourgeoisie. Second, the state helped develop new, lucrative markets for private commercial banks to operate in, but importantly, used its own banks and government agencies to exert competitive and regulatory pressures over private commercial banks. The promise of profits, coupled with competitive and regulatory pressures, created an appetite on the part of private commercial banks to submit to state assistance by allowing state officials to assume senior positions within banks.

In 1955, the Central Provident Fund (CPF) was established under British rule as a compulsory savings and pension plan, designed to force Singaporean employees to save for their retirement through contributions from themselves and their employers (Barr 2000). After the PAP took power in 1959, Finance Minister Goh began to use the CPF as a tool for state financing. By gradually increasing the mandatory contribution rate, the CPF provided the government with a cheap, non-inflationary source of finance for infrastructure and public goods provision (Huff 1995). In effect, the Singaporean state gained access to private sector investment and

workers' wages without having to directly impose high corporate and income taxes, rely on external debt financing, or borrow from domestic capitalists.

In addition to the CPF, the state also repurposed the colonial-era Post Office Savings Bank (POSB) as a commercial bank to channel workers' savings towards the government. Established in 1877, the POSB was one of Singapore's oldest financial institutions and invested primarily in sterling-denominated securities. In the 1950s and 1960s, the PAP reoriented its investments towards local securities (Drake 1969). In 1972, the POSB was separated from the Postal Services Department and became a statutory board under the control of a Board of Directors appointed by the Minister of Finance (Tan 2005). Functioning effectively as a commercial bank at the behest of the state, the POSB took voluntary deposits from private citizens and required they be used to either purchase government securities or be deposited with the central bank. The POSB also outgunned private commercial banks by offering tax-free interest to its depositors (Rodan 1989). By the mid-1980s, the number of POSB offices and savings deposits far exceeded that of other big banks, including private commercial banks (Huff 1994; Lee 1984). Additionally, the Singaporean state created the Development Bank of Singapore (DBS) in 1968. It was a major mobilizer of Singaporean dollar funds in the domestic capital market and quickly became a regional market leader by creating new financial instruments (Chang et al. 1992). In 1971, it issued the first three Asian Bond issues and developed the Asian Bond Market the following year by floating US dollar-denominated bonds. As Huff (1994: 342) notes, the government used these institutions "in its strategy to develop Singapore as the 'Zurich of the East.'"

New financial markets, such as the Asian Bond Market and the Asian Dollar Market, and a larger local capital market, offered new, profitable opportunities for private commercial banks as well. But to prevent these banks from engaging in either overly risky or monopolistic activity, the state exerted significant competitive and regulatory pressure over them. Unlike in Kuwait, increased competition from Singaporean state banks, alongside regulations by the central bank, resulted in a slew of mergers and acquisitions among private commercial banks in Singapore. The United Overseas Bank (UOB) acquired shares in Chung Khiaw Bank in 1971 and took over the Lee Wah Bank in 1972. The Oversea-Chinese Banking Corporation (OCBC) acquired shares in the Four Seas Communication Bank and the Bank of Singapore (Chang et al. 1992). By the mid-1970s, the "Big Four" commercial banks had coalesced: OCBC, UOB, Overseas Union Bank (OUB), and DBS.

A concentrated banking sector allowed the state to steer financial development through strategic placement of administrative personnel. The Banking Act of 1970 stipulated that banks had to seek approval from the central bank for appointments of their CEOs, directors, and principal officers (Tsui-Auch 2004). This resulted in senior state managers taking up important positions in private commercial banks. For example, Francis Yeo, a senior central bank official in the 1970s, became a senior manager at UOB in the 1980s and 1990s. Joseph Pillay, the former chairman of Singapore Airlines and DBS and permanent secretary for the Ministry of Finance, became a Director on the board of OCBC (Low 2002). In 1979, the managing director and major owner of UOB, Wee Cho Yaw, appointed Tan Eng Liang, a senior minister of state for finance, as the general manager for Har Paw (a conglomerate in which UOB and Wee held sizeable shares) (Hamilton-Hart 2000).

Now subject to both competitive pressures and government regulation, private banks were more willing to accept state assistance in order to modernize their operations. They had long been family-ruled and family-managed, but state assistance ensured they became professionally managed (Tsui-Auch 2004). The founder of OUB, Lien Ying Chow, brought in former Housing and Development Board (HDB) chairman, Lee Hee Seng, as the bank's chief general manager in 1974. Lee instituted professional personnel policies, ending nepotistic appointments, improving productivity and efficiency, streamlining work processes, and introducing computer technology (Lim 1999: 50). State assistance and competitive pressures also helped private commercial banks grow in more complex markets. Alongside the state-run DBS, OCBC entered the Asian Dollar Market and the gold market by forming an active merchant bank in collaboration with foreign counterparts in the late 1960s and early 1970s. It established a London branch in 1969 to better handle its customers' sterling investments and formed a new International Division to take over from the Foreign Department in 1970, specifically to manage new operations in the Asian Dollar and free gold markets (Wilson 1972). By the late 1980s and 1990s, Singaporean banks expanded regionally, cementing themselves as the largest banks in Southeast Asia.

The growth of Singapore's state and private commercial banks stands in sharp contrast not only to Kuwait's banking sector but also to local banks in other (post) colonial financial centers. In Hong Kong, for example, local banks saw their demise as the city emerged as a global financial hub. With weak regulation and no central bank until the 1990s, local banks were left largely unregulated, engaging mainly in speculative activities in currency and gold markets. A wave of banking crises in the 1960s, coupled with an inability to keep pace with financial innovation, led to their near disappearance (Jao 1979; Schenk 2002). Similarly, in the Caribbean and Latin America, imperial powers established offshore financial centers, but this often came at the expense of local financial institutions (Hudson 2017).

In Singapore, by contrast, the state's strategic use of competitive pressures and regulatory oversight enabled the growth and modernization of domestic banks within a globally oriented financial sector. Competition, regulation, and access to new markets made commercial banks more willing to accept state assistance and oversight. A concentrated banking sector also made it easier for the state to interface directly with bank leadership through both formal and informal channels. While the local business class was marginalized as a whole, select individuals and firms were incorporated into elite state networks on a personal basis (Hamilton-Hart 2000).

In sum, while both Kuwait and Singapore were small, wealthy city-states, their divergent trajectories in finance stemmed from the state's ability to discipline capital. In Kuwait, deep integration between merchants and state elites foreclosed meaningful discipline. In Singapore, the state achieved relative autonomy from finance capital and strategically used competition, regulation, and public financial institutions to catalyze private sector development. Just as states disciplined firms in industrial sectors to drive productivity, similar processes unfolded in finance. Disciplining finance involved breaking the structural power of private capital and using state-owned banks to compel modernization, innovation, and compliance with government regulation.

Colonial legacies and postcolonial maneuvering

Scholars of industrial development generally focus on the relationship between states, firms, and workers as the primary vector of industrial policy (Evans 1995; Haggard 2018; Katzenstein 1985). Outside of this relationship, scholars have examined bilateral and multilateral trade agreements and macro-economic trends as important determinants of growth and development (Arrighi 2002; Fligstein 2010). Yet if finance constitutes a distinct developmental pathway, sociological studies often overlook the geopolitical and institutional maneuvering required for states to participate meaningfully in global finance.

Historians of global finance, on the other hand, have detailed the rise of the offshore tax havens and international financial centers (Ogle 2020; Palan 2006, 2010). Their work provides a rich tapestry of the dizzying array of offshore markets and tax havens that mushroomed in the twentieth century, often accompanying or in response to managed capitalism. Decolonization, in particular, generated “money panics,” whereby white settlers, colonial officials and businessmen, and religious and ethnic trading diasporas withdrew funds from colonial territories and moved them to an emerging system of offshore tax havens (Ogle 2020). These financial centers were often housed in British-linked city-states, since their small jurisdictions offered fiscal and regulatory incentives to nonresident finance and were perceived to be politically, economically, and legally stable (Palan 2010: 152). Yet somewhat absent from this story is how some of these financial centers harnessed the changing global political economy for their own national development ambitions. As Binder (2023) astutely notes, offshore finance can both undermine and strengthen state power, depending on the unique constellation of political and economic elites. Existing studies often lump together global financial hubs, from the Cayman Islands to Switzerland but do not explain variation among them.

I argue that the creation of a global financial center – rather than a subordinate tax haven – was a central project of the postcolonial developmental state. While large states shape global monetary rules, smaller postcolonial states had to maneuver within existing structures, such as the Sterling Area. Success required building credible regulatory regimes, managing foreign reserves, and carving out space for autonomous financial policy. For colonial and postcolonial states, this meant strategically adapting to shifting imperial and global monetary arrangements.

The Sterling Area was a British exchange control bloc in which members traded freely in sterling in exchange for holding their reserves in London, pegging their currencies to sterling, and conducting gold and foreign exchange transactions through London (Schenk 1994). Crucially, members were prohibited from making payments to non-Sterling Area countries without HM Treasury’s approval (Sutton 2015). Singapore and Kuwait were key members, supporting Britain’s balance of payments through petroleum, rubber, and tin exports (Galpern 2013; Sutton 2015). Their importance grew in the postwar period as Britain faced mounting economic challenges, chronic deficits, and pressure to defend the value of sterling. By the mid-1960s, sterling’s decline was evident: its commercial role was shrinking, sterling-denominated debt was falling, and fears of devaluation were mounting (Schenk 2010). For Singapore and Kuwait to assert themselves as independent city-states with growing financial ambitions, adapting to the shifting global monetary order became essential.

Kuwait

Kuwait was uniquely situated in the Sterling Area. The Kuwaiti emir agreed to receive sterling payments for oil on the condition that such sterling could be freely converted into Indian rupees⁴ and a supply of US dollars would be provided “for any goods essential for the benefit of his state and not available in sterling.” HM Treasury also allowed the emir, his family, and “a few of the most senior sheikhs” to make capital transfers of sterling abroad to purchase property without consulting British officials (Galpern 2013: 205–6). As one British official noted, “the best way to ensure that the Ruler continues to bank with us is almost certainly to let him see that he is free to make transfers when he likes.”⁵ As such, the Exchange Control Act of 1947 was never extended to Kuwait. Instead, a free market emerged where sterling could be exchanged for US dollars, known as the “Kuwait Gap.” Merchants involved in the gold trade exploited this market by smuggling gold to India for profit, returning to Kuwait with Indian rupees, exchanging rupees for sterling, and then trading these for dollars to purchase more gold (Jones 1987). The arrangement between Britain and Kuwait was essentially a colonial *quid pro quo*; oil rents paid in sterling saved massive amounts of US dollars for the Treasury, while the free conversion of sterling into rupees and easy access to dollars benefitted the Kuwaiti ruling family and merchants. While Britain was aware of unauthorized sterling conversion to US dollars and even considered expelling Kuwait from the Sterling Area, the UK Treasury’s Working Party on Exchange Control in Kuwait concluded that the exclusion of Kuwait from the Sterling Area or the introduction of exchange controls were “unnecessary or impracticable.”⁶ Even after Kuwait gained independence in 1961, exchange control legislation was never introduced and distinctions were never made between accounts held by residents and nonresidents (IMF 1969). Nor were there exchange control obligations on the transfer to Kuwait of resident or nonresident capital in any currency (IMF 1969; Schenk 1994).

What did this entail for Kuwait’s prospects of developing an international financial center? If Kuwait wanted to attract international banks while protecting the local banking sector, it would have to create an offshore banking sector that distinguished resident accounts from nonresident accounts. But since Kuwaiti elites were generating healthy profits through the “Kuwait Gap,” maintaining this arrangement precluded the possibility of creating an offshore banking center. Alternatively, it could have invited international banks to operate onshore, as in Hong Kong, where there was also no distinction between resident and nonresident accounts (Jao 1979). However, doing so would mean that local Kuwaiti banks would have to compete directly with international banks with little protection – something that the ruling family and merchants were unwilling to accept.

Furthermore, the Kuwaiti state consistently tethered its financial policy to British financial interests to ensure political stability, making it more difficult to diversify its sterling reserves. To guarantee that Kuwait’s rapidly increasing oil revenues would

⁴The main currency used in Kuwait before 1961.

⁵The National Archives, Foreign Office, 1960. FO 371/148997/1114/59. Kuwait Finance: Investments Outside Sterling Area.

⁶The National Archives, Foreign Office, 1960. FO 371/148998/114/78. Exchange control in Kuwait: Treasury-Bank of England working party set up; Treasury note on exchange control.

remain in the Sterling Area, in 1953 the British Foreign Office sent Sir Roger Makins, the head of its Economic Division, to persuade the Kuwaiti emir to accept a scheme for British management over its revenues through the establishment of a Kuwaiti Investment Board (KIB).⁷ In return, the Kuwaiti emir insisted that the board had to invest in securities backed by the British government, the Kuwaiti investment portfolio had to obtain a higher yield than it was currently receiving, and that the board had to maintain a high level of liquidity for the country's investments. As a result, in February 1953, the KIB was launched, consisting of four leading British experts with experience in the City of London (Galpern 2013; IBRD 1963).

The absence of Kuwaiti representation was unpopular with some sections of Kuwaiti leadership, though it found favor with the Kuwaiti emir.⁸ Fearing potential political rivalry or a coup, he did not want any leading merchant or member of his family to "become familiar with the State's financial affairs which he feels he must keep strictly under his control" (Galpern 2013: 216). He did so by preserving British management of Kuwait's financial surpluses. Even after Kuwait gained independence in 1961, Sheikh Jaber Al-Ahmad Al-Sabah, the new President of the Department of Finance and Economy, rejected British proposals to increase Kuwaiti representation on the KIB. Archival documents from the Arabian Department suggest that Sheikh Jaber sought to maintain the existing structure of the KIB in order to relieve pressure from neighboring Arab states who were demanding favorable loans and investments.⁹ Bazoobandi (2012), however, argues that it was the chairman of the KIB, H. T. Kempt, who rejected the proposals for Kuwaiti representation. Whatever the reason, Kuwait's geopolitical vulnerabilities as a small state, combined with the enduring influence of its former colonial rulers, ensured the continuation of British management over Kuwaiti reserves.

When there were calls for diversification throughout the 1960s, this institutional arrangement made moves away from sterling-denominated assets difficult. The 1950s and 1960s were periods of intense ideological contestation in Kuwait, with pan-Arab, liberal, Nasserist, secular, anti-colonial, and socialist ideas coming to the fore (Al-Rashoud 2019). The changing political landscape amplified calls from the local press to exit the Sterling Area, withdraw sterling investments, and distribute them freely to demonstrate that the country was no longer under British tutelage.¹⁰ Younger generations of Kuwaiti finance officials were also in favor of diversifying the city-state's sterling reserves. In July 1961, the British were informed that Sheikh Jaber planned to draw down sterling reserves to about £50 million over the next two to three years to fund his industrialization plans.¹¹ In response, British officials purposely brought up fears surrounding Iraqi irredentism and the need to maintain sizable assets outside Kuwait, specifically in London. In August 1961, W. P. Cranston of the British Consulate-General in Kuwait noted, "I took the opportunity to stress once more the Kuwait/Iraq situation had shown the value to

⁷The National Archives, Foreign Office, 1953. FO 371/104339. Proposals for investment of the Ruler's surplus revenue in Kuwait.

⁸The National Archives, Eastern Department, 1954. EA 111/2. Questions of Kuwait's Fabulous Revenues.

⁹The National Archives, Arabian Department, 1961. BA 1116/61. Kuwait Investments.

¹⁰The National Archives, Arabian Department, 1960. BA 1114/62. Kuwait Government Investments.

¹¹The National Archives, Arabian Department, 1960. BA 1114/62. Kuwait Government Investments.

Kuwait of having secure State reserves carefully invested outside the Arab world which provided full security.”¹² This line of argument was particularly cogent given that British air, sea, and land troops had been sent to Kuwait in July 1961, as part of Operation Vantage, to counter territorial claims made by Iraq against Kuwait. Officials at Kuwait’s Finance Department maintained a general orientation towards safe investments in British markets. Efforts were made at directing new surpluses towards European, American, and Japanese funds, but the amounts were modest. Letters of correspondence between HM Treasury, the Political Agency, and the British Consulate-General suggest that Kuwaiti finance officials were content with the commercial returns on sterling investments.¹³

Even after the sterling crisis in 1967, Kuwait did not radically diversify its reserves. On the eve of the sterling’s devaluation in November 1967, Kuwait was the second largest holder of sterling (approximately £515 million). During the gold crisis of March 1968, Kuwait diversified some of its reserves, but it still remained the second largest holder of sterling. When Britain was finally forced to negotiate with members of the Sterling Area in 1968, British officials wanted Kuwait to retain a Minimum Sterling Proportion (MSP)¹⁴ of 50 percent, while Kuwaiti officials argued that their National Assembly would not accept an MSP greater than 25 percent.¹⁵ As a form of compromise, the British offered a public MSP of 25 percent alongside a private statement of intent that Kuwait would not in practice go below 45 percent. In the end, Kuwait accepted a proposal of 25 percent in addition to expressing “their intention to use their best endeavors to maintain the end-June proportion (54%) in practice” (Schenk 2010: 309). Although the Kuwaiti state made overtures to diversify its reserves in the face of nationalist pressure, it repeatedly sacrificed autonomy over national financial policy in exchange for safe and steady financial returns in sterling-denominated assets. Financial assets were only significantly diversified after the sterling moved to a floating exchange rate in 1972 and in the wake of the oil booms of the 1970s, by which time other financial centers were taking advantage of greater global US dollar liquidity.

Singapore

In the late 1950s and 1960s, the Vietnam War, savings from overseas Chinese, and regional conflicts like the Indonesia–Malaysia confrontation (1963–1966) increased US dollar circulation, in search of safe lending opportunities. Alongside growing demand for financing regional trade and development, this created a strong appetite for a stable financial center in the region (Kim 2020). While Kuwait chose not to establish an offshore banking center despite ample US dollars in the Middle East, Singapore capitalized on the situation to develop its own offshore banking hub.

Unlike Kuwait, Singapore had inherited British exchange controls, introduced in 1931, which restricted foreign currency transactions by residents and local currency

¹²The National Archives, Foreign Office, 1961. FO 371/149001. Financial situation in Kuwait.

¹³The National Archives, Foreign Office, 1961. FO 371/149001. Financial situation in Kuwait.

¹⁴The MSP was a provision that stipulated that governments in the Sterling Area must retain a minimum proportion of their total foreign reserves in pound sterling.

¹⁵The Bank of England Archives, Bank of England, 1968. BE OV44/224. Report by Commonwealth Office to teams in Kuala Lumpur and Singapore.

dealings by nonresidents (Anuar 2019). This legal distinction enabled the 1968 launch of Asian Currency Units (ACUs) – bookkeeping entities within international banks that conducted all foreign currency business except in Singapore dollars. This arrangement allowed local Singaporean banks to gain exposure and participate in the world of global finance, while also helping them to grow onshore without being overwhelmed by large, international banks (Tee 2003).

Singapore also diverged from Kuwait in managing foreign reserves. Unlike Kuwait, which ceded significant control over reserve management to Britain, Singapore's leaders acted covertly and deceived British officials at the Treasury and the Bank of England in the lead up to the Sterling Agreement negotiations. British officials, believing that 88 percent of Singapore's reserves were in sterling, were blindsided when Finance Minister Goh revealed that he had been secretly diversifying reserves by accumulating new assets (Schenk 2010). To assuage British fears, Goh told his British counterpart in December 1967 that 80 percent of the country's reserves were still held in sterling.¹⁶ But given that Singapore had begun diversifying its reserves in 1966, it is almost certain that he had been lying to his British counterpart ahead of the upcoming negotiations.

Britain's planned military withdrawal from Singapore by 1971 also escalated tensions, with Prime Minister Lee Kuan Yew threatening to leave the Sterling Area altogether (The Straits Times 1968a). The British dispatched Arthur de la Mare, the High Commissioner, to negotiate with Lee. Lee told him that, had it been solely up to him, diversification would have proceeded more slowly. The Singaporean cabinet, he claimed, was divided: a pro-Japanese faction led by Goh Keng Swee supported diversification, while Lee led the pro-British camp. Forcing the issue, Lee feared, could fracture the cabinet and allow Goh to challenge his leadership. Though Lee gave de la Mare a verbal assurance to slow diversification, Goh continued with it (Orchard 2021). The British ultimately backed down, unwilling to inflame the internal "power struggle" (Schenk 2010), especially amid fears of a left-wing insurgency.¹⁷ By 1968, only 39 percent of Singapore's reserves were in sterling and the British were forced to move their offer of a 50 percent MSP to 40 percent, which Singapore accepted (Schenk 2010). A more diversified reserve holdings afforded Singapore the benefits of participating in global financial markets without being completely subjected to the whims of vagarious market forces and British monetary policy.

Like Kuwait, Singapore's domestic stability was far from assured. It was bombed by Indonesian marines in 1965, expelled from Malaysia the same year, and faced labor unrest. Prime Minister Lee described Britain's premature withdrawal as "a matter of life and death" (The Straits Times 1968b). But in contrast to Kuwaiti elites, who often relied on British protection against threats, Singapore's leaders used these crises to negotiate monetary decolonization and distance themselves from a British-led financial order. Diversifying reserves offered a degree of autonomy over industrial and financial policy, shielding the economy from the speculative shocks

¹⁶Ministry for Finance, 1967. MF 0064/67. Letter from Goh Keng Swee to Roy Jenkins.

¹⁷Other observers note that there were no cabinet splits; this was simply a stunt to deceive the British (Orchard 2021).

that destabilized other financial centers.¹⁸ At the same time, the creation of an offshore market not only endowed firms in Singapore with access to US dollar financing, domestic banks grew through expanding lending opportunities in the region. In sum, the colonial legacy of exchange controls and postcolonial maneuverings meant that Singapore developed a global orientation to finance – one that was not hemmed in by the monetary constraints of a waning British empire.

Transnational hands for hire

Developmental state theorists emphasize the importance of cultivating domestic expertise and building state capacity through ties with national capital (Amsden 1992; Evans 1995; Wade 1990). The role of transnational experts, however, remains more ambivalent. Late industrializers like South Korea and China often rejected foreign advice in favor of national priorities (Chang 2007; Weber 2021), while critical scholars argue that international consultants frequently constrain developmental autonomy (Fourcade-Gourinchas and Babb 2002; Kentikelenis et al. 2016). Driven by future contract-seeking, consultants avoid politically risky advice, narrowing the “development space” available to states (Seabrooke and Sending 2020).

And yet, states need experts. For global finance in particular, devising complex financial innovations and building the architecture of international finance requires a certain kind of expertise that may not be available at home. Moreover, unlike industrial upgrading or import substitution, global finance was a largely unorthodox developmental strategy in the mid-twentieth century. So how did states secure the type of expertise which helped expand, rather than contract, developmental opportunities? While sociologists of transnational expertise often emphasize the importance of cultural fit and epistemic fluency (Alshaibi 2024; Harrington 2015), I argue that transformative state elites strategically forged long-term alliances with transnational experts by incorporating those who could provide tangible material or political benefits. These benefits helped build trust, allowing state elites to integrate such experts into their ruling coalitions and deploy their expertise toward ambitious developmental planning. While Singapore successfully forged long-term alliances with foreign experts to build a globally competitive financial sector, Kuwait’s soliciting of expatriate professionals failed to generate similar institutional transformation and developmental outcomes.

Kuwait

Kuwait’s planning agencies often employed foreign technocrats in nascent financial organizations, yet they were rarely integrated into durable reform coalitions. Instead of forming productive alliances with international technocrats, key elites either resisted or failed to sustain such partnerships – undermining prospects for institutional transformation.

¹⁸One important example is Hong Kong. Following a short-lived currency crisis in 1982 and Sino-British negotiations over Hong Kong’s future in 1982–83, the value of the Hong Kong dollar rapidly declined in the fall of 1983, which ultimately led to the establishment of a currency board based on the US dollar (Jao 1998).

In 1960, Sayyid Ali Tewfik Haggag, an Egyptian financial expert in the Finance Department, began drafting the national budget following a new law formalizing budgetary rules. Although he had witnessed a positive trend towards more publication of financial data, he was constantly “exhorting the Kuwaitis to publish more figures and not be so secretive.”¹⁹ He also wanted a special allocation of 10 percent of the budget to be dedicated for the reserves, which had not been accepted. He reported that Kuwait had overspent by £3 million the previous year, partly due to unbudgeted land purchases. Haggag repeatedly faced roadblocks as “quite young and inexperienced Shaikhs were sometimes put in charge of Departments and given full authority.”²⁰ Haggag was not alone in harboring this concern. Sayyid Ahmad Sayyid Omar, the Deputy Director of the Finance Department, was also unhappy about the situation. Yet Omar felt there was little that he could do because those put in charge of government departments were benefitting handsomely from the state’s land purchases, as they would often be the owners of the land themselves.²¹ Despite shared concerns and a reformist orientation, these experts failed to form durable alliances with each other or with reform-minded elites like Sheikh Jaber.

Many foreign experts advising the Kuwaiti government on financial matters were also constrained by British interests. Dr. Fakhri Shehab, an Iraqi economist and chief advisor to the Finance Department, had far more political influence than Haggag and was positioned to make a significant impact. In many ways, he did – contributing to the creation of the Kuwaiti Dinar and the Kuwait Fund for Economic Development. Yet, despite his reformist orientation, British archival sources indicate that Shehab maintained a notably close relationship with British authorities, as reform-minded Kuwaiti elites failed to manage or constrain the conflicting loyalties of such experts. During negotiations between the Bank of England and the Kuwaiti Finance Department, one letter noted that “The Bank of England have, however, been kept informed, though quite unofficially, by Dr. Fakhri Shehab . . . who is employed by the Kuwaiti Finance Department.”²² When the British were worried about Kuwaiti diversification efforts, they thought that “it might be possible to work through expert advisers in Kuwait, such as Dr. Shehab” as “his influence was not anti-British.”²³

The British were also hostile to international experts visiting on missions. Their main concern was ceding control over the investments of Kuwaiti reserves to outside bodies. In 1960, the Kuwaiti Finance Department appointed Dr. Paul van Zeeland to advise them on a draft decree prepared by the Bank of England to establish a national currency and currency board. The British accepted most of van Zeeland’s suggestions, albeit with some notable exceptions. They disapproved of van Zeeland’s recommendation that the currency board should hold a minimum of 50 percent of gold reserves as a cover for the currency, instead seeking a figure closer to 25 percent. They hoped the cover would largely be in sterling as they envisioned

¹⁹The National Archives, Political Agency, 1960. BA 1113/60. Kuwait Budget.

²⁰The National Archives, Political Agency, 1960. BA 1113/60. Kuwait Budget.

²¹The National Archives, Political Agency, 1960. 19412/60. Kuwait’s State Budget.

²²The National Archives, Arabian Department, 1960. BA 1114/84. Kuwait currency: Dr van Zeeland’s work in Kuwait.

²³The National Archives, Her Majesty’s Treasury, 1961. T 236/6528. Kuwait: Investment policy of Kuwait government.

the Kuwaiti Dinar to be linked to the British pound. Van Zeeland also suggested a nine-member currency board including one neutral member with links to international monetary organizations. Once again, the British were averse to this suggestion, fearing that such a member would be “a crony of Dr. van Zeeland” or someone from the Bank for International Settlements (BIS). Even though the Bank of England was not opposed to the diversification of Kuwaiti assets in principle, they were perturbed about his proposal to have outside representation on the KIB. The British preempted many of these concerns because of their close connections with Shehab, who was acting as an intermediary between the Kuwaiti Finance Department and van Zeeland. In fact, it was Shehab who gave the Bank of England access to van Zeeland’s report without the knowledge of Kuwaiti officials.²⁴ The absence of a coherent, developmentally oriented elite coalition committed to financial autonomy meant that even reform-minded Kuwaiti elites lacked the institutional capacity to insulate expert relationships from external pressure.

Similarly, during a visit by Joseph Rucinsky from the IBRD, the British expressed significant reservations about “foreign meddling” in Kuwait’s reserves. In November 1960, Mr. R. A. Beaumont of the Foreign Office wrote, “We are not without our fears that the IBRD mission, like other experts visiting Kuwait (e.g., Dr. van Zeeland) will be fascinated by the existence of the Kuwait reserves and make far-reaching recommendations both in respect of existing reserves and in respect of investment policy for future reserves.” He went on to note, “We would hope that the terms of reference to be agreed between the Kuwaitis and the IBRD would allow the IBRD to do no such thing.”²⁵ The British sought to maintain the general structure of the KIB so that reserves “would not be suddenly and arbitrarily withdrawn or switched into currency other than sterling.” Using Shehab to “put such ideas into Shaikh Jabir’s mind,” the British persuaded Kuwaiti finance officials to decline some of Rucinsky’s recommendations.²⁶

This is not to suggest that the British held ultimate veto power over all financial matters – far from it. In 1968, for instance, the public–private Kuwait Investment Company brokered a deal with the IBRD to issue World Bank bonds in Kuwaiti Dinars – the first time the Bank issued bonds in a non-European or non-dollar currency (The Planning Board 1969). Yet such breakthroughs were often exceptions to the trend. Figures like Haggag and van Zeeland offered reformist advice, but lacked either the political capital or the material benefits needed to become trusted partners within the ruling coalition. Even Shehab, who had policy influence, ultimately proved more valuable to external actors than to state reformers. In contrast to the British, who provided political assurances and defended elite material interests, transnational experts offered little that could anchor them in domestic institutional life. As such, state elites often did not incorporate transnational experts into their ruling coalitions, so technocratic interventions remained episodic, fragmented, and easily overridden by either entrenched domestic interests or informal imperial influence.

²⁴The National Archives, Arabian Department, 1960. BA 1114/84. Kuwait currency: Dr van Zeeland’s work in Kuwait.

²⁵The National Archives, Arabian Department, 1960. BA 1114/138. IBRD and Kuwait.

²⁶The National Archives, Arabian Department, 1960. BA 1114/138. IBRD and Kuwait.

Singapore

The development of Singapore's financial sector, on the other hand, was shaped in large part by the state's ability to effectively utilize transnational experts for economic transformation. Chief among them was Albert Winsemius, Singapore's unofficial economic advisor. Born in the Netherlands in 1910, Winsemius had served as a price controller before World War II, later becoming director-general of industrial development at the Dutch Ministry of Finance and a World Bank consultant (Stoelinga 2020). In 1960, the UNDP sent him to Singapore to advise on industrialization strategies. He quickly became a central figure in Singapore's economic history – not just in industry, but also in finance (Rahim and Barr 2019).

Winsemius developed tight-knit relations with important leaders in the PAP, particularly Prime Minister Lee and Finance Minister Goh. A determined anti-communist, Winsemius believed that Singapore's success required the state to help cement the country as an attractive place for foreign investment. This resonated with the right wing of Singapore's PAP, which sought to attract foreign capital to undercut the power of the local capitalist class and to beat their political rivals on the left. In an interview with the *Singapore Monitor*, Winsemius recalled that his first piece of advice to Singapore's leaders was to "Get the communists out . . . as long as they play their negative role, there will not be a climate favorable for investment and job creation." The second piece of advice was to keep intact the statue of Sir Stamford Raffles, the British founder of modern Singapore, as it was "the best calling card we could give to Western investors" (Singapore Monitor 1984: 16). Despite the PAP's anti-colonial proclivities, Winsemius's advice was politically beneficial to figures like Lee who sought to reassure Malayan leaders and multinational companies that Singapore was not a bastion of left-wing insurgency.

But such views held purchase among Lee's faction within the PAP for domestic political reasons too. The early 1960s were a period of intense political contestation within the PAP as many figures were defecting to form the left-wing Barisan Socialis. To consolidate its control over the state, the PAP sought to defeat its more militant and left-wing political rivals. With the help of Winsemius, Goh wrote the State Development Plan of 1961–64. Together, they countered the democratic socialist views put forward by James Puthuchear, the manager of the Industrial Promotion Board, a trade unionist, and an economist (Loh 2019). Goh and Winsemius's views promoting the role of the state in attracting foreign capital won out over those of Puthuchear and his colleagues, proving a crucial moment for the right wing of the PAP in wresting control over the future of Singapore's economic policy (Loh 2019; Seng 2017). Importantly, it also further solidified relations between Winsemius and senior figures in the PAP such as Lee and Goh.

Once this faction of the party consolidated power, the Singaporean state was positioned to more effectively implement Winsemius's proposals for developing the financial sector. As a key architect of the Economic Development Board (EDB), he recommended splitting it into specialized divisions. When the EDB's financial commitments grew nearly sevenfold between 1961 and 1967, Goh and Winsemius transformed its finance division into the DBS, which soon became active in commercial finance. The DBS went on to pioneer the first three Asian bond issues in 1971–72, partnering with Japan's Daiwa Securities and receiving technical support

from Germany's KfW (Lee 1968: 8; Lee 1984; The Straits Times 1971: 2). Reflecting on his role, Winsemius remarked, "by that time [1970], I was no more an outside advisor. I was a fixed part of the furniture" (Singapore Monitor 1984: 16). Though originally tasked with advising on the first five-year plan (1961–1965), he deemed it too short and doubled its length (Loh 2019). Winsemius also expressed disdain for short-term consultants, describing them as "people from more developed countries who come two or three days or a week to Singapore . . . telling the Singaporean what they do wrong and what they really should do" (Loh 2019: 76). He remained an unofficial advisor to the government for 24 years, from 1960 to 1984.

By lengthening his time horizons in the country, not only did Winsemius become an important constituent in the ruling coalition, he introduced PAP leaders to other important experts. One of these experts was a regional consultant with the Bank of America (BoA), J. D. van Oenen. Van Oenen forged a lasting relationship with the government when he made a significant windfall from the devaluation of sterling in 1967 by running a sterling overdraft in London on behalf of the government. As a senior employee of the BoA later recalled, the "Singapore government and ourselves made a killing in one day. This was the initial rapport with the government" (Schenk 2020: 21–22). Van Oenen then approached Goh in 1968 to allow the BoA to collect US dollar deposits from the region into Singapore to fund local and regional lending, marking the beginning of the Asian dollar market. Van Oenen noticed that Singapore's time zone could enable twenty-four-hour international banking by operating between the closing hours of San Francisco and the opening hours of London and Zurich. Together, Winsemius and van Oenen developed the idea of building an offshore banking center in Singapore, which gained traction with PAP leaders as they recognized its importance in their developmental strategy (Schenk 2020; Stoelinga 2020).

The cases of Kuwait and Singapore demonstrate that the state's ability to forge long-term partnerships with transnational experts was crucial for the implementation of politically ambitious developmental policies. In Kuwait, reform-minded state elites were unable to forge durable alliances with transnational experts, in part because such experts lacked the political leverage or material benefits needed to become trusted coalition partners. This was compounded by entrenched elite interests within the state and the persistent influence of British authorities, both of which constrained the autonomy necessary to strategically embed external expertise into developmental planning. These conditions were the outgrowth of the inability of the state to discipline merchant-capitalists and the tethering of Kuwaiti financial policy to British monetary interests. Even though there may have been more of a cultural and linguistic fit between figures like Sayyid Ali Tewfik Haggag, Dr. Fakhri Shehab, and Kuwaiti political elites, this was not sufficient for overcoming these countervailing forces.

By contrast, the Singaporean state had achieved a degree of autonomy from both private capital and British financial interests. But this alone does not explain how state leaders sought and implemented the advice of transnational experts – especially those offering unconventional advice. In her study of European left-wing parties, Mudge (2018: 32) argues that "party experts" shape political trajectories through a "genetic link" between their social positions and party rhetoric. Yet Winsemius came from an entirely different background than PAP elites and he was

not working within the dominant economic paradigm of the time. Some sociologists explain expert influence through micro-level factors like local knowledge, cultural fit, or perceived authenticity (Alshaibi 2024; Harrington and Seabrooke 2020). But in this case, none of those seems decisive – Winsemius had never visited Southeast Asia before arriving in Singapore and openly admitted his unfamiliarity with its history and politics (Meulbroek and Akhter 2019). Shared anti-communist sentiment may explain a political alliance, but not agreement on such an unorthodox developmental strategy. Instead, the success of the developmentally minded partnership depended less on cultural alignment or epistemic fit and more on the state's willingness to empower experts like Winsemius who could offer concrete material or political advantages, thereby earning the trust required for long-term integration into the ruling coalition.

Conclusion

For small post-imperial states like Kuwait and Singapore, global finance offered an intuitive development path given their limited domestic markets, narrow resource base, and nodal characteristics (Baldacchino and Wivel 2020; Martinus et al. 2021). Yet, their trajectories diverged sharply. From 1952 to the mid-1980s, Kuwait's banking sector remained dominated by merchant-run institutions with British oversight. In 1970, banking contributed just 4 percent to non-oil GDP (The Planning Board 1970). While institutions like the Kuwait Fund for Arab Economic Development and the Kuwait Investment Company rose to prominence, they primarily served to place government surpluses abroad rather than build a domestic financial sector. Singapore, by contrast, saw dramatic transformation. The state introduced major, state-owned banks that intensified competition, pushing private banks to consolidate and modernize. The launch of the offshore Asian Dollar Market in 1968 turned the island into a regional financial hub. Between 1968 and 1984, domestic commercial bank assets grew by 19.8 percent annually, while offshore assets grew by 64.8 percent per year (Bryant 2018: 343). Today, Singapore remains a top global financial center with the region's largest banks. These divergent outcomes raise a core puzzle: why was one state able to leverage global finance as a tool for national development, while the other preserved elite control and institutional stasis?

To explain this divergence, this article identifies three key processes: (1) the state's capacity to discipline capital; (2) colonial legacies and postcolonial monetary maneuvering; and (3) the incorporation of transnational experts into ruling coalitions.

I argue that building a robust, globally oriented banking sector hinged on the state's ability to break the structural power of finance and discipline private commercial banks – compelling them to modernize, comply with regulation, and innovate in emerging financial markets. Merchant-run commercial banks in Kuwait were free from state disciplining, whereas in Singapore, they were largely subject to the demands of the state. This article contributes to the sociology of development by showing that mechanisms of discipline central to industrial development also apply to service-based sectors like finance (Amsden 1992; Chibber 2003; Maggor 2021). In doing so, it also advances recent debates emphasizing services as important engines

of economic growth for both developing and developed countries (Rodrik and Sandhu 2025; Rodrik and Stiglitz 2025).

However, breaking structural power alone does not guarantee transformation (Block 1987). Kuwaiti merchants, though lacking structural power, maintained dominance through close ties with the ruling family, influential business associations, and privileged citizenship status. In Singapore, the state actively broke the structural dominance of private finance by creating state-owned banks to provide alternative revenue sources. But to bring commercial banks into the developmental fold, the state also cultivated new market opportunities and imposed sustained competitive pressures through state-owned institutions. Government oversight, along with banks' recruitment of state officials, ensured that commercial banks avoided speculative behavior and instead modernized and innovated in alignment with state goals.

By focusing on state disciplining, this article also clarifies the scope and limits of "social partnership" and "creative corporatism" as explanations for small-state adaptation (Katzenstein 1985; Ornston 2012). These theories emphasize collaborative institutions that balance the interests of state, business, and labor, in part to prevent the kind of rent-seeking that can undermine developmental objectives. But Kuwait reveals the fragility of such arrangements when state autonomy is weak. Despite spanning multiple sectors, merchant elites captured key institutions and steered financial policy toward rent extraction, not innovation. Their influence persisted due to privileged access to the ruling family and the absence of countervailing institutions. In contrast, Singapore's developmental collaboration with private finance only emerged *after* the state had curtailed the dominance of domestic capital. Rather than relying on pre-existing corporatist structures, Singapore pursued state-led financial development through strategic competition, institutional pressure, and tightly managed alliances with business. Developmental partnership, in this case, was not the starting point, but rather, the outcome of state-society restructuring.

But state disciplining alone is insufficient in explaining how states create new global markets. A narrow focus on the relationship between states and firms tells us little about how states insert themselves into markets that are necessarily global in scope. Historical studies of offshore tax havens and international financial centers generally elide the work that states undertake to ensure that these global markets are commensurate with national development (Ogle 2020; Palan 2006, 2010). Instead, I argue that the building of a global financial center – one that assisted with the development of the domestic financial sector – was the result of postcolonial elites exploiting colonial-era institutions and negotiating monetary decolonization.

In Kuwait, the possibility of building an offshore market to attract international banks was partially foreclosed by the colonial legacies of exchange controls – or the lack thereof. That it did not distinguish between resident and nonresident deposits meant that Kuwait could not attract international banks to the country without subjecting its merchant-capitalist class to the competitive pressures of international banks – something it was unwilling to do. Moreover, repeated decisions to maintain almost complete British management of the KIB made it difficult for the state to rapidly diversify its foreign currency reserves in the face of more nationalist demands to do so. Some of Kuwait's leaders were resistant to such calls, content to

keep the majority of the state's foreign assets in sterling. Yet, even when they did seek to assert policy autonomy and diversify their reserves, British authorities were better positioned to thwart those efforts.

Unlike Kuwait, Singapore was subject to exchange control laws and maintained a distinction between resident and nonresident depositors. This attracted international banks to operate in offshore markets hosted by the city-state, but also helped local banks grow through new lending opportunities and markets. Additionally, the fact that its foreign currency reserves were not managed by a British-run organization allowed Singapore's leaders greater latitude to diversify their foreign currency reserves and protect the economy from the type of speculative attacks that sometimes afflicted other financial centers. While Kuwaiti ruling elites largely depended on British imperial power to protect themselves from internal and external threats, Singaporean ruling elites better leveraged these threats to move away from a British-led financial order.

Finally, I argue that the ability of transnational experts to forge long-term alliances with state elites was crucial for the construction of a global financial center. While scholars of the developmental state underscore the importance of building expertise within state bureaucracies, this article demonstrates that transnational experts – especially those with unorthodox ideas – can also assist with state-led development if they can establish enduring partnerships (Amsden 1992; Evans 1995; Wade 1990). In Kuwait, transnational experts were unable to form such alliances, largely because state institutions were subject to private interests and British concerns. But in Singapore, transnational experts won the trust of state elites by equipping them with economic and political power. This allowed them to enact developmental policies that were considered highly unorthodox at the time. As such, this article also diverges slightly from the significant body of scholarship detailing how transnational experts often constrain developmental strategies (Fourcade-Gourinchas and Babb 2002; Seabrooke and Sending 2020).

International finance and state-led development are often thought of as incongruous with one another (Alami et al. 2023). The centrality of finance to neoliberalism in the twentieth and twenty-first centuries has meant that it has particularly pernicious implications for questions of equality, growth, and sovereignty (Krippner 2011; Lin and Tomaskovic-Devey 2013; Prasad 2012). Consequently, sociologies of development have privileged manufacturing and industrialization as the primary engines of economic growth. This focus is understandable and relatively uncontroversial: early developers achieved sustained industrial growth, while late developers pursued rapid industrialization over short periods. Industrialization was not only key to capital accumulation but also to large-scale employment generation. However, as sustained industrialization has become increasingly difficult to replicate – especially through export-led strategies – there is growing recognition that sociologies of development must seriously consider alternative developmental pathways (Naseemullah 2022; Rodrik and Stiglitz 2025).

This article demonstrates that global finance was not necessarily antithetical to freedom or development, particularly during twentieth-century decolonization. While I do not argue that financial industries alone can sustain national economies – especially regarding employment, productivity, and inequality – there is a pressing need for sociologies of development and finance to engage more fully with

finance as a distinct and viable developmental pathway, especially for small states. As this article shows, the construction of an international financial center with a robust banking sector was neither a laissez-faire experiment nor imperial economic domination by other means, but rather a deliberate project of the postcolonial developmental state.

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