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Botswana as a Role Model for Country Success

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Abstract

I argue that the economic success of Botswana can be explained by the historical development of its institutions which is related to the trajectory of the Tswana states over the past 200 years. These institutions created a much more stable and accountable government than elsewhere in Africa after independence with the desire and incentive to adopt good economic policies. There are two main lessons from this experience. The first is how successful an African economy can become using simple orthodox well-understood policies. The second is that successful development in Africa will be helped by a focus on the development of state institutions. Though Botswana inherited different institutions from elsewhere, it also built on these, in particular trying to create a national identity and to continually modernize and adapt institutions. There are many lessons for other African countries from these policy choices.

Keywords: governance, patrimonialism, state formation

JEL classification: O10, H1

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Acronyms

BDP Botswana Democratic Party

SSA Sub-Saharan Africa

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1 Introduction

Botswana is a land-locked, ecologically marginal country. Though like many Sub-Saharan African countries it is made up of a mosaic of different tribes, the dominant factor has been the Tswana states which migrated into the territory in the late eighteenth and early nineteenth century. The paramount chiefs of the Tswana states who ruled the area in the 19th century, were recognized by the British in their institutions of indirect rule and most Botswana nationals today still acknowledge membership of one of these eight 'tribal' state identities.¹ As these states expanded, they brought many other groups under their control, though the dominant group within each traditional state was Tswana. Except among the Tawana of Ngamiland in the northwest, most non-Tswana groups were left in their own wards with their own chiefs subordinate to the Tswana rulers.

From the mid nineteenth century, Botswana was sandwiched between the expanding Boer states of the Transvaal and Orange Free State, the British Empire, the expansionism of Cecil Rhodes and the British South African Company, and the Germans in south-west Africa (Namibia). After becoming a British protectorate in 1885, it was severely neglected. The protectorate was administered first from Vryberg and then Mafeking in South Africa and the only interest of the British was to maintain order, collect the hut tax and balance the books. As late as the 1930s, over 50 per cent of protectorate expenditures were on the police. Until the 1950s the presumption was that Bechuanaland would be incorporated into the Union of South Africa.

At independence in 1966m there were practically no surfaced roads and only two secondary schools in the entire country which dated only from the 1940s. The country was as poor as any place in the world. Yet as is well-known, in a continent where many countries are poorer now than at independence, Botswana stands out for its extraordinary economic record (Table 1), and has experienced very rapid economic growth and living standards since 1966.

Botswana has not just experienced rapid economic growth since independence, it has also sustained free and fair democratic elections, though every one has been won by the Botswana Democratic Party (BDP) founded in 1961 by (amongst others) Seretse Khama who was president from 1966 until his death in 1980 and Quett Masire, president from 1980 to 1998. Botswana has had no coups, no political instability, no civil wars, no threats of secession, and excellent, dedicated, uncorrupt leadership.

There are things that have gone wrong in Botswana. There is still a great deal of poverty in rural areas, inequality is high (though falling, see Leith 2005: 17-18), the economy has been unable to diversify, and more important, the huge rate of HIV infection that the government is now fighting. I am not an epidemiologist and my understanding is that this disaster, which has hit so much of Southern Africa so hard, including the neighbouring countries of Zimbabwe, Swaziland and South Africa, is more to do with the nature of people's sexual behaviour than the failure of governance. Given my expertise and my understanding of the relevant science, in this essay I shall focus

¹ Tawana (Batawana) in the north-west, Ngwato (Bangwato, Bamangwato or Bagamangwato) in east-central areas, Kwena (Bakwena) and Ngwaketse (Bangwaketse), Kgatla (Bakgatla) and Tlokwa (Batlokwa), Maletle (Balete or Bamaletle) and Rolong (Barolong) in the south-east.

mostly on economic growth. Nevertheless, the spread of HIV has severely undermined some of the benefits of growth, particular with respect to health and life expectancy.

In any context, not just that of Sub-Saharan Africa, Botswana's experience would stimulate the questions: why has economic growth has been so strong, and why has the country been so democratic and politically stable? The main focus of my paper is an examination of the determinants of economic growth in Botswana and what other countries can learn from it. But as the discussion will emphasize heavily the institutions of the society, it is natural also to discuss the success of democracy in the country.

To begin thinking about the determinants of growth, let me make a distinction between the *proximate* determinants and the *fundamental* determinants. The proximate determinants of growth in Botswana are easily understood and have been well studied.² Increasing national income after independence was stimulated by a few positive shocks, such as the renegotiation of the South African Customs Union in 1969 which gave a much greater share of revenues to Botswana, but fundamentally it was based on the expansion of the cattle industry. Cattle products remained the largest export until 1978, when they were overtaken and subsequently swamped by diamonds. Since the 1970s income from diamond mining has account about one-third of national income and diamonds have made up about 75 per cent of exports.

In addition to the basics of cattle and diamonds, Botswana has invested heavily in human capital, expanding both education and access to health care, and infrastructure. Investment in the ranching industry, in mining and in human capital has been facilitated by highly prudent and competent macroeconomic policy and stable property rights. There has been little inflation, no unsustainable fiscal deficits or international borrowing based on future diamond revenues, and no expropriations. It turns out that, proximately, growth in Botswana can be accounted for in very conventional ways.

Table 1
Botswana in comparative perspective

	GDP per capita		Avg. growth rate of GDP per capita 1975-2005	Total urban population		Enrolment rate, 2005		Life expectancy at birth, 1997
	US\$	PPP\$		1970	2005	Primary	Secondary	
Botswana	5,846	12,387	5.9	8	57	85	60	48
Zaire	123	714	-4.9	30	32			45
Côte d'Ivoire	900	1,648	-2.1	27	45	56	20	47
Ethiopia	157	1,055	-0.2	9	16	61	18	52
Ghana	485	2,480	0.7	29	48	65	37	59
Lesotho	808	3,335	2.7	9	19	87	25	43
Zambia	623	1,023	-1.8	30	35	89	26	41
South Korea	16,309	22,029	6.0	41	81	99	90	78
Mauritius	5,059	12,715	4.4	42	43	95	82	72
Singapore	26,893	29,663	4.7	100	100			79

Source: Columns 1-3 and 6-8 from UNDP (HDI 2007), and columns 4-5 from World Bank (DWI 2007).

² Important books on this include Colclough and McCarthy (1980), Harvey and Lewis (1990) and Leith (2005) and the essays in Salkin et al. (1997).

Identifying the proximate determinants of economic success in Botswana, however, is only the first step in a satisfactory explanation because we must also examine the fundamental factors that determined these outcomes. Other countries with comparative advantage in ranching activities, such as Somalia or Sudan, have not been able to develop them into a dynamic export commodity. Moreover, the general pattern in Sub-Saharan Africa since independence is that rural sectors have been heavily discriminated against. Why not in Botswana? With respect to diamonds, their presence is hardly associated with development in Angola or Sierra Leone. The more natural association is between diamonds and the resource curse or the initiation of civil war and political conflict. Not only did these bad outcomes not happen in Botswana, but the country has been able to sustain a highly rational intertemporal path for the exploitation of the resource. The high rates of investment in education and health are also puzzling as is the prudence of macroeconomic policy. Investment in public goods and infrastructure has tended to be disastrous in post-independence Sub-Saharan Africa (SSA) and most countries have staggered from one debt crisis to another with their budgets massively underwritten by international financial institutions and various donor countries.

The puzzle, relative to Africa, is why has the diamond wealth not been squandered? Why did it not lead to political instability? Why has the rural sector not been discriminated against? What explains why macroeconomic policy has been so good? Why all this investment in public goods?

These are the important questions to ask about Botswana and in this essay I attempt to answer them, mostly by putting them in some comparative context. Following Acemoglu, Johnson and Robinson (2003) and Parsons and Robinson (2006) I shall characterize this as being an issue of governance. Botswana has had very good governance. Why?

Three complementary factors have been important in Botswana's success. The first is that the independent state benefited from a long process of state and institution formation inherited from the Tswana states. This was crucial for developing checks and balances on politicians and dispute resolution and creating good governance. The integrative structure of Tswana states also limited regionalism and facilitated the emergence of a national identity. Decisions at the formation of the modern state in the 1960s built on this legacy. The second is that by historical chance, the eight Tswana states ended up controlling a single independent nation so that their institutions could help to determine national institutions without coming into conflict with other sets of institutions or interests, as happened in most other SSA countries (see Englebert 2000 for the general argument). Moreover, the comparative neglect of the colony by the British administration allowed these institutions not only to persist, but to develop further in marked contrast to other experiences with indirect rule. Finally, elite interests were powerfully represented in early independence governments. Since elites were heavily invested in ranching, this led to a socially efficient development of the ranching industry and secure property rights which greatly facilitated the early growth of the economy.

Like most social science I shall focus on the structural factors that seem to have influenced why certain options emerged and why certain decisions were made. Nevertheless, a striking thing about the history of Botswana is the leadership it has had. Reading the biographies of Seretse Khama (Tlou, Parsons and Henderson 1995) or the

autobiography of Quett Masire (Masire 2006) one is struck by the incredibly pragmatic, serious and intelligent way these men addressed the problems of developing the institutions of the new state in the early 1960s. They wanted to build an independent, viable and prosperous nation and seem to have been completely uninterested in extracting rents for cementing themselves in power. This is an enormous contrast to what went on in most other African countries. It is significant, for instance, that the parliamentary institutions inherited from the colonial period have remained unchanged in Botswana in contrast to nearly all other African countries where political leaders quickly introduced presidential institutions after independence. But Botswana has not just had good leadership since the 1960s, it had good leadership in the nineteenth century as well. One example is the sustained attempt by the Ngwato chief Khama III, Seretse Khama's grandfather, who ruled from 1875-1923, to modernize his state (Parsons 1977). He converted to Christianity and abandoned the role of chief as witchdoctor and priest which led to a secularization of political institutions. The first translation of the Bible into an African language was into Setswana. Another remarkable episode is the successful venture to London of three Tswana chiefs in 1895 to see Queen Victoria and Joseph Chamberlain and foil the intentions of Cecil Rhodes to take over Bechuanaland (Parsons 1998). Even the controversial figure of Tshkedi Khama, Seretse Khama's uncle who acted as regent in Seretse's youth, played an important role in fighting the imposition of indirect rule, discouraging labour recruitment to the mines in South Africa and blocking mineral prospecting inside the protectorate in the 1920s and 1930s (see Crowder 1985). Tlou, Parsons and Henderson (1995: 73) reproduce a British colonial document from the 1930s lamenting that:

Tshkedi's policy is obvious. It is to make the Bamangwato economically self-supporting, to develop a healthy cultural interest and provide, within the tribe's own territory, a modernised tribal life which will prevent the drift of young men and women to the Union.

Social scientists do not understand how to explain good leadership or why a society would persistently have good leadership in a continent surrounded by bad leadership. The tentative answer I myself would offer is that it is exactly the structure of Tswana institutions that created an environment which encouraged elites to make good decisions. As Comaroff (1978) showed in his study of the political history of the Rolong, though the Tswana in appearance had clear rules stipulating how the chiefship was to be inherited, in practice these rules were interpreted to remove bad rulers and allow talented candidates to become chief. As he puts it (Comaroff 1978: 16)

The case material makes it clear that winning the chiefship is a matter of achievement, an achievement gained largely by controlling resources and capabilities which are extrinsic to formal institutional arrangements. Yet such outcomes are rationalized in entirely ascriptive terms: the successful competitor *becomes* the rightful heir.

Comaroff's essay makes it clear that we should not think of good leadership as an exogenous factor driving Botswana's economic success, it is an intrinsic part of the historical divergence of Tswana political institutions.

The essay proceeds as follows. In the next section I briefly discuss in abstract the forces that lead to good or bad economic policies and the conventional wisdom about why policies have typically been so bad in Africa since independence. Section 3 then asks

why these forces have not applied in Botswana. Section 4 focuses on the questions of what sort of lessons can be drawn from the development experience of Botswana that would be useful for other countries.

2 The causes of bad economic policies

Botswana has had good economic policies, investment in public goods and human capital, a stable macroeconomic environment, a rational exploitation of its comparative advantage in ranching, and a rational exploitation of its diamond wealth. These outcomes were primarily the result of choices by politicians, so we have to ask why politicians made these decisions. To a public finance economist, this would not be a puzzle, since exploiting comparative advantage or investing in human capital is what a country is supposed to do. Unfortunately, the reality, particularly in SSA, is different. This is because policies are chosen by politicians (or previously colonial administrators!) who, unlike benevolent social planners in public finance, have the objective of winning and maintaining power, not maximizing prosperity or the growth rate of society. The viewpoint of political economy is that to the extent that policies chosen are socially efficient, this will be because politicians are constrained or induced to take action that promotes the welfare of society. However, there is no presumption that what is privately rational for politicians will coincide with the welfare of society and indeed these two factors have rarely coincided in post-independence Africa.

The literature on political economy now contains many mechanisms which will lead political rational policies to deviate from economically rational ones. Rather than survey this literature I want to focus on the paradigm which has developed in African studies to explain poor economic policies and which encapsulates many of the most important mechanisms.

Bad economic policies arise from particular structures of political incentives or particular strategies of rule which are common in Africa. The most common characterization of an African 'strategy of rule' is called patrimonialism, neopatrimonialism, or clientalism. Neopatrimonialism (according to Bratton and van de Walle 1997: 62) can be characterized in the following way:

the right to rule in neopatrimonial regimes is ascribed to a person rather than to an office, despite the official existence of a written constitution. One individual ... dominates the state apparatus and stands above its laws. Relationships of loyalty and dependence pervade a formal political and administrative system, and officials occupy bureaucratic positions less to perform public service ... than to acquire personal wealth and status. Although state functionaries receive an official salary, they also enjoy access to various forms of illicit rents ... which constitute ... an entitlement of office. The chief executive and his inner circle undermine the effectiveness of the nominally modern state administration by using it for systematic patronage and clientelist practices in order to maintain political order.

It is quite clear how such a strategy of rule would be inimical to good economic policies. First, as Bates (1981) points out, one cannot engage in clientelism by providing

public goods. By definition, public goods benefit everyone, those who support the regime and those that do not. To be effective, patronage has to be targeted to some individuals and withheld from others. One can only achieve this with private goods. Thus clientelism leads to an endemic and fundamental undersupply of public goods whether these are macro public goods, like fiscal prudence or low inflation, or micro public goods such as roads or investment in education and health. Second, note also that clientelism is inconsistent with such basic principles as equality before the law and universalistic principles such as the protection of private property rights. In a neopatrimonial regime there are no such concerns as universalistic criteria. Third, the fact that so much clientelism takes the form of employment in the bureaucracy completely undermines public sector efficiency. People have jobs not because of their skills or merits, but because of their political connections. Such people cannot be given high powered incentives or motivated to work and public sector jobs become insecure.

The antithesis of neopatrimonialism is *good governance*. Governance is defined by Kaufman, Kraay and Zoido-Lobaton (1999: 1) at the World Bank as:

the traditions and institutions by which authority in a country is exercised. This includes (i) the process by which governments are selected, monitored and replaced, (ii) the capacity of the government to effectively formulate and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions amongst them.

The available evidence suggests that Botswana has had very good governance. The columns of Table 2 record some basic relevant data from the World Bank's Governance project. The Governance project has collected comparable measures of different

Table 2
Estimates of governance

	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
Panel A: Sub-Saharan Africa						
Mauritius	0.85	0.76	0.60	0.57	0.79	0.41
South Africa	0.74	0.18	0.72	0.48	0.15	0.32
Ghana	0.50	0.22	-0.14	0.0	-0.08	-0.17
Botswana	0.49	0.84	0.70	0.48	0.67	0.90
Senegal	-0.02	-0.18	-0.34	-0.35	-0.39	-0.51
Kenya	-0.06	-1.10	-0.59	-0.21	-0.98	-0.94
Tanzania	-0.15	-0.07	-0.42	-0.37	-0.45	-0.45
Malawi	-0.20	-0.01	-0.59	-0.51	-0.39	-0.74
Zambia	-0.26	0.24	-0.59	-0.48	-0.64	-0.60
Singapore	-0.43	1.17	2.41	1.87	1.79	2.20
Uganda	-0.47	-1.15	-0.40	-0.20	-0.54	0.76
Nigeria	-0.54	-2.07	-0.93	-0.89	-1.20	-1.01
Burundi	-0.80	-1.42	-1.34	-1.21	-1.16	-1.06
Cameroon	-0.94	-0.39	-0.87	-0.71	-1.09	-0.93
Angola	-1.11	-0.46	-1.15	-1.0	-1.35	-1.12
Ethiopia	-1.19	-1.72	-0.45	-0.90	-0.54	-0.70
Côte d'Ivoire	-1.26	-2.12	-1.37	-0.98	-1.54	-1.09
Zimbabwe	-1.54	-1.30	-1.48	-2.24	-1.67	-1.25

Table 2 cont'd

Table 2 (cont'd)
Estimates of governance

	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
Panel B: Other countries						
Belgium	1.44	0.75	1.59	1.48	1.52	1.45
United Kingdom	1.38	0.56	1.70	1.86	1.75	1.89
France	1.27	0.51	1.30	1.15	1.32	1.32
United States	1.09	0.30	1.62	1.45	1.59	1.44
Spain	1.05	0.04	1.00	1.15	1.12	1.16
Japan	0.93	1.02	1.32	1.05	1.39	1.20
Brazil	0.41	-0.22	-0.12	-0.04	-0.44	-0.24
India	0.38	-1.01	0.03	-0.22	0.10	-0.39
Argentina	0.33	0.14	-0.14	-0.77	-0.50	-0.40
Colombia	-0.28	-1.65	0.03	0.21	-0.57	-0.28
Vietnam	-1.61	0.31	-0.41	0.43	-0.53	-0.69

Source: World Bank (Worldwide Governance Indicators).

dimensions of governance from many countries and the aggregated scores lie between -2.5 and +2.5 with higher meaning better governance. Panels A and B of Table 2 show a remarkable picture where basic aspects of governance in Botswana, such as the rule of law or the efficiency of the government, are on a par with western European countries. The same picture emerges in the last column, which reports data on corruption from Transparency International. Corruption in Botswana is minimal.

As shown by Table 2, Botswana has had good governance and it has not suffered from neopatrimonial rule. In cross-country data we know that good governance, at least broadly interpreted, is strongly associated with prosperity (Acemoglu, Johnson and Robinson 2001). This is the most useful starting point for a deeper understanding Botswana's success. But my approach here is not to consider good governance as something which is technocratic ally achieved. Rather it is the outcome of a very different type of political equilibrium from the neopatrimonial one which generates bad governance. It is the very different structure of politics in Botswana that has led to the provision of both macro and micro public goods and the rational exploitation of diamonds and it is this which starkly distinguishes Botswana from nearly all of SSA.

3 What induced good Governance in Botswana?

I now address the question of why there has not been neopatrimonial rule in Botswana. The question of the origins of neopatrimonial rule in the African context has been addressed by Herbst (2000) and Bates (2001) building on the work of Max Weber and many others who studied the origins of state institutions in Europe. This literature sees patrimonialism as a very basic form of rule prior to the formation of modern state institutions. The eradication of patrimonialism comes as part and parcel of the process of state formation and the creation of modern rational-legal institutions such as a meritocratic bureaucracy. According to this literature, good governance is *created* by institutional development, particularly state formation (creation of bureaucracy, impartial legal system, rule of law, depersonalization of state revenues and resources, institutional limitations on the exercise and use of political power). The persistence of

neopatrimonialism is therefore the outcome of the stunted process of state formation in Africa studied most intensively by Herbst.³

This perspective suggests that the key to unravelling the puzzling absence of neopatrimonialism in Botswana might come from the historical evolution of state institutions there. Is it possible that these took a different form from those elsewhere in other parts of Africa? I think the answer to this question is yes. Historically the Tswana developed a state with relatively limited chiefs and with a political structure that was able to integrate other groups, such as the Kalanga, into the state via wards. Schapera (1940) describes how the ward system worked. He also describes how tribal policy was conducted:

all matters of tribal policy are dealt with finally before a general assembly of the adult males in the chief's *kgotla* (council place). Such meetings are very frequently held ... among the topics discussed ... are tribal disputes, quarrels between the chief and his relatives, the imposition of new levies, the undertaking of new public works, the promulgation of new decrees by the chief ... it is not unknown for the tribal assembly to overrule the wishes of the chief. Since anyone may speak, these meetings enable him to ascertain the feelings of the people generally, and provide the latter with an opportunity of stating their grievances. If the occasion calls for it, he and his advisers may be taken severely to task, for the people are seldom afraid to speak openly and frankly (Schapera 1940: 72).

According to an often quoted Tswana proverb, 'the king is king by the grace of the people' (*kgosi ke kgosi ka morafe*) (see Schapera 1938; Gulbrandsen 1995 for more on this).

We do not really understand why the Tswana developed these institutions historically (Tlou 1998; Tlou and Campbell 1999; Parsons 1999 for discussion of what we do know) but they do seem to have been important both in selecting and checking leaders and seem to have played an important part in paving the way to an accountable and effective modern state.

Just as important as having innovated such institutions, Tswana chiefs protected and developed them in the nineteenth century under a series of threats which came first from the expansion of the Boers in the Southern African hinterland, then from the British South Africa Company and Cecil Rhodes, and finally from the British Empire. Tswana political elites attempted to maintain their independence by defensively modernizing and adapting to these new circumstances.

The Tswana were not alone, either in the types of political institutions they evolved, or in their desire to modernize. However, what is unique about Botswana is the way that such a group came to occupy the whole of a national territory and managed to fend off the most pernicious effects of colonialism. This contrasts with other parts of Sub-Saharan Africa. For instance, though the borders of the modern state of Rwanda corresponds quite well to the traditional polity of the Nyiginya Kingdom, the Nyiginya

³ See Robinson (2002) for some reservations about the argument.

political institutions had developed in a completely different way historically with a much more powerful king and warrior class and being much more hierarchical and socially stratified (see Vansina 2004). The Nyiginya completely lacked the political institutions which were to play such an important role in modern Botswana. It is also interesting to compare the Tswana with the Barotse in Zambia who also undertook defensive modernization of their institutions but were crushed by the creation of Northern Rhodesia. Even more striking is the experience of the Tswana across the South African border in Bophutatswana or the Basutho in Lesotho. The Basutho share very similar cultural roots to the Tswana and this extends to language and political institutions but the latter were decisively undermined by the British in an attempt to mobilize labour for the expanding mines of the Rand.

Out of this process of state formation also came ethnic homogeneity. Much is made of the fact that Botswana is today ethno-linguistically homogeneous and this has been argued to be an important independent variable in explaining the political stability of Botswana. Though one can today see the arbitrary effect of boundaries and high levels of ethno-linguistic fragmentation as a *cause* of political instability in Africa, we can also think of this as an *outcome* of the absence of the formation of a state. A fascinating comparison is with the work of Weber (1976) on the creation of modern French ethno-linguistic homogeneity. As Weber points out, at the start of the nineteenth century France was a patchwork of many different languages and ethnicities, with few groups speaking French as a first language or feeling allegiance to the central state in Paris. Moreover, many of these groups straddled international boundaries. However, the expansion and consolidation of the central state and the imposition of a uniform educational curriculum gradually led Provençals on the French side of the border to see themselves as French while those on the Italian side came to see themselves as Italians. This had a lot to do with the pattern of political institution building in these countries. A very similar process has taken place in Botswana over the last 50 years and I would argue that it is the organization of the Tswana states which mostly accounts for the relatively homogenous nature of society, probably no more than 50 per cent of people in Botswana are actually Tswana. The last census to ask questions about ethnicity was in 1946. Schapera's (1952) tabulation of the returns from the Ngwato reserve, for example, shows that people who were identified as being pure Ngwato made up less than 20 per cent of the population! There are many non-Tswana groups who did not speak Tswana. Leith (2005) shows that once you re-compute ethnic homogeneity using these data Botswana stops looking like an outlier in Africa.

The formation of state institutions in Botswana built on the historical legacy through defensive modernization. But the development of the state was also in the self-interest of elites given expanding economic opportunities. Political elites and particularly chiefs were heavily invested in the country's most important economic activity, ranching (Cohen 1979). This gave them a strong incentive to promote rational state institutions and private property. An outstanding illustration of this is the way the Botswana Meat Corporation (BMC) functioned (Samatar 1999). The BMC was the marketing board which controlled the exports of ranching industry and as noted above, meat exports were the basis of the early independence economy. As Bates (1981) so convincingly shows, the poor performance of rural African economies after independence was because marketing boards for exports were captured by undemocratic political elites whose support came from urban areas. They therefore used the marketing boards to levy very high implicit rates of taxation on farmers by paying them prices for their crops which were far below world levels. The BMC was completely different, possibly

because Botswana was a democracy, but most likely because of the interests of those with political power. Unlike in most parts of Africa, it was those who investing in the rural economy who had political power and they used this power to rationally develop the industry, stimulating economic growth in the immediate wake of independence.

The modernization of state institutions continued in the 1960s where the crucial transition to formal independence took place.⁴ In the process of creating these institutions Seretse Khama benefited from being the hereditary chief of the largest Tswana tribe (even though he had renounced his chiefship in his fight to return to Botswana after marrying a white woman). This continuity of authority no doubt played an important role in promoting the legitimacy of the post-independence state. Yet Khama and the BDP also transformed authority. They created the House of Chiefs, but gave it no power, and they removed the local powers of chiefs while at the same time giving them positions on local government institutions that allocated resources (yet were accountable, etc.).

My argument then is that one can understand why Botswana has been so successful precisely by appealing to the literature about how European states have been so successful. Botswana became successful because it built strong and accountable state institutions. Though the details of history are different, the pattern both of important institutional idiosyncrasies historically⁵ and the building of institutions are qualitatively very similar. This is a highly unusual pattern in Africa, but it happened in Botswana.

What role did democracy play in all this? As with the European experience I would see democracy as an outcome of this process and co-evolving with the building of state institutions, rather than as a critical independent source of variation. For example, democracy will tend to persist when the stakes from power are relatively low in the sense that groups that wield power in democracy and political elites are limited in what they can do to others and face checks and balances (Acemoglu and Robinson 2006). Yet one can imagine that institutions such as the *kgotla* played exactly this role, so that the same institutional structure which facilitated economic growth also led to democracy (see Acemoglu et al. 2008 for this general argument).

4 Botswana as a role model

I have now identified several factors that seem to have been important in explaining the rapid growth of Botswana. The proximate causes have been very good governance and choice of economic and social policies. More fundamentally I have tried to argue these have stemmed from the historical evolution of the institutions of Tswana states which forced post-independence politicians to function in an environment very different from in most of Sub-Saharan Africa. The reasons these institutions came to exert such a powerful force is undoubtedly because by chance the territory more or less controlled by the eight Tswana states ended up as an independent country and because it was neglected by the British. Finally, the political influence of elites was important because of their vested interest in developing ranching and in stable property rights.

⁴ See Fawcus and Tilbury (2000) on this crucial period.

⁵ See Ertman (1997) on the European case.

Nevertheless, I emphasize that as in the 19th century, these were modernizing elites. The pre-independence negotiations of the 1960s stripped the chiefs of many of their powers to determine the local allocation of resources, such as the right to all stray cattle and to unpaid labour services from their tribesmen. However, customary law was maintained in parallel with British common law and the chiefs did maintain a lot of power with respect to legal decisions. It appears to be the evolution of political institutions that can explain why Botswana has not regressed into the type of patrimonial and clientelistic political equilibrium which has been so prevalent and resilient elsewhere in Africa.

In what sense, then, is Botswana a role model for country success? On one hand it is a perfect model. It suggests that even starting from terrible initial conditions, adopting the type of economic policies advocated by mainstream economists and by the World Bank can be very successful. Even this is an interesting lesson given that so many detractors of the international financial institutions, like Easterly (2001) or Sachs (2005), claim that they have continuously promoted foolish policies. The evidence from Botswana suggests that had African countries done what was suggested, they would now all be a lot richer. Moreover, Botswana got richer slowly, step by step, it did not need a 'big push' just a cumulation of little sensible things. Importantly, the Botswanan experience is also one of orthodoxy. Other critics of international financial institutions, such as Hausmann and Rodrik (2006), claim that poor countries need to experiment with heterodox policies, such as subsidizing industry. But this is not what Botswana did. The experience of Botswana suggests the simple interpretation that contrary to the claims of those who praise heterodoxy, the real problem in Sub-Saharan Africa is that countries have not adopted the orthodox policies which have been recommended to them. This is why they have not grown. The issue is not finding the binding market failure, it is trying to achieve an institutional and political environment which is conducive to making socially desirable choices. Without solving these problems, promoting industrial policy will probably have the consequences we have already seen in Africa, of creating more opportunities for rent seeking and clientelism, and which were so devastatingly exposed by Killick (1978) in the case of Ghana. These are valuable lessons as economists and policymakers search for alternative paradigms in the post-Washington consensus world.

At another level of course, one could argue that Botswana is not such a good model. This is because, as is clear from my discussion, the reasons that Botswana was able to adopt these good policies are a complex outcome of history, institutional building and interests. The circumstances are very different in the Congo, or Sierra Leone, and this is why they have ignored the advice of economists or the World Bank. But we cannot change history or re-draw the boundaries of African states. Nor can we easily alter what interests do or do not have power through the political system. However, I do believe that there are some practical lessons that can be learned with respect to the development of state institutions. When the post-independence state was constructed in Botswana in the 1960s, it was done in the shadow of Tswana institutions of dispute resolution and consultation. Chiefs were not able to make arbitrary decisions concerning their tribes without consultation and it is clear that the members of the Legislative Council behaved in the same way. As laws were passed and decisions made, Masire and Khama would travel the country appearing before *kgotlas* to explain, discuss and justify decisions. As the national capital was constructed, new *kgotlas* were built to cement the old in the new. A series of decisions were made which helped to build the national state. A simple one was making Setswana and English the only languages that were taught in school.

Mineral rights were vested in the nation and not the tribe. Land laws were changed so that people could be allocated land outside their own tribal areas.⁶ These decisions, and many others like them, built the modern state and its institutions. This is why policy has been good and clientelism so scarce in Botswana. I have argued that the probable reason why these decisions were made in Botswana was because of the way they built on existing institutions. But this does not mean that such decisions cannot be made or encouraged elsewhere.

To see in a practical way how these lessons are useful, consider the reconstruction of the state in Sierra Leone following the end of the civil war in 2002. One of the first initiatives the new government undertook with the support of the British was to reinstate chiefship as the crucial local political institution. Chiefs in Sierra Leone are elected for life by an electoral college based on a franchise of taxpayers and have to be selected from a few 'ruling families' whose origins trace to the creation of indirect rule by the British. They have large powers in addition to their traditional roles in allocating land and custodians of customary law. For instance, they can command unpaid labour services and they play important roles in influencing national elections. The Botswana experience suggests that reinstating the powers and prerogatives of chiefs in Sierra Leone was almost certainly a mistake and impedes the ability of the country to construct the modern state which it so desperately needs.⁷

The lesson here I think is that instead of focusing on policies or outcomes, reform should focus on the structure of state institutions and how they can be altered to form a national state. Some of this may clash with other notions, such as the need to respect linguistic or cultural diversity. The experience of Botswana, and probably that of Europe historically, suggests however that such respect may come at the expense of political instability and conflict.

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⁶ See Goldstein and Udry (2004) for the efficiency losses from traditional methods of land allocation in Ghana.

⁷ See Fanthorpe (2005) and Jackson (2006) on the politics of chiefship in Sierra Leone.

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