An African Success Story: Botswana[1]

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Abstract: Botswana has had the highest rate of per-capita growth of any country in the world in the last 35 years. This occurred despite adverse initial conditions, including minimal investment during the colonial period and high inequality. Botswana achieved this rapid development by following orthodox economic policies. How Botswana sustained these policies is a puzzle because typically in Africa, "good economics" has proved not to be politically feasible. In this paper we suggest that good policies were chosen in Botswana because good institutions, which we refer to as *institutions of private property*, were in place.

Why did institutions of private property arise in Botswana, but not other African nations? We conjecture that the following factors were important. First, Botswana possessed relatively inclusive pre-colonial institutions, placing constraints on political elites. Second, the effect of British colonialism on Botswana was minimal, and did not destroy these institutions. Third, following independence, maintaining and strengthening institutions of private property were in the economic interests of the elite. Fourth, Botswana is very rich in diamonds, which created enough rents that no group wanted to challenge the status quo at the expense of "rocking the boat". Finally, we emphasize that this situation was reinforced by a number of critical decisions made by the post-independence leaders, particularly Presidents Khama and Masire.

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I. Introduction

Despite some success stories in the 1960's and early 1970's, Africa is poor and getting poorer. [1] There is also an almost universally pessimistic consensus about its economic prospects. This emerged at the start of the recent empirical work on the determinants of growth with Barro's (1991) discovery of a negative "African Dummy" and was summed up by Easterly and Levine's (1997) title, "Africa's Growth Tragedy." Table 1 collects some familiar comparative evidence on Africa's economic performance. The average sub-Saharan African country is poorer than the average low-income country and getting poorer. Indeed, the average growth rate has been negative since 1965 and there is approximately a 35-fold difference between the per-capita income level of such a country and the U.S.

Against this background of poor performance, there is one African country that has performed not only well, but also better than any other country in the world in the last 35 years – Botswana. In Table 2 we examine the facts about Botswana in both an African and more general context. Botswana had a PPP-adjusted income per capita of $5,796 in 1998, almost four times the African average, and between 1965 and 1998, it grew at an annual rate of 7.7 percent.

Why has Botswana been so successful? Botswana did not start out with favorable initial conditions at independence. When the British left, there were 12 kilometers of paved road, 22 Batswana who had graduated from University and 100 from secondary school.[2] Botswana is a predominantly tropical, landlocked country (which many economists see as a disadvantage, e.g., Bloom and Sachs, 1998). It is true that diamonds have been important for growth in Botswana, and currently account for around 40 percent of the country's output. Yet, in many other countries, natural resource abundance appears to be a curse rather than a blessing (e.g., Sachs and Warner, 1995). So how did Botswana do it?

There is almost complete agreement that Botswana achieved this spectacular growth performance because it managed to adopt good policies.[3] The basic system of law and

[1] Henceforth "Africa" always refers to Sub-Saharan Africa.

[2] There was no university in Botswana at independence and most of those who acquired even a secondary education were the children of chiefs who attended schools for Africans in South Africa such as the famous Fort Hare College where Nelson Mandela also studied.

[3] See the comprehensive survey of the evidence in Harvey and Lewis (1990), Good (1992) and Leith (2000), or in the earlier book by Colclough and McCarthy (1980).

contract worked reasonably well. State and private predation have been quite limited. Despite the large revenues from diamonds, this has not induced domestic political instability or conflict for control of this resource. The government sustained the minimal public service structure that it inherited from the British and developed it into a meritocratic, relatively non-corrupt and efficient bureaucracy. The parastatal sector has never been large and to the extent it has existed, it has faced hard budget constraints. Although there was a government marketing board, usually an institution employed by the urban interests to exploit farmers (e.g., Bates, 1981), in Botswana the board was not used to extract resources from the rural sector. Moreover, the government invested heavily in infrastructure, education and health. Fiscal policy has been prudent in the extreme and the exchange rate has remained closely tied to fundamentals.

Not everything in Botswana is rosy. Though the statistics are not fully reliable, Botswana has one of the highest adult incidences of AIDS in the world with perhaps 25%-30% of adults being HIV positive.[4] This probably represents, above else, a serious public policy failure. Although growth has been rapid, inequality is remarkably high and has been practically unchanged, and the unemployment rate, especially of migrant workers from rural areas, is very high. Moreover, while Botswana has had freely contested democratic elections since independence, one party has always won and there has never been a credible opposition. There is also evidence that the government has treated minorities such as the San quite ruthlessly and has what some describe as 'soft authoritarian' tendencies (for example, Good, 1997). It therefore remains to be seen whether Botswana's institutions will continue to be effective in fostering future economic growth, as well as deal with the unemployment and persistent inequality problems, and most importantly, with the demographic crisis created by the AIDS epidemic. Nevertheless, despite these important caveats, the evidence suggests that there is something distinctly successful about Botswana's economic policy.

In this paper, we argue that Botswana's good economic policies, and therefore its economic success, reflect its institutions, or what we call *institutions of private property* in Acemoglu, Johnson and Robinson (2001). Such institutions protect the property rights of actual and potential investors, provide political stability, and ensure that the political elites

[4] See, for example, the WHO's assessment: http://www.who.int/emc-hiv/fact_sheets/pdfs/botswana.pdf.

are constrained by the political system and the participation of a broad cross-section of the society.

The puzzle is why Botswana ended up with such good institutions, especially when compared with other African countries. There is relatively little research on this topic, and a satisfactory answer requires a detailed analysis of Botswana's history and comparison with other African experiences. Although we are not Africanists, we undertake a preliminary attempt at such a study to generate some conjectures about the relative success of Botswana in building institutions of private property.

Our conjecture is that Botswana's institutions reflect a combination of factors. These include tribal institutions that encouraged broad based participation and constraints on political leaders during the pre-colonial period; only limited effect of British colonization on these pre-colonial institutions because of the peripheral nature of Botswana to the British Empire; the fact that upon independence, the most important rural interests, chiefs and cattle owners, were politically powerful; the income from diamonds, which generated enough rents for the main political actors that it increased the opportunity cost of further rent seeking; and finally, a number of important and farsighted decisions by the post-independence political leaders, in particular Seretse Khama and Quett Masire.

Because many of these factors are difficult to measure, and even more difficult to compare across countries, we are unable to test our conjecture using statistical methods. Nevertheless, both our reading of Botswana's history and our comparison of Botswana with a number of other African countries are consistent with this conjecture.

The paper proceeds as follows. In the next section, we outline what we mean by good institutions, and provide statistical evidence that the relative success of Botswana appears to be related to its institutions. We also undertake a brief analysis of the statistical determinants of these institutions, which reiterates the conclusion that the standard structural features do not account well for why Botswana ended up with relatively good institutions. This motivates our more detailed look at Botswana's political history. In section III, we provide an outline of Botswana's political and economic history, showing how the current state emerged out of the experiences of both its pre-colonial past and British colonialism. In the light of this history, in section IV we provide an analysis of the exceptionality of Botswana. It is difficult to assess this explanation without putting it into a comparative context, and we attempt to do

this in Section V, where we compare the hypotheses about Botswana with the experiences of some other African countries. Section VI concludes.

II. Botswana's Economic Success and Institutions

There is almost complete consensus that Botswana achieved rapid growth because it managed to adopt good policies. The diamonds no doubt helped in the rapid growth. Yet, it is striking that, contrary to other African countries with abundant natural resources such as Angola, Zaire (Congo), Sierra Leone or Nigeria, there were no civil wars or intense infighting to control the revenues from diamonds in Botswana.

What explains the good economic policies pursued in Botswana? After all, in the rest of Africa, good economics is often bad politics – i.e., good economic policies often do not generate enough rents for politicians, or they make it more likely that the government will be overthrown. In contrast, in Botswana, the government appears to have pursued relatively sound economic policies, and there is little evidence of infighting across different tribes or groups for control of the state apparatus.

Therefore, in Botswana good economics appears to have been good politics. Why? It is useful to first consider a number of explanations that do not appear to explain why good policies were chosen in Botswana.

First, perhaps policies have been better in Botswana because it is more "equal" (e.g. Alesina and Rodrik, 1994, Persson and Tabellini, 1994, Benabou, 2000)? However, inequality, both of assets (primarily cattle) and income, is extremely high in Botswana, indeed as high as in South Africa and on a par with Latin American countries such as Brazil and Colombia. Comprehensive data on inequality in Botswana was collected in 1985/86 and 1993/1994 and these suggest a Gini coefficient of 0.56 and 0.54 for the two periods.[5]

Second, perhaps good economic policies are just a reflection of the fact that government intervention in Botswana was limited (e.g., Krueger, 1993)? Yet in Botswana, there has been massive government intervention in the economy, detailed planning, and central government expenditure is now around 40% of GDP, well above average for Africa.

II.1. Institutions

The most plausible cause of the choice of relatively good economic policies therefore appears to be that the underlying institutions in Botswana, both political and economic, are "good". What do we mean by good institutions? Here we follow our earlier paper, Acemoglu, Johnson and Robinson (2001), and define "good" institutions as corresponding to a social organization which ensures that a broad cross-section of the society have *effective property rights*.[6] We refer to this cluster as *institutions of private property*. Such institutions contrast with extractive institutions, where the majority of the population faces a high risk of expropriation by the government, the ruling elite or other agents.

Two requirements are implicit in our definition of institutions of private property. First, institutions should provide secure property rights, so that those with productive opportunities expect to receive returns from their investments. The second requirement is embedded in our emphasis on "a broad cross-section of the society" having the opportunity to invest. A society in which a very small fraction of the population, for example a class of landowners, holds all the wealth and political power may not be the ideal environment for investment, even if the property rights of this elite are secure. In such a society, many of the agents with investment opportunities and the entrepreneurial human capital may be those without the effective property rights protection. In particular, the concentration of political and social power in the hands of a small elite implies that the majority of the population does not have secure property rights, and probably risks being *held up* by the powerful elite.

Institutions of private property, therefore, require effective property rights for a large segment of the society, both against state expropriation and predation by private agents, relative political stability to ensure continuity in these property rights, and effective constraints on rulers and political elites to limit arbitrary and extractive behavior.

II.2. Institutions and Economic Performance

[5] This inequality of income appears to stem importantly from the severe inequality in the ownership of cattle – see Leith (2000, p. 29-30 Table 7).

Do institutions of private property matter for economic performance? Although it is difficult to map our notions of institutions of private property to empirical measures, in Acemoglu, Johnson and Robinson (2000, 2001), we used two plausible ones: protection against expropriation risk between 1985 and 1995 from Political and Risk Services, which approximates how secure property rights are, and constraints on the executive from Gurr's Polity IV data set, which can be thought of as a proxy for how concentrated power is in the hands of ruling groups. We documented that both of these measures are strongly correlated with economic performance, in particular, with income per capita today.

But such correlation is difficult to interpret. It is quite likely that rich economies choose or can afford better institutions. Economies that are different for a variety of reasons will also differ both in their institutions and in their income per capita. Therefore, to demonstrate that institutions are a first-order determinant of economic performance, we need a source of exogenous variation in institutions.

In Acemoglu, Johnson and Robinson (2000), we exploited differences in the mortality rates faced by European colonialists to estimate the effect of institutions on economic performance. We documented that Europeans adopted very different colonization policies in different colonies, with different associated institutions. The choice of colonization strategy was in turn, at least partly determined by whether Europeans could settle in the colony. In places where Europeans faced high mortality rates, they could not settle and they were more likely to set up extractive institutions. These early institutions have persisted to the present.

Exploiting differences in mortality rates faced by soldiers, bishops and sailors in the colonies as an instrument for current institutions, we estimated large effects of institutions on income per capita. It is especially noteworthy that our estimates imply changes in institutions can close as much as ¾ of the income gap between the nations with the best institutions and worst institutions. Moreover, we found that once we control for the effect of institutions, countries in Africa do not have lower incomes. Therefore, our institutional hypothesis could account both for a large fraction of the income differences across countries and for why most African nations are so poor relative to the rest of the world.

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[6] Clearly enforcement of property rights may be viewed as yet another policy rather than a measure of underlying institutions. By institutions of private property, we do not simply mean the policy of enforcing property rights, but a set (cluster) of institutions that will support and ensure the enforcement of property rights.

Can this institutional hypothesis also explain the success of Botswana? Although we did not have data for settler mortality for Botswana in Acemoglu, Johnson and Robinson (2000), we believe the answer is yes. To show this, note the baseline Instrumental Variables (IV) estimate in that paper implies that

LogGDP1995= 1.91+0.94*Protection Against Expropriation Risk

We can then investigate whether, given this predicted relationship between property rights enforcement and income, Botswana is an outlier. It turns out that the answer is no. Botswana is rich because it has good institutions. Figure 1 shows a scatter plot of income per capita in 1995 among former European colonies against the protection against expropriation risk measure, with the above empirical relationship plotted as a solid line. Botswana is very close to the predicted relationship, showing that its economic success largely reflects its good institutions (and by extension, this success is not an immediate consequence of its natural resource wealth).

Similarly, the IV estimate of the relationship between income and institutions using the constraints of the executive measure for 1990 is:

LogGDP1995= 5.76+0.56* Constraints on the Executive 1990.

Figure 2 shows this predicted relationship and Botswana's position. Botswana is now not on the regression line, but also not too far from it.

The cross-country evidence is therefore consistent with the idea that Botswana was successful because it has good institutions. But, at some level, this is only a proximate answer to the question of why Botswana is so successful. The underlying, deeper question is why Botswana has such good institutions, especially compared to other countries in Africa?

II.3. Explaining Botswana's Institutions

Why does Botswana have such good institutions? In Table 3, we make a first attempt to answer this question by looking at whether standard structural variables could account for why Botswana has good institutions.

Following the hypothesis in Acemoglu, Johnson and Robinson (2000), we look at whether colonial origins, in particular, patterns of European settlements, account for good institutions in Botswana (the comparison group being all countries colonized by European

powers).[7] We also follow Acemoglu, Johnson and Robinson (2001) and look at the effect of population density. The argument advanced in that paper is that a large population made it profitable for the Europeans to set up extractive institutions, with political power concentrated in the hands of a small elite. High population density, for example, meant a large supply of labor that the Europeans could force to work in mines or plantations, or tax heavily by taking over existing tribute systems. Furthermore, high population density made it less attractive for Europeans to settle and because, as argued above, Europeans were more likely to set up extractive institutions in places they did not settle, high population density also made the development of institutions of private property less likely.

In this table, we also control for potential determinants of institutional differences that other authors have emphasized, including geographic characteristics of Botswana (as implied by the emphasis in Bloom and Sachs, 1998), ethno-linguistic fragmentation (as emphasized by Easterly and Levine, 1997) and an Africa dummy which is often found to be significant in this type of regression.

We use four different measures of institutions: protection against expropriation risk from Political and Risk Services and constraints on the executive in 1990, 1970, and in the first year of independence, from Gurr's Polity IV data set. In all specifications, we report the Botswana dummy. If this dummy is significant, it implies that Botswana is an outlier in this relationship. In different columns, we control for a variety of factors that could, directly or indirectly, influence institutions. In all specifications, the Botswana dummy is economically large, and in most of them it is statistically significant. For example, the coefficient of 4.85 on the Botswana dummy in column 1 of panel A is highly significant, and corresponds to a difference in protection against expropriation risk greater than the difference between the U.S. and Ethiopia or Sierra Leone.

This result implies that aggregate cross-country variables do not adequately explain why Botswana has relatively good institutions. We therefore need a more detailed analysis of the case of Botswana to develop different conjectures or explanations.

[7] We cannot look at settler mortality directly since, as we noted above, we do not have data for settler mortality for Botswana.

III. A Brief Political History of Botswana

Botswana is a landlocked country surrounded to the south by the Republic of South Africa, to the west and north by Namibia, and to the east by Zimbabwe. It borders Zambia at a single point (Kazungula on the Zambezi river) in the northeast. It comprises 220,000 square miles (570,000 square kilometers) about the size of France, Kenya or Texas. The environment is mostly arid and 84% of the country is Kalahari sand, supporting thornbush savanna vegetation. 80% of the population lives in a long strip in the east of the country along the line of rail which links South Africa with Zimbabwe and was originally built by Rhodes' British South Africa Company (BSAC). This is where most of the usable arable land is. About 4% of all the land can be easily cultivated; the bulk of land, including the desert areas, is rangeland only suitable for seasonal grazing (see Parson, 1984, p. 4).

The ancestors of the modern Tswana tribes[8] migrated into the area of modern day Botswana[9] in the eighteenth century from the south-east (modern South Africa) and are closely related to the Basotho of modern day Lesotho (anthropologists refer to Tswana-Sotho language and culture).[10] They conquered the indigenous San and other tribes who were basically amalgamated into the Tswana. By 1800 several related Tswana societies were established and over time new ones were created as groups broke away from the existing ones. For instance, the Bangwato resulted from a split in the Bakwena and the Batawana was created as a result of a split in the Bangwato.

Several features of Tswana political and economic organization stand out.[11] The chief was the central political figure in these societies with power to allocate land for grazing crops and residences. His authority was exercised through a hierarchy of relatives and officials and ward headmen. A special type of ward was for outsiders who the Tswana amalgamated into their tribal structures. Alongside this hierarchy was a series of public forums. The *kgotla* was an assembly of adult males in which issues of public interest were discussed. Both wards and

[8] There are eight main Tswana tribes the Bangwato (Seretse Khama's tribe), Batawana, Bangwaketse, Bakwena, Balete, Bakgatla, Barolong and Batlokwa. A tribe is known as a merafe.
[9] The country is Botswana, which comes from the root word Tswana. A single Tswana person is a Motswana, two or more Batswana. Tswana language and culture in referred to as Setswana.
[10] See Schapera (1938), Parsons (1977, 1999), Tlou (1985), Wilmsen (1989), Tlou and Campbell (1997) and Tlou (1998).
[11] Fortunately, there is a long and distinguished study of the comparative political organization of the Tswana tribes, see Fortes and Evans-Pritchard (1940), Schapera (1956), Stevenson (1968) with a very useful comparative perspective coming from Vansina (1966).

the whole society itself had *kgotlas.* Even though they were supposed to be advisory they seem to have been an effective way for commoners to criticize the king. They also were the venue where the king heard court cases and law was dispensed.

Although one might imagine that these features were characteristic of all pre-colonial African societies, this is not the case. Schapera (1967, p. 64) noted that "the governmental system also provides for consultation between the chief and some form of popular assembly; this feature is far more characteristic of Sotho, and especially Tswana, than any other Bantu." Earlier, he shows that (p. 43-44) "among the Sotho, and especially Tswana, almost all matters of public concern are discussed finally at a popular assembly..which ordinary tribesmen are also expected to attend…Tribal assemblies are also known among Nguni and Tsonga…but they are usually held only on great ceremonial occasions. Consequently they are not nearly as important in the system of government, there is seldom any public discussion of policy."[12]

While land was collectively owned, cattle were privately owned and the chief and aristocracy were large owners. "Herds were divided up among a large number of clients who had the use of the cattle (as well as some of the meat and milk). In return for the use of the cattle, non-cattleowners were expected to provide political support for the officials," (Parson, 1984, p. 16-17).

The relatively integrative nature of Tswana institutions and the lack of colonialism seems to account for the current relative homogeneity of Botswana. Scholarly literature tends to emphasize the endogeneity of ethnic identities, and particularly how they were formed by the colonial state. Lonsdale (1981, p. 151) notes, "it is difficult to imagine an aroused ethnicity prior to the state. It is a response to state power, even a condition for its successful exercise, in providing the categories between which men divide in order to rule." This literature emphasizes not just divide and rule, but also how ethnic groups come into being to

[12] There is no consensus in the anthropological literature about the origins of these differences and why Tswana political institutions evolved the way they did. Schapera (1956) speculates that this was because of different settlement patterns. The Tswana, despite an economy based on cattle, tended to live in large concentrated settlements where as other Bantu tribes, such as the Zulu, lived in more dispersed hamlets. This, according to Schapera, made it easier to hold regular political meetings in a Tswana tribe. However, since nothing appears to be known about the historical timing one might just as well argue that the causality was the other way round with the political institutions a cause of the differential settlement patterns.

exploit the existing structure of institutions and incentives within the colonial period.[13] Despite appearances, as the research of Schapera (1952) and Parsons (1999) shows, probably no more than 50% of Batswana are actually real Tswana. Although 85% of the population speak Setswana (the only language taught in public schools along with English), there is rather a large amount of underlying *ethnic* if not *linguistic* diversity. The Tswana tribes did traditionally attempt to integrate other groups into their institutional structure (though there were often tributary elements in this) and even after independence, this promotion of homogeneity continued in Botswana. Unlike the Ga or Ewe in Ghana, the San or Kalanga in Botswana do not have a separate historiography and experience of "stateness" but were rather integrated into Tswana society.

The early nineteenth century was tumultuous for the Tswana tribes. Starting in 1818 and lasting into the 1830's is the period known as the *difaqane* where widespread migrations and conflicts occurred as a result of the expansion of the Zulu kingdom under Shaka. The Batswana had to fight to protect their lands, and consolidate their hold on Botswana. As this period of fighting subsided than they began to interact with the spread of colonialism. Clashes with Afrikaaners began from the 1830's onwards (the Boer "Great Trek" occurred in 1835) and even before that the effects of the European occupation of South Africa began to be felt. The movement of the Boers into their territory was halted however by the success of the Tswana at the battle of Dimawe in 1852. An interesting feature of these wars is the extent of cooperation between the tribes in the face of a common enemy. Tlou and Campbell (1997, p. 170) note "perhaps the most important result of the wars was the uniting of the Batswana against a common enemy. This was to lay the foundations for a future Republic of Botswana, in which merafe recognize a common unity."

Even before these wars and as early as 1805 the Bangwaketse were trading ivory as far as the Orange River in South Africa and European traders ventured into Botswana after 1810. These seem to have been welcomed by the Tswana chiefs who saw trade as a way to acquire important goods, particularly guns. The London Missionary Society (LMS) founded

[13] See for instance Horowitz's (1985) discussion of the Ibo in colonial Nigeria, Ranger's (1985) fascinating analysis of the origins of the distinction between the Shona and the Ndebele in Zimbabwe, and the essays in Vail (1991).

its first mission in Botswana in 1817[14] and David Livingstone traveled widely there in the 1840's. Khama III, chief of the Bangwato, converted to Christianity in 1860.

Just as there seems to have been a somewhat unique structure of cooperation within the Tswana states, there was also to be a unique interaction between the states and the British. As early as 1853, long before the 'scramble for Africa' started, Sechele chief of the Bakwena, had traveled to Capetown to persuade the British to offer the Batswana protection from the Boers. The British basically ignored such pleas, including those from the LMS on behalf of the Batswana until 1885. Gradually, the views of the British about the importance of Botswana changed. Diamonds were discovered in Kimberly in 1867 and gold on the Witwatersrand in 1884-1885. In 1884 Germany annexed South West Africa (now Nambia), the Berlin Conference that formalized the scramble for Africa took place in 1885 and the British began to look inwards from the Cape Colony towards central Africa. Suddenly Botswana occupied an important strategic position blocking Germany Southwest Africa on one side and the Boer states on the other. Britain declared the creation of a crown colony in British Bechuanaland[15] in 1885 and creation of the Bechuanaland Protectorate in 1885.[16] Both were to be administered from Vryburg and then Mafeking in British Bechuanaland. British Bechuanaland become part of the Cape Colony in 1895 and is now part of Cape Province in the Republic of South Africa and the Bechuanaland Protectorate, now Botswana, was administered from South Africa until the hasty transfer to Gaborone in 1962 in the transition to independence.

The Tswana tribes were amalgamated into the British Empire mostly because of the strategic location of their territory, not because the territory was thought to be particularly valuable or attractive in itself. The protectorate served both to contain German and Boer expansionism and guarantee Britain and later Cecil Rhodes' BSAC – (founded in 1889) a route into the interior. Right from the beginning, the idea was that the protectorate would be relatively quickly amalgamated with South Africa. This seems to have been an important factor that accounts for the failure of the British to impose indirect rule. The Act of Union of 1910 that created South Africa included for the amalgamation of the three British

[14] They produced a rudimentary spelling book in Setswana in 1819 as a prelude to producing a Bible and this was probably the first written Setswana (Tlou and Campbell, 1997, p. 188).
[15] Bechuanaland is an archaic form of Botswana, the Batswana were known as the Bechuana.
[16] Historians stress that what were to be "protected" were not the Batswana but rather British interests.

Protectorates---Bechuanaland, Basutholand, which is modern Lesotho, and Swaziland--- into South Africa.

As a result of the way in which Botswana entered the Empire, and because of the putative amalgamation with South Africa, colonialism was very light. In 1885 the high commissioner defined the role of the British government as follows (quoted in Picard, 1987, p. 36):

"We have no interest in the country to the north of the Molope [the Bechuanaland Protectorate], except as a road to the interior; we might therefore confine ourselves for the present to preventing that part of the Protectorate being occupied by either filibusters or foreign powers doing as little in the way of administration or settlement as possible."

During the colonial period 75% of the expenditures of the administration went on "administrative costs" (Parson, 1984, p. 22). Little was spent for investment or development of any kind.

Almost immediately after the creation of the Protectorate, Rhodes and the BSAC lobbied intensively to take control of it. In 1895 three Tswana chiefs, Khama III of the Bangwato, Batheon of the Bangwaketse, and Sebele of the Bakwena went to Britain to see Queen Victoria and pled with her for Britain and not Rhodes to control the Protectorate (see Parsons, 1998, for a brilliant reconstruction of this visit). They succeeded, helped by the fiasco of the Jameson Raid.[17] In the face of external threats, and in contrast to many other pre-colonial African states, the Tswana states again showed an amazing ability to cooperate.[18]

Colonialism had important effects on the structure of the economy. In 1899 a hut tax of one pound payable in money was introduced and this was increased by the addition of a three shillings "native tax" in 1919. The effect of this, as in many places in colonial Africa, was to force Africans into the labor market to earn money to pay taxes (see Arrighi, 1973). In the case of the Batswana, the relevant labor market was that of the Witwatersrand. In 1930, 4,012 Batswana were employed in South Africa and by 1943 nearly half of all males between

[17] Leander Jameson was the BSAC's agent in the Protectorate and in December 1895, he led an unsuccessful armed attack, essentially a coup, against the Boer Republic of the Transvaal.

[18] Contrast this with the extent to which most other African tribes succumbed to the divide and rule strategies of the British and French colonial powers – see Robinson (1977).

the ages of fifteen and forty-four were working away from the Protectorate (Schapera, 1947, p. 32, 39, 115).

After neglecting the Protectorate for nearly 50 years, the British policy changed from 1934 onwards and there was a more sustained attempt by the British administration to "once and for all establish its authority over the chiefs in the tribal territories" (Parson, 1984, p. 27). However, these measures were challenged in the courts by two chiefs Tshekedi Khama (of the Bangwato), one of the sons of Khama III acting as regent for the young chief Seretse Khama, and Bathoen (of the Bangwaketse).[19] Though they lost the formal case the united opposition of the chiefs and the Second World War essentially blocked the imposition of the new policies.

Following the War, and particularly the rise of National Party in South Africa after 1948, the amalgamation of the Protectorate into South Africa seemed less and less feasible to the British, though it was only formally abandoned as a goal in 1961. In 1948 Seretse Khama, who had been studying in Britain and married a white Englishwoman Ruth Williams, was banned by the British from returning to the Protectorate to take up his chieftanship.[20] The ban was to placate enraged South African reaction to the inter-racial marriage. He remained in exile until 1956 when both he and his uncle, Tshekedi, renounced their claims to the chieftanship. Seretse returned to the Protectorate and began to take an active part in the Joint Advisory Council that the British had formed in 1951 by amalgamating formerly separate European and African councils. In 1960 the British announced the creation of a Legislative Council and at the same time the first political party, the Bechuanaland People's Party (later the Botswana People's Party - BPP) was founded.

The BPP adopted a radical anti-colonial stance and took inspiration from the anti-apartheid struggle in South Africa.[21] In response to this Seretse Khama and others founded the Bechuanaland Democratic Party (later the Botswana Democratic Party - BDP). While the BPP initially appealed to urban groups and workers, this was a very narrow political base in the early 1960's. In contrast the BDP integrated within it not only an emerging educated elite

[19] See Wylie (1984) for an analysis of Tshekedi Khama and his era.
[20] The definitive biography of Seretse Khama is Parsons, Henderson and Tlou (1997).
[21] Two of the early leaders P.G. Matante and Motsamai Mpho had worked and become politicized in South Africa. Ramsay and Parsons (1998) overview this period.

of teachers and civil servants, and also the traditional chiefs.[22] Seretse Khama bridged this gap, being both the hereditary leader of the largest Tswana state, but also European educated. The particular political strength of the BDP coalition was that they could integrate within the party the traditional rural structures of loyalty between commoners and chiefs. This structure of traditional loyalty was cemented by the continuation of clientelistic practices such as the lending of cattle, the *mafisa* system noted above (Parson, 1986, p. 85).

As a result, the BDP easily won the first elections held in 1965. As Tables 4 and 5 show, the BDP has won every election ever since and has always maintained a commanding majority in the National Assembly.[23] Seretse Khama maintained the Presidency until his death in 1980 after which it fell to Quett Masire, who had been his deputy from 1966 on. Masire retired in 1998 and was succeeded by Festus Mogae. During this period there is no evidence of electoral fraud.

While the only daily newspaper is government run, there are several weekly papers that freely criticize the government and any instances of mismanagement. Though the BPP was initially the strongest opposition party, by the 1969 election the Botswana National Front (BNF), founded by Kenneth Koma had become the strongest opposition. Their electoral success in 1969, where they won 3 seats in the National Assembly, was primarily due to an unlikely coalition between Koma, a radical, and Batheon, former chief of the Bangwaketse who resigned his chieftancy and ran for the Assembly. In doing so, he defeated Masire in the 1969 election.[24] By siding with the BNF Batheon switched the voters in his tribal area to the BNF. His main motivation was to try to build a coalition to restore power to the chiefs (a completely different agenda to that of Koma). This outcome clearly indicates the strength of tribal affiliations.

Even though the BDP has ruled continuously, there is evidence that they have been responsive to the threat of losing power. For instance, before the 1974 election and after the shock of 1969, the Accelerated Rural Development Programme, which involved extensive investment in infrastructure in the rural areas, was launched. The primary aim of this program was to show to its supporters that the BDP was doing its job. It is notable however

[22] See Cohen (1979).
[23] The turnout in elections has varied between a low of 31% in 1974 to a high of 58% in 1965 (see Molutsi, 1998, p. 369).
[24] Masire was returned to the assembly as one of the members nominated by the President.

that even if politically motivated, this redistribution took a basically efficient form. Another example of political responsiveness is that after losing ground in the 1994 election the BDP responded by introducing popular reforms such as reducing the voting age from 21 to 18 and allowing Batswana outside the country to vote (particularly important given the large number still employed in South Africa).

Although the composition of the BDP goes a long way to explain its electoral success, there is a crucial tension between the nature of the party and the political strategy of Seretse Khama in the period leading up to independence.[25] In particular, despite being himself a traditional chief, Khama seems to have been intent on constructing a strong central state that would not be impeded by the powers of traditional rulers. To achieve this, he successfully controlled the constitutional negotiations with the British. The National Assembly that emerged from the constitutional negotiations initially consisted of the speaker, the attorney general (who has no voting rights), thirty-one elected members, and four specially appointed members chosen by the President. Executive power resides with the President who is chosen by the vote in the National Assembly. Assembly constituencies are British style "first-past-the-post" constituencies and candidates must declare which presidential candidate they support during the elections. After 1970 the president no longer had to run for the Assembly.

In addition to the Assembly, the constitutions created a House of Chiefs that consists of the eight chiefs of the eight Tswana tribes, four representatives of other sub-chiefs (from minor ethnic groups), and three members selected by the House of Chiefs. Members of the House of Chiefs cannot sit in the Assembly. Seretse Khama ensured that the House of Chiefs became a talking shop that gave the chiefs no real power over legislation. Once in power the BDP passed legislation that progressively stripped the chiefs of their residual powers, for example over the allocation of lands. Particularly important were the Chieftancy Act of 1965 and the Chieftancy Amendment Act of 1970.[26] These essentially gave the President the ability to remove a chief. These steps were crucial in the construction of the state.

One of the most crucial decisions was the passing in 1967 of the Mines and Minerals Act that vested sub-soil mineral rights in the national government. Before this the rights

[25] See Edwards (1967) and Fawcus and Tilbury (2000) for this period.
[26] See Proctor (1968) and Somolakae and Lekorwe (1998).

accrued to the tribes. This decision is particularly interesting given that the main diamond mines were under the lands of the Bangwato, of whom Seretse Khama was the chief. It is now likely (Parsons, Henderson and Tlou, 1995, p. 255) that De Beers and Seretse knew of the likelihood of diamonds and their location even before independence.

At independence in 1966, Botswana was a very poor country with few assets and little infrastructure. Though in 1954 an abattoir had been opened in Lobatse, enabling beef to be sold beyond the region for the first time, this was about the only industry in the country. Harvey and Lewis (1999, Chapter 2) survey the dreadful initial conditions. In 1966 there were only two secondary schools in the country that offered full five-year courses and only 80 Batswana in the final year. In contrast, Zambia had 10 times as many secondary school graduates, and Uganda 70 times! The quality of education was uniformly poor with large class sizes and a high failure rate. The lack of education was reflected in the make-up of the civil service with only a quarter of 1,023 civil servants in 1965 being Batswana (Harvey and Lewis, 1990, Table 2.4, p. 21). Given the poor agricultural conditions in the country imports of food were also large (about 10% of GDP in 1965) and most analysts wrote Botswana off as a dependent underdeveloped labor reserve for South Africa. Indeed, it was regarded as little different from the Bantustans such as the Transkei and Bophutatswana which the Apartheid regime were then constructing. In addition, 50% of government expenditures upon independence had to be financed by transfers from Britain. Like Lesotho and Swaziland, Botswana was also part of the South African Customs Union and used the South African Rand as its currency. As Harvey and Lewis (1990, p. 25) put it "it was about as bad a start as could be imagined."

To solve this problem the BDP adopted several highly successful strategies. First, they renegotiated the Customs Union with South Africa in 1969, securing for themselves a greater share of the revenues. They also encouraged mining companies to explore the country. As a result, copper and nickel deposits were quickly found at Selebi-Phikwe and coal at Marupule. Most crucially kimberlite diamond pipes containing diamonds of industrial and gem quality were discovered at Orapa and Letlhakane and later at Jwaneng. Moreover, in 1975, once it became clear how productive these mines were the government invoked a clause in the original mining agreement with DeBeers and renegotiated the diamond mining agreement. As a result the government received a 50% share of diamond profits.

From independence the BDP adopted and implemented a consistent series of development plans emphasizing investment in infrastructure, health and education. These plans have been run from the Ministry of Finance and Development Planning (see Samatar, 1999, Chapter 3). In stark contrast to most other African countries after independence, the BDP resisted all calls to 'indigenize' the bureaucracy until suitably qualified Batswana were available. Thus they kept in place expatriate workers and freely used international advisers and consultants. The initial development plan of 1966 conservatively imagined phasing out all expatriate staff by 1991 (Samatar, 1999, p. 64) a target that has not been achieved. As Parson (1984, p. 10) put in, in the Botswanan bureaucracy "probity, relative autonomy and competency have been nurtured and sustained." This was clearly a conscious choice by the BDP. In his first speech as President Seretse Khama announced that "My Government is deeply conscious of the dangers inherent in localizing the public service too quickly. Precipitate or reckless action in this field could have disastrous effects on the whole programme of services and development of the Government," quoted in Parsons, Henderson and Tlou (1995, p. 253).

In the absence of any other sector to develop the early development plans focused on the rural sector – basically cattle ranching. Building infrastructure and developing this sector was entirely in the interests of the BDP political elites. Good (1992, p. 73) notes "a rising rural capitalist class ….made a successful transition from political power in pre-colonial societies to the new nation state….such direct engagement in agricultural production is similar to that of the settler political elites in Rhodesia, where government by farmer-politicians was something of a norm. But it is quite unlike the common situation in contemporary Africa." Samatar (1999, p. 69-70) shows that as many as 2/3 of members of the National Assembly in the early years were "large or medium size cattle owners."

Immediately upon independence the abattoir at Lobatse was nationalized (the government ultimately built two more, one at Maun and one at Francistown) and the Botswana Meat Commission (BMC) was founded (Samatar, 1999 Chapter 4). The BMC is a traditional type of marketing board that is a monopsony purchaser of cattle from ranchers. It sets the prices and sells the beef on regional and world markets. The BMC has been largely controlled by cattle interests and aided the development of the industry. Indeed, the government has heavily subsidized veterinary services, the distribution of vaccines and

extension services and built over 5,000 km of cattle fences to maintain the health of the stock. Under the auspices of the Lome convention, the BMC (with the direct intervention of Seretse Khama) also negotiated access to the lucrative EEC market gaining prices far above world levels.

By the mid-1970's the government budget was in surplus and the diamond income began to accrue. Right from the beginning the income was managed in an intertemporally efficient manner with the rents being allocated to investment in the government budget (Jefferis, 1998, for an excellent discussion of all aspects of the diamond economy). The best evidence of this is in the early 1980's, when in an attempt to maintain the market price for diamonds Botswana was unable to sell any diamonds for six months. This led to no cuts in expenditure, as the government was able to optimally smooth expenditures relative to income. Botswana diamonds now represent about 1/3 of the diamonds sold by the De Beers cartel and Botswana has benefited enormously from this successful attempt to maintain high diamond prices.

While the government stayed within the South African Customs Union, in 1976 they introduced their own currency, the Pula[27] (they had previously used the South African Rand) which has been essentially pegged against the Rand.

To stimulate industry, the government introduced in 1970 the Botswana Development Corporation and in 1982 they created the Financial Assistance Policy to subsidize industrial ventures. Though these have not led to large-scale industrialization it is significant that manufacturing has stayed at around 5% of GDP, which is quite an achievement given the dominance of resources in the economy. As Leith (2000, p. 4) notes "the growth of the Botswana economy is not simply a story of a mineral enclave with an ever growing Government, attached to a stagnating traditional economy."

In general nearly every aspect of Botswana economic performance is spectacular. Inflation has rarely been above 10%, investment has been between 20% and 30% of GDP, and there has been significant investment in human capital. The balance of payments has typically been in surplus, there are large accumulated reserves and government has not needed any structural adjustment loans. Although diamonds have clearly fueled Botswana's growth path, these resources rents have been invested rather than squandered.

[27] Pula means rain and is also a greeting in Setswana.

The Political Economy of Botswana: The Hypotheses

We can draw the following conclusions from the last section: the economic success of Botswana since independence has been due to sound economic policy. While diamonds have played the driving role, the government maximized the benefits from the gems in its negotiations with De Beers and exploited the resource in a socially efficient way by investing the rents. It also ensured that the set of institutional restrictions on different tribes and interest groups made it unattractive for these actors to fight for the control of the resources rents.

Although one can certainly point to instances of corruption in Botswana (Good, 1994), the bureaucracy has been on the whole meritocratic and non-corrupt. Despite the mineral wealth, the exchange rate has not become overvalued, while monetary and fiscal policy has been prudent, and the government invested heavily in public goods, such as infrastructure, health and education.

We now attempt to use the evidence presented so far to build a story that can help to explain Botswana. We see the above discussion of good policies and institutions as outcomes, not causes, and seek the fundamental determinants of these good policies and institutions.

There are a number of (structural) features that appear potentially relevant to understanding its institutional and economic performance:

1. Botswana is very rich in natural resource wealth.
2. It had unusual pre-colonial political institutions allowing commoners to make suggestions and criticize chiefs. The institutions therefore enabled an unusual degree of participation in the political process, and placed restrictions on the political power of the elites.
3. British colonial rule in Botswana was limited. This allowed the pre-colonial institutions to survive to the independence era.
4. Exploiting the comparative advantage of the nation after 1966 directly increased the incomes of the members of the elite.
5. The political leadership of the BDP, and particularly of Seretse Khama, inherited the legitimacy of these institutions, and this gave them a broad political base.

How did these various features of Botswana's history and political situation affect the design of its institutions? To answer this question, we first have to note that institutions are ultimately the endogenous creation of individuals. Institution building, therefore, has to be analyzed within the context of the interests of the actors and the constraints facing them. In particular, here we emphasize three factors:

- *Economic Interests:* Whether a good institutional setup will lead to outcomes that are in interests of the politically powerful agents. For example, institutions that restrict state predation will not be in the interest of a ruler who wants to appropriate assets in the future. Yet this strategy may be in interest of a ruler who recognizes that only such guarantees will encourage citizens to undertake substantial investments, or will protect his own rents. They will also be in the interest of the major groups that can undertake investment in production activities in the future.
- *Political Losers:* Whether institutional development will destabilize the system, making it less likely that elites will remain in power after reforms (see Acemoglu and Robinson, 2000). An institutional setup encouraging investment and adoption of new technologies may be blocked by elites when they fear that this process of growth and social change will make it more likely that they will be replaced by other interests---that they will be "political losers". Elites that are relatively secure in their position will be less afraid of change, and may therefore be less likely to block such change. Similarly, a stable political system where the elites are not threatened is less likely to encourage inefficient methods of redistribution as a way of maintaining power.
- *Constraints:* When institutions limit the powers of rulers and the range of distortionary policies that they can pursue, good policies are more likely to arise (see Acemoglu and Robinson, 1999). Constraints on political elites are also useful through two indirect channels: first, they reduce the political stakes, and contribute to political stability, since, with such constraints in place, it becomes less attractive to fight to take control of the state apparatus; second, these constraints also imply that other groups have less reason to fear expropriation by the elites, and are more willing to delegate power to the state.

In light of this simple framework, we can discuss how the particular features of the Botswana case might have contributed to the development of institutions of private property in this country.

The first point to note is that in the aftermath of independence, well-enforced property rights were, to a large extent, in the interests of Botswana's political elites, making the first factor, *economic interests*, stack the cards in favor of good institutions. After independence, cattle owners were the most important economic interest group, and they were politically influential. As many scholars have recognized, the close connection between the cattle owners and the BDP has played a key role in Botswana's development. Harvey and Lewis (1990, p. 9) echo the majority opinion when they argue "Botswana's government was largely a government of cattlemen." At independence the only real prospect for a sector of the economy to develop was ranching and this was done successfully by exploiting the EEC market and a great deal of the infrastructure development had the effect of increasing ranching incomes. Moreover, the fact that the elite was invested in the main export sector explains why the marketing board (the BMC) gave the ranchers a good deal and also why the exchange rate was not overvalued, which contrasts with the experiences of many African countries. The political elites were therefore enriched by the developmental policies that were adopted from 1966. They benefited from membership of the Custom Union with South Africa, and they also benefited from the heavy investment in infrastructure throughout the country. Picard (1987, p. 264) argues that "the primary beneficiaries of government policy in the areas of economic and rural development have been the organizational elites, bureaucratic, professional, and political, who dominate the system."

The economic interest of the elites in development appears to be only part of the story, however. As discussed in more detail in the next section, this is true in a number of other countries in Africa, yet there is only one Botswana. Moreover, by the mid 1970's the income from diamonds swamped the income from ranching, so one needs to account for why this did not induce the political elite to change its strategy and expropriate the revenues from diamonds. To build a convincing account of Botswana's development we therefore need to appeal to the other two factors we emphasized.

First, it was important that political elites did not oppose or feel threatened by the process of growth--- they did not fear becoming *political losers*. The political security of the

elites was to some degree an outcome of the relatively developed institutions that Botswana inherited from its pre-colonial period, which ensured some degree of political stability. It was also an outcome of Seretse Khama's legitimacy as a leader, which resulted both from his position as the hereditary chief of the Bangwato, and from the relatively broad coalition he formed within the BDP, including the tribal chiefs and cattle owners. In this context, the limited impact of colonial rule in Botswana, as compared to the experiences of many other nations in Africa, South America or the Caribbean, may have been quite important. Limited colonial rule allowed the continuity of the pre-colonial institutions, which provided the legitimacy to Sertese Khama and enabled him to form a broad-based coalition. The relative security of elites in Botswana contrasts with the situation in many post-independence African countries where developmental policies appear to undermine the power base of traditional political institutions such as chiefs, destabilizing the power of existing elites.

Second, the underlying structure of institutions may have also been important in restricting the range of options, in particular distortionary policies, available to the political leadership--- that is, political elites faced effective *constraints*. For example, political institutions such as the *kgotla*, which ensured a certain degree of accountability of political elites.[28] The constraints placed by these institutions may help to explain why, while the cattle owners clearly preferred their own property rights to be enforced, they did not use their political power in order to expropriate the revenue from diamonds starting in the 1970's.[29] The indirect benefits from the presence of these political constraints may have also been quite important: there was no political instability in Botswana, and Sertese Khama could build a relatively effective bureaucracy without the majority of economic groups fearing future expropriation.[30] Here again, the limited nature of colonial rule may have been important. Contrary to many other countries in Africa, colonial rule did not strengthen Botswana's chiefs and did not destroy the *kgotla* and other related institutions, nor did it introduce indirect rule with substantial power delegated to the political elites representing the British Empire (see for example, Ashton, 1947, and Migdal, 1988).

[28] There is controversy about the importance of the *kgotla* today with some scholars seeing it as a 'rubber stamp' on elite policies than an institution with significant power (e.g. van Binsbergen, 1995, see Holm, 1988, and Holm and Molutsi, 1992, for overviews of different arguments).

[29] See Maundeni (2000,2001) for the idea that unique features of Tswana political culture were crucial in allowing the Botswana state to promote development.

Finally, it is important to recognize the contribution of diamonds to the consolidation of the institutions of private property in Botswana. Botswana got off onto the right track at independence and by the time the diamonds came on stream, the country had already started to build a relatively democratic polity and efficient institutions. The surge of wealth likely reinforced this. Because of the breadth of the BDP coalition, diamond rents were widely distributed and the extent of this wealth increased the opportunity cost of undermining the good institutional path--- no group wanted to fight to expand its rents at the expense of "rocking the boat".

Our reading of the evidence is that none of these key factors, by itself, appears to explain Botswana's institutions. So what explains Botswana's success? Our conjecture is that it is not any of these key factors by itself, but the juxtaposition of them that has been important in Botswana. We believe that Botswana was able to adopt good policies and institutions because they were in the interests of the political elites, which included the cattle owners and powerful tribal actors. But it wasn't simply that cattle owners were politically powerful. Instead, they inherited a set of institutional prerequisites that ensured that they would keep their political power by pursuing good policies and placed restrictions on infighting among themselves over political rents.

It is noteworthy that our account de-emphasizes the fact that Botswana is homogeneous from an ethno-linguistic point of view. As we discussed earlier, to the extent that this is true, it appears to be more of an outcome of Botswana's political institutions than an independent cause. Moreover, it is clear that political elites have studiously avoided exacerbating any underlying ethnic tensions in Botswana.[31]

Our hypotheses stress structural factors, which we believe to have been important. But we do not rule out that 'agency' may have been significant. Key decisions made by Batswana leaders, particularly Seretse Khama and Quett Masire, appear to have been crucial. Although these individuals operated in a relatively helpful institutional environment, they probably also made a big difference. Seretse Khama's handling of the independence negotiations and constitutional convention, minerals policy, and generally political issues

[30] This may have also been important in ensuring that Sertese Khama and BDP did not need to use inefficient methods of redistribution to ensure support for their policies.

ensured that political stakes remained low, contributing to political stability and an environment with secure property rights. For example, it appears plausible that had Seretse Khama not transferred the property rights over sub-soil diamonds away from his own tribe the Bangwato to the government, there could have been much greater conflict among tribes over the control of the wealth from diamonds. Or had he not reduced the political powers of tribal chiefs shortly after independence, tribal cleavages may have been more important.

It is also significant that when the BDP's political power was threatened, for example in the early 1970's and late 1990's, their response was to change their policies to make themselves more popular. Contrast this with the response of the Basutoland National Party in Lesotho led by Chief Lebua Jonathan who mounted a coup after losing an election. Although we argue in the next section that one reason for this may have been the greater political stakes and relative lack of constraints in Lesotho, at some level a decision to mount a coup or respond democratically must be taken by individuals. In Botswana, Seretse Khama and subsequent leaders consistently chose to take the democratic path.[32]

V. A Comparative Perspective

The arguments we have presented in the last section provide a possible explanation for the success of Botswana. They explain why it managed to sustain a political equilibrium of a nature that no other African country could. To check the plausibility of these different arguments it is important to evaluate them in comparison with the experience of other countries. We do this not by estimating regressions but rather by undertaking case studies to help to evaluate the casual connections we have stressed. This is motivated by the fact that many of the factors that appear important in the success of Botswana are hard to measure or understand without a detailed investigation, making a comparative analysis of a few cases more fruitful. Our focus is selective – we concentrate for the most part on comparing Botswana to four other countries; Somalia, Lesotho, Ghana, and the Côte d'Ivoire. We argue

[31] Both Somalia and Leotho are more homogeneous than Botswana and neither has succeeded economically. Moreover, Lesotho has a linguistic, cultural and institutional inheritance that is identical to Botswana's, ruling out simple cultural explanations of the exceptionality of Botswana.

[32] Another revealing incident in Botswana came after the 1980 death of Seretse Khama. He was succeeded as president by Masire, who, unlike Khama, was neither a Bangwato nor from royal descent. When his picture was printed on national banknotes, large protests erupted in the Bangwato tribal area. Rather than exploiting the

that this comparative evidence shows that it is the juxtaposition (or perhaps even the interaction) of these factors we have stressed that is important.

We argued that Botswana had a state that benefited from a pre-colonial institutional inheritance that was not perverted by colonialism. Somalia suggests the importance of Tswana state institutions. Despite being a relatively homogeneous nation, Somalia suffers from its inheritance of highly dysfunctional pre-colonial political institutions.

Lesotho, on the other hand, is culturally identical to Botswana, and had the same pre-colonial institutions. Yet these institutions were affected differently by warfare in the 19th century and colonialism. In particular, the powers of chiefs were strengthened and a single paramount chief emerged with far fewer constraints than in Botswana. This resulted in a greater vested interest in the status quo, higher political stakes and greater political instability.

The evidence from Ghana and the Côte d'Ivoire supports our emphasis on the crucial nature of the political coalition integrated into the BDP and institutional constraints on post-independence political power. The fact that the BDP represented the majority of the traditional political elites in Botswana gave them a broad and stable coalition with little to fear from abandoning the status quo and promoting development. Moreover, the relatively limited nature of political power meant that the BDP was not too threatening to potential opponents. This reduced political instability.

In Ghana, Nkrumah and this Convention People's Party (CPP) lacked such a coalition and in the absence of institutional limits, posed a threat to other groups. The CPP therefore quickly became locked into an antagonistic relationship with other tribes, particularly the Ashanti and the resulting political instability led to the collapse of democracy and highly inefficient income redistribution. Our reading of this suggests that the lack of economic interest of Nkrumah and the CPP in promoting development (as emphasized by Bates, 1981) was less crucial than this political instability which was exacerbated by the long divisive impact of the Atlantic slave trade and colonialism on indigenous political institutions.

In line with this, in the Côte d'Ivoire, post-independence political elites did have strong interests in coffee and cocoa production but, as with the CPP, had a narrow political

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protests in order to increase their political power, the Bangwato leaders joined with others in order to defuse this potentially explosive situation.

base. This narrow base of support is likely to have made political elites feel threatened by economic and social change (i.e., they feared becoming "political losers"), and the absence of effective constraints on political elites enabled them to pursue distortionary policies and inefficient redistribution to maintain power. As a result, despite the alignment of the economic interests of the governing elite with development in the Côte d'Ivoire, many distortionary policies were adopted and economic performance has been poor.

We now briefly discuss the experiences of Somalia, Lesotho, Ghana and the Côte d'Ivoire in more detail to substantiate these points.

Somalia

The continuity of institutions from pre-colonial times to independence appears to be important in understanding Botswana's success. In this context, the comparison with Somalia is interesting. Of all the countries in Africa, Somalia was not just a state, it was a nation. Clapham (1986, p. 255) states "The dynamic of Somali nationhood differs from…the inherited colonial statism of most of the rest of Africa. Alone among African states, the Somali republic is derived from the sense of self-identity of a single people who possess a common history, culture, religion, and language (but who have never been governed by common political institutions)."

Moreover, British colonial rule had minimal effect on the structure of Somali society. As in Botswana, the motivation for the creation of a British colony in the Horn of Africa was strategic since Somalia commanded the sea-lanes between the Suez Canal and the Red Sea and India and the Far East. Lewis (1980, p. 104-105) notes that nothing happened in the colonial period to the basic political institutions of the clans because the British "administration's aims were extremely modest, and restricted in fact to little more than the maintenance of effective law and order….[since] there was no pervasive system of indigenous chiefs and consequently no basis for a true system of indirect rule."

Despite these similarities with Botswana, Somalia has had a dismal economic record, was unable to sustain democratic politics, and suffered a high degree of political instability. An investigation of the nature of post-independence politics in Somalia suggests that the pre-colonial institutions may have contributed to political instability rather than help the creation of institutions of private property. Clapham (1986 p. 273) argues that "these peculiarities [of

the Somali case] reside in the structure of a nomadic society, in which shared identities of culture, language, and religion nevertheless coexist with intense factional conflict resulting from the perennial competition over very scarce resources. This dichotomy is symbolized in the Somali national genealogy, which, on the one hand, traces the descent of all Somalis from a common ancestor (Somal) and on the other, divides them into clans that provide a natural base for political factions."

What explains the difference between Botswana and Somalia? We conjecture that this difference reflects the importance of the form of political institutions that the Tswana tribes developed. These not only integrated *disparate* ethnic groups, thus creating the homogeneity we observe today, but they also allowed the Tswana to create a political culture of inter-tribe cooperation very different from the Somali experience. In contrast, despite ethnic, cultural and linguistic homogeneity, the political structure of the Somali clans was therefore highly divisive, and institutions in placing constraints on political elites were absent. This increased the stakes in controlling the state apparatus, and encouraged political elites to fight each other, forming coalitions along clan lines. In fact, after independence in 1960, and the unification of British Somaliland and (former) Italian Somaliland into the state of Somalia, clan loyalty dominated politics, even after the military takeover in October 1969. Parties formed along clan lines or were subject to complex internal battles along clan lines.[33] Laitin and Samatar conclude that (1987, p.155) "one can scarcely think of a significant domestic or foreign development in Somali politics since independence that was not influenced to a large degree by an underlying clan consideration."

The Somali example therefore suggests that it is not the limited effect of colonialism itself that promotes the building of good institutions, but the interaction of this limited colonial rule with pre-colonial institutions placing effective constraints on political elites.

Lesotho

Lesotho is a small country, about the size of the state of Maryland, completely surrounded by South Africa. The Sotho are culturally and linguistically very closely related to the Tswana, and Sotho speaking tribes were established in the area of modern Lesotho at

[33] The 1969 elections were contested by 62 parties.

the start of the *difaqane*.[34] As for the Tswana, the 1820s were a period of endless conflict and, most importantly, several of the Sotho tribes united under the chieftainship of Moshoeshoe to protect themselves.[35] "By the mid-1830's… Mosheoshoe's small and insignificant …. chiefdom had been transformed into a kingdom, the largest and most powerful in the region. His own preeminence was increasingly recognized through the title by which he was commonly addressed: Chief of the Basotho." Despite Moshoeshoe's role, the political institutions of the Basotho resembled those of the Tswana right down to the role of the *kgotla*. Moreover, they adopted similar strategies of incorporating strangers into their tribal structures and attempting to use foreign missionaries to stave off the threat of the approaching Boers.

So why did the political experiences of Botswana and Lesotho diverge?[36] We conjecture that this divergence reflects the effects of a series of wars with the Boers and British colonialism on the political institutions in Lesotho. Both of these experiences contributed to the centralization of political power in the hands of the elites and undermined the institutions, such as the *kgotla*, which placed constraints on political leaders. Relative to Botswana, this increased the value of controlling political power and led to greater political instability.

A brief look at Leostho's political history explains how this centralization of political power took place. As early as 1841 Moshoeshoe appealed to the British for help against the Boers (Bardill and Cobbe, 1985, p. 12) and in 1843 signed a treaty with Sir George Napier, the governor of the Cape, which recognized a significant proportion of his claim to territory. Unfortunately for the Basotho, the British reneged on their treaty in 1849 and tensions finally gave way to a series of wars with the Boers between 1865 to 1868. Finally, reacting to the Boer expansionism, the British decided to annex Basotho in 1868 under the name of

[34] The common root Sotho is found in the name of the country, Lesotho, the language, Sesotho, a person, Mosotho and the people, Basotho.

[35] Thompson (1975) is the seminal biography of the great chief. Parsons (1983) for an overview of the historical experience.

[36] Alhough economic performance has been quite good over the independence period, this is due mostly to increases in real wages of migrant workers in South Africa (classed as resident in Lesotho). The government has done little to aid this. Bardill and Cobbe (1985, p. 150) note "although having identified the broad objectives of development….the government has failed to provide a comprehensive and systematic strategy through which these might be realized," and (p. 152) "perhaps the worst obstacle to the effective utilization of personnel, however, has been the government's tendency to subordinate professionalism to political loyalty." Thus in Lesotho, political competition survived for only 5 years and the country has also experienced severe violence and attempted coups since.

Basutoland. In 1871 the Cape Colony took over direct responsibility for running Basutoland and there followed 13 chaotic years of inconsistent policies and conflict leading to the Gun War of 1880-1881 and the Crown taking direct control in 1884. It appears that this series of wars with the Boers is important in understanding why institutions that gave greater powers to the chiefs in general, and to the paramount chief in particular, emerged in Lesotho, but not in Botswana

As with Botswana the British invested practically nothing Lesotho. However, the British did make a concerted attempt to foster the power of the paramount chief. To this end they created the Basutoland Council in 1910 which was dominated by the paramount and other chiefs as well as the members appointed by the British. This policy seems to have undercut significantly the role of institutions such as the *kgotla*, further contributing to divergence in political institutions between Lesotho and Botswana.

This difference in political institutions between the two countries appears to explain why the stakes in politics were higher and there were no effective constraints on political elites in Lesotho. As a result, unlike in Botswana, in the post-independence era, the chiefs had important legislative powers. More importantly, Chief Lebua Jonathan, after narrowly winning the first election with the traditionally based Basutoland National Party (BNP), mounted a coup following his defeat in the 1970 election.

Ghana and the Côte d'Ivoire

After independence had been secured from the British the anti-colonial coalition in Ghana crumbled. Chazan and Pellow note (1986. p. 30) "by 1951, with the British agreement in principle to grant independence to the colony, this stage of decolonization gave way to a period of domestic struggles for power on the eve of independence. At this junction, the internal tensions that had been somewhat in check erupted into an open clash over the control of the colonial state."

Kwame Nkrumah (who was from a minor Akan ethnic group – the Nzima) and his Convention People's Party (CPP) were left with a very precarious political base. To compensate for this Nkrumah engaged in a "divide and rule" strategy with respect to the Ashanti (whose chiefs were one of his strongest opponents) by attempting to set different factions of commoners against the chiefs. The chiefs and their National Liberation

Movement (NLM) "met the nationalist appeal of the CPP with a rival nationalism of its own, through an impassionate demand for recognition of the traditional unity of the Ashanti nation," Austin (1964, p. 250).[37]

This political strategy ensured Nkrumah's power at independence in 1957. After the departure of the British, he moved to suppress the opposition and ultimately to declare a one-party state. Despite the announced objectives of modernization, the need to stabilize political power seems to be the key determinant of economic policies.[38] Pellow and Chazan (1986) argue that by 1964 the CPP had "reduced the role of the state to that of a dispenser of patronage. By advocating the construction of a ramified bureaucracy, Nkrumah established a new social stratum directly dependent on the state. By curtailing the freedom of movement of these state functionaries through the diversion of administrative tasks to political ends, the regime contributed directly to undermining their effective performance." The disastrous economic impact of the CPP's policies have been well analyzed by Bates (1981).

In contrast to Ghana, the ability of political elites in Botswana to build institutions and to refrain from politically motivated redistribution was important. This ability in turn appears to have stemmed from the fact that the BDP enjoyed a large and stable majority in the National Assembly, so did not fear losing its position as a result of social and economic change, and operated within a set of institutions which constrained the range of distortionary policies the leaders could pursue. This difference in institutions led to less underlying political instability and distortionary policies in Botswana than in Ghana.

The experience of Ghana is interesting because it is the archetype of a state where decisive political elites had little direct interest in export agriculture (Bates, 1981). So it also emphasizes the importance of economic interests. Yet we believe that it is not only economic interests, but also the constraints placed by the institutions that are important. This is illustrated by the experience of the Côte d'Ivoire, where, as in Botswana, political elites were invested in the productive sectors of the economy. Widner (1994, p. 137), for example, argues that in the Côte d'Ivoire "the ability of senior decision makers to capture some of the

[37] Apter (1972) is a classic study of the politics of this period. See Leith and Lofchie (1993) and Leith and Söderling (2000) for integrated analyses of the political economy of development in Ghana.

[38] There is some controversy on this issue with different interpretations of attempts to industrialize under Nkrumah. Some (e.g. Killick, 1978, Bates, 1981) see government promotion of industry as essentially well-meaning if misguided. Others, such as Price (1984) and Owusu (1970) however see it simply as a method for redistributing income to supporters.

benefits that flow from improved agricultural performance provides an inducement to them to support pro-farmer policies" (see also Widner, 1993, Boone, 1998, and Lofchie, 1989). Yet economic interests of the political elites were not sufficient to ensure development in the Côte d'Ivoire. Why? It appears that this was due, as in Ghana, primarily to the precarious positions of political elites who feared that promoting development would mobilize political opposition against them, and functioned in environment without effective constraints on their behavior (see Cohen, 1973, on the Côte d'Ivoire, and van der Walle, 1993 for a related argument about the Cameroon).[39]

VI. Concluding Remarks

The success of Botswana is most plausibly due to its adoption of good policies. These have promoted rapid accumulation, investment and the socially efficient exploitation of resource rents. Consistent with our previous cross-country empirical work (Acemoglu, Johnson and Robinson, 2000, 2001), these policies resulted from an underlying set of institutions--- institutions of private property--- that encouraged investment and economic development.

We discussed the factors that could account for the distinct institutional equilibrium that emerged in Botswana after 1966. We conjectured that Botswana's institutions of private property reflect a combination of factors:

1. Botswana possessed pre-colonial tribal institutions that encouraged broad based participation and placed constraints on political elites.
2. British colonization only had a limited effect on these pre-colonial institutions because of the peripheral nature of Botswana to the British Empire.
3. Upon independence, the most important rural interests, chiefs and cattle owners, were politically powerful, and it was in their economic interest to enforce property rights.

[39] Indeed it is clear that the economic interests of the political elite in the Côte d'Ivoire did not engender the type of institutions building so crucial to the Botswana experience. Indeed, Fauré (1989 p. 69-70) notes "studies of the Ivorian political society entirely confirm the good health of the patrimonial system…one observes behaviour where by public resources give way to quasi-private appropriation…the majority of the administrative and parapublic positions that carry any weight are allocated according to only vaguely meritocratic criteria." Thus it seems that in order to consolidate their political power, the Ivorian elite adopted the same political strategy as elsewhere in Africa with the same adverse effects on economic performance.

4. The revenues from diamonds generated enough rents for the main political actors, increasing the opportunity cost of, and discouraging, further rent seeking
5. Finally, the post-independence political leaders, in particular Seretse Khama and Quett Masire, took a number of sensible decisions.

We suggest Botswana as an optimistic example of what can be done with the appropriate actions towards institutional design, even starting with unfavorable initial economic conditions. Many, if not most, African countries are well endowed with natural resources and mineral wealth. Botswana was able to grow rapidly because it possessed the right institutions and got good policies in place. Despite being a small, agriculturally marginal, predominantly tropical, landlocked nation, in a very precarious geo-political situation, Botswana experienced rapid development. We think this shows what can be done with the right institutions. In Botswana's case, these institutions emerged in part as a result of a unique juxtaposition of a historical conditions and political factors, which obviously cannot be duplicated. However, to the extent that individual actions have been important, similar institution-building may be helpful in other African nations.

We end with a note of caution. While the economic achievements of Botswana have been impressive, there remain serious problems, particularly with respect to the incidence of AIDS, the persistence of inequality, and high urban unemployment. It remains to be seen if Botswana's institutions will be strong enough to address these issues and sustain growth.

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Table 1: Comparative Development – Some Facts

	GDP per-capita 1998 US $	GDP per-capita 1998 PPP $	Avg. Growth rate GDP per-capita 1965-98	% Labor Force in Agri 1990	% Total Pop. Urban 1998	Primary Enroll. Rate 1997	Secondary Enrollment Rate 1997	Life Expectancy at Birth 1997
World	4,890	6,300	1.4	49	46	87.6	65.4	66.7
Sub-Saharan Africa	510	1,440	-0.3	68	33	56.2	41.4	48.9
Low Income Countries	520	2,170	3.7	68	30	60.4	31.2	51.7
East Asia and Pacific	990	3,280	5.7	68	34	97.8	58.3	70.0
Latin America and Caribbean	3,860	6,340	1.3	25	75	93.3	65.3	69.5

Source: Columns 1-5 World Development Indicators 2000, Columns 6-8 Human Development Report 1999, in this case Low Income is the LDCs, East Asia and Pacific is South-East Asia and Pacific.

Table 2: Botswana in Comparative Perspective

	GDP per-capita 1998 US $	GDP per-capita 1998 PPP $	Avg. growth rate of GDP per-capita 65-98	% Labor Force in Agri. 1990	% Total Pop. Urban 1970	% Total Pop. Urban 1998	Prim. Enroll Rate 1997	Second Enroll Rate 1997	Life Expectancy at Birth 1997
Botswana	3,070	5,796	7.7	46	8	49	80	89	47
Zaire	110	733	-3.8	68	30	30	58	37	51
Côte d'Ivoire	700	1,484	-0.8	60	27	45	58	34	47
Ethiopia	100	566	-0.5	86	9	17	35	25	43
Ghana	390	1,735	-0.8	59	29	37	43	-	60
Lesotho	570	2,194	3.1	40	9	26	68	73	56
Zambia	330	678	-2.0	75	30	39	72	42	40
South Korea	8,600	13,286	6.6	18	41	80	99	99	72
Mauritius	3,730	8,236	3.8	17	42	41	96	68	71
Singapore	30,170	25,295	6.4	0	100	100	91	75	77

Source: Columns 1-6 World Development Indicators 2000, Columns 7-9 Human Development Report 1999.

Table 3: Determinants of Institutions

	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies	All former colonies
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Panel A: Dependent Variable is Constraint on the Executive in 1970					*Panel B: Dependent Variable is Constraint on the Executive in 1990*				
Botswana Dummy	4.85	5.56	5.66	5.41	5.57	4.12	4.43	5.01	5.30	5.68
	(1.88)	(1.95)	(1.96)	(1.98)	(2.00)	(1.90)	(1.98)	(1.72)	(1.73)	(1.70)
European Settlements in 1900	0.04	0.05	0.05	0.04	0.04	0.06	0.06	0.04	0.05	0.05
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Log Population Density in 1500		0.23	0.22	0.19	0.21		0.10	0.05	0.08	0.13
		(0.17)	(0.17)	(0.18)	(0.18)		(0.18)	(0.15)	(0.15)	(0.15)
Africa Dummy			-0.38	-0.41	-0.57			-2.15	-2.12	-2.49
			(0.47)	(0.47)	(0.52)			(0.41)	(0.41)	(0.44)
Latitude				1.70	2.00				-1.98	-1.17
				(2.03)	(2.09)				(1.77)	(1.78)
Ethnolinguistic Fragmentation					0.60					1.46
					(0.80)					(0.68)
R-Squared	0.24	0.26	0.27	0.27	0.28	0.36	0.37	0.53	0.54	0.56
Number of Observations	82	82	82	82	82	83	83	83	83	83
	Panel C: Dependent Variable is Constraint on the Executive in First Year of Independence					*Panel D: Dependent Variable is Average Protection Against Expropriation Risk, 1985-95*				
Years since Independence	-0.02	-0.02	-0.03	-0.03	-0.03					
	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)					
Botswana Dummy	3.08	3.25	3.67	3.52	3.36	1.82	1.64	1.84	1.60	1.86
	(2.09)	(2.19)	(2.10)	(2.13)	(2.15)	(1.26)	(1.32)	(1.33)	(1.36)	(0.14)
European Settlements in 1900	0.05	0.05	0.04	0.04	0.04	0.03	0.03	0.03	0.02	0.02
	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Log Population Density in 1500		0.06	0.07	0.05	0.04		-0.06	-0.05	-0.08	-0.05
		(0.20)	(0.19)	(0.19)	(0.19)		(0.12)	(0.12)	(0.13)	(0.13)
Africa Dummy			-1.59	-1.63	-1.51			-0.40	-0.43	-0.73
			(0.55)	(0.56)	(0.59)			(0.33)	(0.33)	(0.39)
Latitude				1.07	0.80				1.30	1.98
				(2.21)	(2.25)				(1.57)	(1.61)
Ethnolinguistic Fragmentation					-0.60					0.91
					(0.87)					(0.61)
R-Squared	0.26	0.26	0.33	0.33	0.34	0.31	0.31	0.32	0.33	0.35
Number of Observations	83	83	83	83	83	74	74	74	74	74

OLS regressions. Dependent variable is institutions, with precise measure indicated at the head of each panel (from Polity III and Political Risk Services). Independent variables are a dummy for Botswana, European population as a percent of total population in 1900, the log of population density in 1500, a dummy for Africa, latitude (the absolute value of distance from the equator) and ethnolinguistic fragmentation. For detailed sources and descriptions see Appendix Table 1 in Acemoglu, Johnson and Robinson (2000), except for population density for which see Acemoglu, Johnson and Robinson (2001).

Table 4. Percent of Popular vote by Party, 1965-1999.

	1965	1969	1974	1979	1984	1989	1994	1999
BDP	80.4	68.4	76.6	75.2	67.9	64.7	54.5	54.2
BNF	-	13.5	11.5	12.9	20.5	26.9	37.3	24.6
BPP	14.2	12.1	6.6	7.4	6.6	4.5	4.1	
BIP/IFP	4.6	6.0	4.8	4.3	3.0	2.4	3.6	
Others	0.8	0.0	0.5	0.2	2.0	1.5	0.5	11.3
BCP in 1999								

Table 5. Number of National Assembly seats held by each party, 1965-1999.

	1965	1969	1974	1979	1984	1989	1994	1999
BDP	28	24	27	29	28	31	31	33
BNF	-	3	2	2	5	3	13	6
BPP	3	3	2	1	1	0	0	
BIP/IFP	0	1	1	0	0	0	0	1
BCP in 1999								

Source Molutsi (1998). The National Assembly had 31 seats in 1965 and 1969, 32 in 1974 and 1979, 34 in 1984 and 1989, and 44 in 1994 and 47 in 1999.

Figure 1

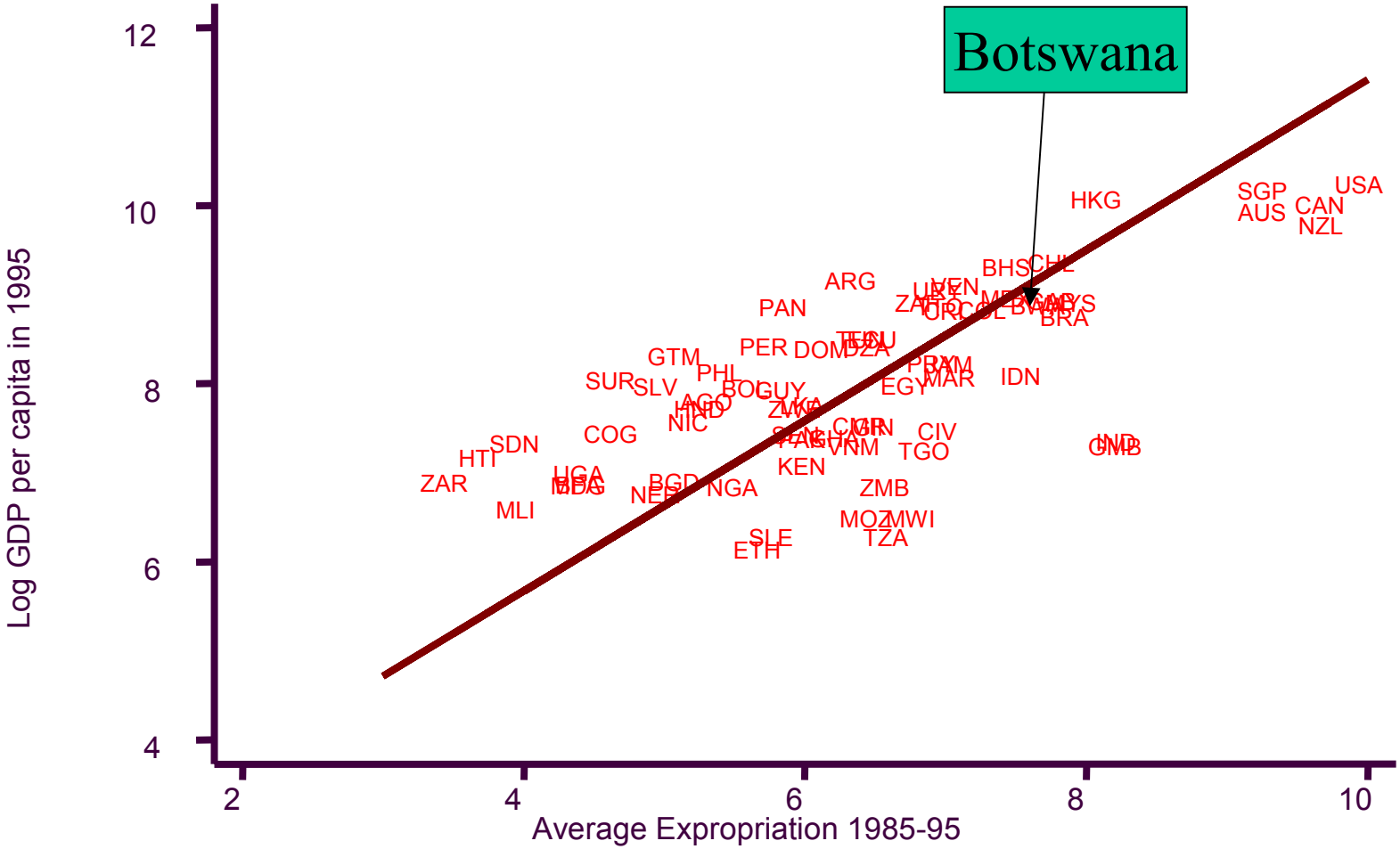
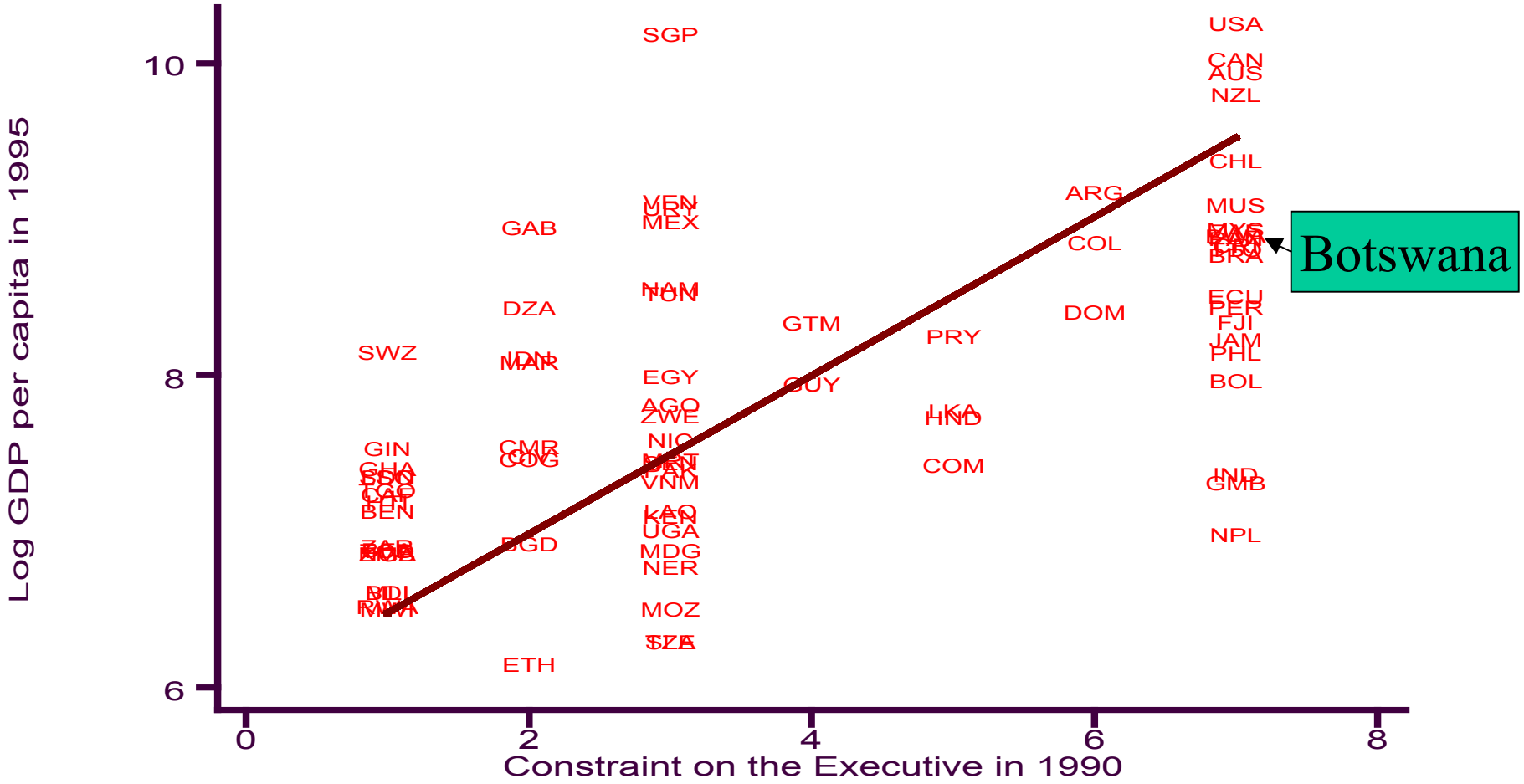

Botswana
Log GDP per capita in 1995
Average Expropriation 1985-95
12
10
8
6
4
2
4
6
8
10
HKG
SGP
AUS
USA
CAN
NZL
BHS
CHL
ARG
PAN
BRA
PER
GTM
SUR
SLV
PHL
EGY
MAR
IDN
COG
SDN
HTI
ZAR
MLI
KEN
NGA
ZMB
MOZ
MWI
TZA
ETH
SLE
TGO
CIV
VNM

Figure 2


Log GDP per capita in 1995
10
8
6
0
2
4
6
8
Constraint on the Executive in 1990
SGP
USA
CAN
AUS
NZL
CHL
ARG
MUS
COL
BRA
ECU
PER
FJI
JAM
PHL
BOL
DOM
PRY
GTM
GUY
HND
COM
IND
GMB
NPL
LKA
VEN
MEX
GAB
NAM
TUN
DZA
MAR
SWZ
EGY
AGO
ZWE
NIC
GIN
CMR
COG
BEN
VNM
LAO
KEN
UGA
MDG
NER
BGD
MOZ
ETH
Botswana