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Research Report

Colonial legacy and institutional development: The cases of Botswana and Nigeria

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Dissertation

F O R U M 52

Valentin Seidler

Colonial Legacy and Institutional Development

**The Cases of Botswana
and Nigeria**

Dezember 2011

Preface

The institutional configuration of a country has been widely accepted to be critical for sustainability of its economic development. Valentin Seidler gives a sophisticated overview of what we know about formality (laws, policy) and informality (cultural norms, traditions) of institutions, particularly from Economic History and New Institutional Economics (NIE) viewpoint and ties together existing theories and knowledge to a model of institutional legitimacy of post-colonial states. He relates the model at two country cases, Nigeria and Botswana, which both became British colonies in the 19th century and independent during the 1960ies. Observations about the institutional environment in both regions before colonialization are the fundament of his analysis and interpretations. He looks at how the initial conditions reacted to externally imposed institutions which were brought in by the British colonializers. The major argument of his thesis is that European institutions influenced the shape of indigenous institutions. He calls this "clashes" and argues that "variations" in their outcomes "account for disparities in institutional quality and economic performance in former British colonies today." Finally the model aims to explain the influence of colonial legacies on economic development in Nigeria and Botswana today. This path dependent view provides valuable insights for both cases. An understanding of institutional changes in colonial times and their persistence during post-colonial times provide an important contribution to the explanation of institutional quality and political and economic constraints of post-Colonial African countries today.

Valentin Seidler carried out two persuasive in-depth studies which contribute to the discussion of convergence/divergence in African economic performance. Hopefully his work on the colonial legacies of Nigeria and Botswana motivates for further in-depth research which would be necessary to overhaul the arguments Valentin Seidler made in his thesis.

Simon Hartmann
Researcher at the
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**COLONIAL LEGACY AND
INSTITUTIONAL DEVELOPMENT**
The Cases of Botswana and Nigeria

Valentin Seidler

COLONIAL LEGACY AND INSTITUTIONAL DEVELOPMENT

The Cases of Botswana and Nigeria

This study aims to contribute to the question of the origins of efficient institutional arrangements, which are considered essential for economic development and long-term economic growth. In Africa, most of the existing institutional frameworks were established under colonial rule and then persisted until modern times. In this sense colonialism offers a “natural experiment” - a phase in which European institutions were transferred to African countries. This is an investigation into the institutional development of two countries and former British colonies: Botswana and Nigeria. The study applies a theoretical model of institutional legitimacy based on the theoretic work of Douglass North and Oliver Williamson. The two cases highlight the persistence of pre-colonial informal institutions such as cultural norms and beliefs of the local populations. In addition they show that pre-existing levels of urbanisation, constraints on political power and integration in colonial labour markets have been factors which influenced the transfer of European institutions.

Die vorliegende Studie untersucht die Frage nach dem Ursprung von effizienten Institutionen, die als maßgeblich für langfristiges Wirtschaftswachstum angesehen werden. In Afrika wurde eine Vielzahl von europäischen Institutionen während der Kolonialzeit übernommen und nach der Unabhängigkeit beibehalten. Die Arbeit untersucht die institutionelle Entwicklung von zwei ehemaligen britischen Kolonien in Afrika: Botswana und Nigeria. Die Untersuchung arbeitet mit dem Theorienmodell der neuen institutionellen Ökonomie. Die Ergebnisse unterstreichen die Bedeutung und die Persistenz von präkolonialen informellen Institutionen, die zumeist auf traditionelle kulturelle Normen zurückgehen. Darüber hinaus beeinflussten Urbanisierung, Beschränkung von politischer Macht und die Einbindung in koloniale Arbeitsmärkte die Entwicklung von effizienten ökonomischen Institutionen.

VALENTIN SEIDLER is a research fellow at the University of Vienna. This publication is the print of his doctoral thesis concluded in July 2011 at the Vienna University of Economics and Business.

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I want to thank a range of international scholars for reading through parts of this study, commenting on working papers or giving feedback at conferences. These are Barry Weingast (Stanford University), Elinor Ostrom (Indiana University), Kevin Morrison (Cornell University), Mary Shirley (Coase Institute), Matthew Lange (McGill University), Peter Boettke and Peter Leeson (George Mason University), Pierre Englebert (Pomona Politics Department) and Robbert Maseland (University of Groningen).

Friends and family supported me throughout these last two and a half years. John Soutter showed lots of patience editing my working paper on the Tswana into proper (British) English. My parents supported me generously throughout these years. Last but not least my warmest thanks go to my family: My son Leo has given me hours of productive work at night and the happiest distraction at day and above all my wife Yuki who gave me love, support and inspiration.

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1 INTRODUCTION

1.1 PROBLEM STATEMENT AND AIM OF STUDY

In March 1957, the Gold Coast, a small British colony became the first sub-Saharan nation to gain its independence. From the early independent days on, economists were enthusiastic about Ghana's potential for economic growth. At that time it had arguably the best schools on the continent. Many roads and hospitals were being built. There was also a good amount of investment. American, British and German companies expressed interest in investing (Easterly 2002, p.25).

History has proven economists wrong. Today, most Ghanaians are not much better off than in the early 1960s. Per capita GPD (in constant 2000 USD) has hardly grown from 280 USD in 1960 to 343 USD in 2009 (WDI 2010). The Human Development Index issued by the United Nations ranks Nigeria 130th - only slightly higher than Myanmar or Yemen (UNDP 2010).

Unfortunately Ghana's story is not unique but an example for many other sub-Saharan countries. After independence, former African colonies became a playground for economic advisors and researchers. Yet economic development has been low. What went wrong and why is it so difficult to achieve long-term economic growth in Africa?

This thesis aims at investigating the lack of economic development in former African colonies from an institutional perspective. Institutional economics maintains that social, political and economic institutions shape human interactions and economic transactions and thus contribute to economic development. Over the past two decades, economic research has confirmed that the quality of a country's political and economic institutions "trump" all other factors in explaining long-term economic growth.

If good institutions are important for economic growth, then the consequent question is why such institutions have not emerged in post-colonial Africa. This question is still a subject of

ongoing research. Important areas of research focus among others on the influence of colonisation and the impact of local norms, culture and traditions. This thesis aims to contribute to this field of research.

Colonisation is a fascinating field for institutional economics, because it provides something like a “natural experiment” in history. During the colonial era, subjected non-European societies found themselves confronted with European institutions, which they largely retained after independence. Seen from this institutional perspective, colonisation was a period of intensive institutional transfer. But the adoption of European institutions was generally not without friction and had very diverse outcome in terms of institutional quality.

This thesis wants to contribute to the question of how institutions emerged or how they are established under colonial rule. It presents two country studies of former British colonies in which the impact of colonisation on institutional development is investigated. It advances the hypothesis that the factors related to the institutional transformation under colonial rule account for the institutional quality of the modern post-colonial states today.

The thesis develops a theoretical framework of institutional hierarchy which is based on recent institutional research. The thesis’s findings underline the impact of colonisation on institutional development. They also indicate a strong - and so far underestimated – influence of cultural norms and traditions on institutional quality (i.e. informal institutions) and hence on long-term economic growth.

1.2 TERMS AND DEFINITIONS

The thesis will use specific terms which are discussed and clarified in this chapter. The following section explains the terms economic development, long-term economic growth and sustained growth, industrialisation and finally institutions.

1.2.1 Economic development and long-term economic growth

“Economic development” is a multifaceted concept. It embodies not just income and economic growth but also socio-economic achievements such as lower infant mortality, higher rates of literacy and life expectancy. Changes in per capita income, which is usually measured in GDP per capita, are too often used as a proxy for economic development. Even if GDP per capita is corrected by purchasing power parity (PPP), its changes over a period of time fall short of explaining the massive social and economic transformation which this study understands by the term economic development.

Economic historians are more interested in the question of how “long-term economic growth” can be achieved. In this thesis, long-term economic growth will be used synonymously with the term “sustained growth”, which was first coined by Walt Rostow in the 1960s. In his theory sustained growth describes a final stage of economic development, “...when growth becomes [a society’s] normal condition.” (Rostow 1990, p. 36) Rostow’s theory of stages of economic development takes a focus on capital investment. It was modelled on the example of the industrialisation process of Western and European countries. These countries achieved sustained growth or long-term economic growth after an economic “take-off” during industrialisation (Rostow 1990, p. XVIII).

Rostow’s theory maybe somewhat outdated today, but it holds some important truths. First, long-term economic growth is a rather modern phenomenon It is probably safe to say that it was born after the Industrial Revolution in Britain. This has also been pointed out by Simon Kuznets, another development economist of the 1960s (Kuznets 1967, p. 487). Second, the fact that the industrialised world today experiences average annual growth rates of 1-2 per

cent is also explained by Rostow. Average sustained economic growth of 1-2 per cent is a dramatic change compared to pre-industrialised times. In the period from 1590 to 1820 the Netherlands was the leading industrial nation. Yet its average growth rate in real GDP per capita was around 0.2 per cent. Similarly, the United Kingdom experienced average annual growth of only 1.2 per cent from 1820 to 1890. This growth may not seem impressive given growth rates of today's emerging economies. It should be noted though that a sustained average growth rate of 2 per cent means that a nation's GDP per capita doubles in only 35 years (Ray 1998, p. 48-49).

The term "industrialisation" has been mentioned and deserves some clarification. It was coined to describe the socio-economic changes which took place during the Industrial Revolution in Britain and the Western world that followed suit. Although the term industrialisation has become somewhat outdated in modern literature, it is still worth mentioning here, because it stresses the social and economic changes that always occur together before the stage of sustained growth is achieved. The social component cannot be undervalued in this context. If pure economic growth is to end in sustained growth it has to be accompanied by a range of measurable social changes.

- a. Demographic transition: Initially the death rate and –later - the birth rate drop and the population grow rapidly. Thereafter deaths and births level out at a low rate and the age pyramid changes again as the population ages (Ray 1998, p. 299-307).
- b. The life standard of the majority of the population rises. This is usually reflected by lower levels of economic inequality and measured by the Gini coefficient¹. Today, the Gini coefficient is often used to measure degrees of economic inequality. In the best of cases, the Gini coefficient abates to somewhere below 0.4 (Ray 1998, p.188-193).

¹ The Gini coefficient (also: Gini index) is based on the Lorenz Curve which displays the proportion of the total income of a population that is cumulatively earned by the bottom x% of the population. The Gini coefficient can range from 0 to 1. A low Gini coefficient (closer to 0) indicates a more equal distribution, with 0 corresponding to complete equality, while higher Gini coefficients indicate more unequal distribution, with 1 corresponding to complete inequality (Samuelson and Nordhaus 1998, p. 344-7).

- c. Socio-economic patterns change. A smaller proportion of real income is spent on alimentation (Buchheim 1997, p. 24). Urbanisation increases as people leave the subsistence economy and participate in the labour markets (Ray 1998, p. 36-37 and 345-348).

Many theories exist on how long-term economic growth can be achieved. To present them all would mean a thesis of its own. The following will therefore focus on one such theory which will provide the theoretical framework for this study: The new institutional economics (NIE).

1.2.2 Institutions, transactions and economic development

Over the last two decades, economic research has underlined the importance of institutions in explaining economic outcomes. Institutional economists have been awarded Nobel Prizes for their groundbreaking work in areas such as transaction costs, the economic governance of common resources or applying institutional theory in explaining economic development.

Douglass North, one of the founding fathers of the new institutional economics, has described economic development as a history of specialisation and social distribution of labour. As people emerge from subsistence economy they increase their productivity by specialising on one or a few items they produce. In this sense economic development is a process of increasing specialisation and thus increasing productivity of a society. As people specialise they grow more dependent on others to provide them with the goods (e.g. foodstuff) they need for every day survival. This means they need to transact (i.e. sell) their surplus production. It is simply more productive to specialise and use market transactions² than to produce most things by oneself (i.e. in subsistence economy). Hence, transactions become more frequent and more complex as an economy develops (North 1973 and North 1981).

Transactions are not just the exchange of commodities. Rather, transactions comprise the transfer of (legal) ownership rights and duties (Groenewegen 2010, p. 13). Unfortunately,

² It will be shown at a later stage that markets are not the only place to execute transactions.

transactions are not coordinated in a vacuum. Ronald Coase was the first economist to point out that the costs of using the price mechanism of markets is not free of charge (Coase 1937, p. 390). Until Ronald Coase's groundbreaking work, the problem of transaction costs had been neglected by neoclassical economics. In its purest form neoclassical theory assumes that transactions are executed without costs. In reality however, economic actors spend time and money to find the best product that suits their needs. They set up costly contracts to ensure that their business partners will keep their word. Transaction costs are highly contextual. Among others, they depend on the conditions of the market, the goods and the information the economic actors hold. In many cases actors are uncertain about the economic outcome of their transactions. To get more information comes at a price. A range of so-called market imperfections are another reason for uncertainty which again leads to transaction costs.

Broadly speaking transactions costs fall in three categories:

- I. Search and information costs are costs required to gain information regarding the quality of a product or the seller.
 - II. Bargaining costs are costs related to the conclusion of a contract.
 - III. Monitoring and enforcement costs incur to make sure that the other party commits to the contracts. This also includes costs to enforce one's rights (e.g. at court).
- (Groenewegen 2010, p. 22)

Transaction costs can be measured. One way is to simply calculate the value of resources used in executing and enforcing a transaction. Another way is to indirectly measure the differences in price levels on markets (Wang, 2003, p. 2).

The new institutional economics has set out to correct the omission of transaction costs. It has put the problem of minimizing transaction costs at its core. This is where institutions come into play: They effectively - even though not always efficiently - reduce transaction costs. This observation concludes Douglass North's theory of increasing specialisation and transactions. The more developed an economy the more frequent and complex its transactions. Developed economies therefore use a framework of efficient institutions to organise their complex economic transactions. Transaction costs and the efficiency of these

institutions can be seen as indicators for the level of economic development of a society. Economic stagnation, on the other hand, is considered the result of inefficient institutional framework (Reuter 2000, p. 222-3 and 231).

Before explaining institutions in more detail in the next section, a brief summary concludes where we stand at this point of the thesis in the discussion of three key economic terms:

- I. Economic development is used to describe the social and economic transformation a country or regional entity undergoes before reaching the stage of long-term economic growth (i.e. self-sustained growth).
- II. Analogously, institutional development³ is used to express the necessary parallel institutional transformation necessary to allow complex transactions at reasonably low transaction costs.
- III. The term economic growth, income, economic performance or simply growth is used to express short time – and not necessarily sustainable - economic growth as often expressed by an increase in GDP per capita over a period of years.

1.2.3 On institutions

In this section a more elaborate definition and classification of institutions is provided. Simply speaking, institutions are rules that facilitate transactions (Groenewegen et al. 2010, p. 5).

Groenewegen' definition says what institutions do: They facilitate transaction. This, however, does not settle question of what institutions are. Douglass North defines institutions as the “humanly devised constraints that structure human interaction” (North 1990, p. 3). North's definition states what institutions are: constraints (i.e. norms, rules) which organise human interaction. Although North's definition is broadly used, it does not have universal acceptance.

³ A more detailed discussion of institutional development and institutional change will be undertaken in section 1.4.2.

The definition of Oliver Williamson, another founding father of the new institutional economics, builds on North's and includes organisational structure and aspects of governance, which shape North's "constraints on human interactions". Williamson's understanding of institutions allows constructing a hierarchy of institutions, which is important for the theoretical framework of this study and will be discussed in more detail in section 1.2.3.3 (Williamson 2000).

This study uses another, most inclusive and yet simple definition. It comes from the British institutional economist Geoffrey Hodgson⁴ who defines: "... institutions as systems of established and prevalent social rules that structure social interactions. Language, money, law, systems of weights and measures, table manners, and firms (and other organizations) are thus all [examples of] institutions." (Hodgson 2006, p. 2)

Hodgson's definition is highly useful because it puts a focus on non-economic institutions (e.g. language) which - as this study intends to show - have an impact on economic transactions and economic development.

Whereas Hodgson's definition will set the standard for this thesis, two important features of institutions still need further discussion.

First, institutions can be best understood within the specific historic, geographic, social etc. context in which they are established. Their high context-specificity is the reason why case studies on institutions are so important and cross-country comparative studies often yield unsatisfying results.

Second, institutional change is path-dependent (North 2005, p. 62). This basically means that the consequences of historic event and random circumstances (i.e. historic contextual factors) can determine the possible outcomes of institutional development and their path of further

⁴ It would be incorrect to group Geoffrey Hodgson among the group of new institutional economists. His approach is broader (e.g. not necessarily limited to their effects on transaction costs) and has been inspired by Veblen and others - sometimes referred to as "institutional economics" (Hodgson 2007)

development, even if these factors are no longer relevant⁵ (North 1990, p. 94). In other terms: Once a specific institutional arrangement has been established as a solution to a specific problem of human interaction, this solution may lock-in. Any further changes will be a development of this institutional solution rather than a completely new institutional arrangement. A famous example of path dependence among economic historians is the prevalence of the QWERTY based keyboard against more efficient versions of keyboard layouts (David 1985).

1.2.3.1 The classification of institutions

At this point it should be clear what the thesis understands by institutions. This section gives a classification of the various types of institutions used in current literature.

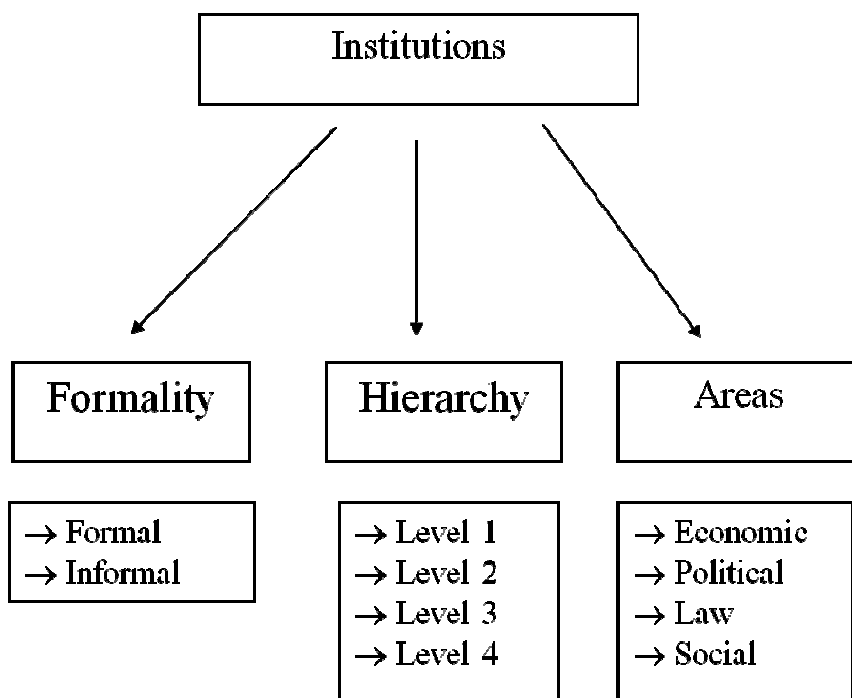


Figure 1: Classification of institutions

Source: Jütting 2003, p. 14

⁵ Path-dependency or path-dependence is originally a concept developed by evolutionary economics used to explain technological change (see for example Cowan 1991).

Figure 1 presents a simple overview on how institutions can be classified. The three main categories (Formality, Hierarchy and Areas) will be useful for the remainder of this thesis.

- I. Formality: The distinction in formal and informal institutions and
- II. Hierarchy: The classification along a legitimacy of institutions
- III. Areas: The classification along areas of human interaction

1.2.3.2 Formality: Written and unwritten rules

The distinction between formal and informal institutions follows again Douglass North. According to him, formal rules consist of written rules and constraints such as constitutions, the law and regulations etc.

Informal rules are unwritten norms of repeated human interactions. They embody moral codes and norms, which can be very diverse across cultures (North 2005, p. 50). Examples of informal rules are:

- a. Extensions, elaborations or modification of formal rules
- b. Socially sanctioned norms based on tradition, culture, religion or customs
- c. Internally committing standards of conduct (moral based rules) (North 1990, p. 40-1).

People in developed economies rely on highly developed formal rules (such as the law) but also on informal institutions to facilitate transactions. In less developed economies, informal institutions prevail, because formal institutions have not been established yet or because they are ineffective. The study will return to this distinction at several times. At this point, it suffices to state that countries and societies can go a long way organising their social and economic transactions by informal rules (Jütting 2003, p. 11).

1.2.3.3 Hierarchy: A taxonomy of institutions

A second important way of classifying institutions is by hierarchy of legitimacy. In 2000, Oliver Williamson proposed a scheme of four interconnected levels of institutions. The highest level (level 1) enjoys highest legitimacy and imposes constraints on lower levels. This means people would rather follow rules of institutions of higher level, if in conflict with lower ranking institutions (Williamson 2000). This is again very important for the aim of this study, because it means that distinct institutions can entail conflicting norms of behaviour and (economic) interaction. Obviously these conflicts are settled along the hierarchy presented below. In cases of conflicting norms lower ranking institutions will be ignored by individual actors in favour of higher ranking institutions.




Level	Examples	Changeability	Effect
1. Informal institutions related to social structure of the society	Cultural norms, religion, customs	Very persistent to change. 100-1000 years.	Defines the way a society conducts itself
			
2. Formal institutions related to law and bureaucracy	Formal rules defining property rights, the judiciary system	Long horizon to change (10-100 years). Shocks and crises may affect sudden change.	Defines the overall institutional framework
			
3. Formal institutions related to governance and rules of doing business	Specific laws and regulations defining contractual relations (e.g. limitation of liability, business contracts)	Mid-term horizon (1-10 years)	Defines the "rule of the game"
			
4. Formal institutions which regulate resource allocation (incl. employment)	Adjustments of prices according to neoclassical analysis, setting incentives	Short time adjustments, continuous	Define marginal conditions under which markets function

Table 1: Hierarchy of Institutions

Source: Own based on Williamson 2000 and Jütting 2003

1.2.3.4 Areas: Classification along areas of human interaction

The third presented system of classification (by areas of human interaction) is to a large extent overlapping with the other two categories. Political, legal, social and economic institutions can be found at all levels of Williamson's hierarchy. They can take both written and unwritten form. Furthermore, this third classification along areas of human interactions is less established than Williamson's hierarchy of institutions or North's distinction along formality.

It is, however, still noteworthy for this thesis, because it expands the limited scope of institutions beyond purely economic rules.

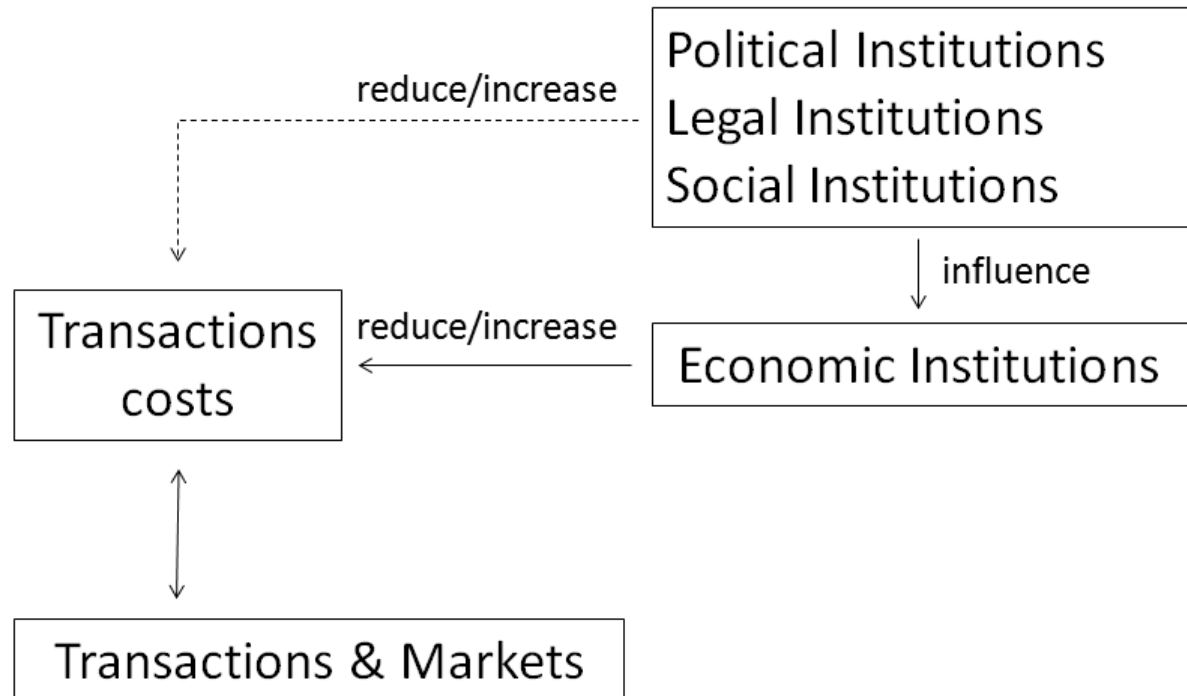


Figure 2: Institutions and transaction cost

Source: Own

Economic institutions place rules that define the production, allocation and distribution process of goods and service, including markets (Jütting 2003, p. 14). The common feature of economic institutions is that they directly affect transaction costs. Research on economic institutions is plentiful and focuses among others on property rights (e.g. Acemoglu and Johnson 2005 and Kerekes and Williamson 2008), market mechanism including contracts and money (e.g. Greif 2005 and Nenovsky 2009) but also gift exchange (Landa 1994) and technology (e.g. Mokyr 2002, Aker 2008).

Political institutions usually provide rules for the political structure of a society. This includes among others norms that shape how political rule is established and how political power is constrained by checks and balances (e.g. Olson 1993, Shleifer et al. 2003, Acemoglu and Robinson 2005). The main difference between economic institutions and political institutions is that the latter affect economic transactions not only directly by also – importantly – indirectly via their influence on economic institutions (Acemoglu and Robinson 2006). Other

important questions, which are closely related with political institutions, are the effect of the centralisation of political power, such as by taxation (Gennaioli and Rainer 2005) and the relation between neo-patrimonial rule and political institutions (Englebert 2000a and Englebert 2000b)

The law system itself is an institution, because of its ability to produce rules with an impact on economic actions. In modern states today the law system is a highly formal institution. Other, less formal legal institutions exist. From an economic point of view those that enforce property rights and contractual enforcement are again important (Acemoglu and Johnson 2005, Greif 2005, Greif 1993). Institutional research has discussed the efficiencies of various law systems such as the British common law and the French civil law (e.g. La Porta et al. 1999).

Social institutions include social factors with normative effects on human interactions. Examples include among others education and human capital (e.g. Grier 1997), social capital (e.g. Guiso et al. 2008, Knack and Keefer 2005) urbanisation and population density (e.g. Platteau 2000, Acemoglu et al. 2002) culture (e.g. Guiso et al. 2006) and perception of (working) time (e.g. Pirker 1997). All these social factors are considered to have an impact either directly on transactions costs or - more often – indirectly via their influence on economic institutions.

1.2.3.5 On the quality of institutions

What makes “good” institutions? What do economists mean by efficient institutional arrangements? Before the discussion of institutions can be closed, a few words are necessary about how this thesis understands the distinction between effective and efficient institutions. The distinction becomes clear with a small example, which is taken from the Nigeria case study later in the text⁶.

If a local political leader uses his authority to assign scarce plots of fertile farming land among the villagers than this is an effective institution. It lowers negotiation costs among the farmers. Assuming that the authority of the leader is unquestioned, this is a rather effective way of allocating resources. It may also be efficient, if no better allocation mechanism is available for the villagers. If – over the course of time – the right to allocate land has been without political checks on the leader, the practice may have led to extortion and rent seeking. The village leader has started to charge payment for his “services”. This fee may still be below the expected economic profit of the new landholder, but the financial loss stifles necessary investment in the farming sector. This institution is still effective, but it has become increasingly inefficient from an economic standpoint. Given the persistence of informal institution, the practice may persist for generations, even if a more efficient allocation mechanism (e.g. a property market regulations set up by the government) has been established.

In existing literature the terms effective and efficient institutions are often used imprecisely. Furthermore, scholars frequently speak of “weak” or “poor” institutions, meaning inefficient from an economic perspective. These institutions fail to reduce transactions costs and to facilitate transactions. “Good”, “strong” or “high-quality” institutions are used to describe high level of economic efficiency.

⁶ See more examples of efficient and inefficient institutions in North 2005, p.57-8

1.3 STATE OF THE FIELD

1.3.1 How institutional economics help us explain economic underdevelopment

A rich body of research has discussed the role of political and economic institutions in explaining long-term economic growth.

The contribution to the field by Douglass North's theory of institutions, specialisation and economic development has already been shown (North 1973 and 1981, see section 1.2.2). In the years after North's theory, a group of economists tested its assumption in a range of cross-sectional country studies. They have so far concluded that the impact of institutions on income and growth "trumps" all other relevant factors (e.g. geography, ethnic diversity). Their studies usually used GDP per capita as proxy for income or growth and various variables and indices as proxies for institutional quality (e.g. Rodrik et al. 2004, Easterly and Levin 2002, Knack and Keefer 1998, controversially: Sachs 2003).

Among the studies on the economic impact of institutions the study by Rodrik et al. deserves to be examined in greater detail. In two studies (Rodrik et al. 2002 and Rodrik et al. 2004) the authors ran a systematic series of regression in which income was related to measures of geography, integration into trade and institutions. They concluded that the effect of institutions trumps all other possible factors (e.g. geography) and that the quality of institutions has a positive effect on integration. Their research has led the discussion not only because of the high quality of analytical research (regression, choice of samples) but also because of their convincing attempt to layout in which ways (direct and indirect) institutions affect income and growth. The following figure is based on Rodrik et al. 2002 and is taken from Jütting 2003.

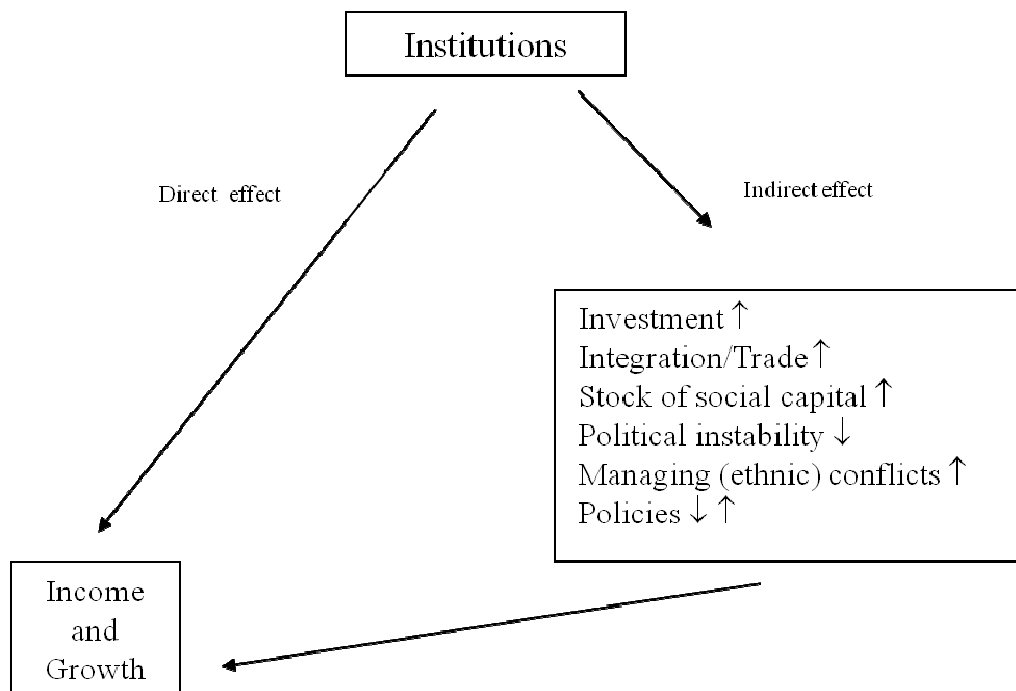


Figure 3: Impact of institutions on income and growth
 Source: Jütting 2003, p. 20 based on Rodrik et al. 2002

1.3.2 Where do efficient institutions come from

Once the field had established a clear and positive relation between institutions and growth, institutional research turned to the subsequent question of the origin of such institutions with an positive impact on economic growth. The subsequent discussion of how efficient institutions evolve is still ongoing. It is also at the centre of this thesis' investigative goal.

Broadly speaking the literature on the origin of institutions falls into two categories which are relevant for this thesis.

- I. Culture matters: Beliefs and norms shared by populations shape the institutions and influence their development paths.
- II. Colonial heritage matters: Colonialism is seen as period of intensive institutional transfer. Institutions created under colonial rule persist until today.

1.3.3 Culture matters

Economists can find it difficult to work with culture and cultural norms. In most cases they take culture as given (Williamson 2000, p. 596). North defined culture in 1994 as “the intergenerational transfer of norms, values and ideas” (North 1994, p. 384). Accordingly most institutional economics have treated cultural norms as informal institutions (North 2005, p. 50).

The idea that norms of generalized morality influence economic outcome has been advanced among others by two important scholars. David Landes (1998) and Jean Philippe Platteau (2000) have emphasized the relevance of cultural endowment of societies to their institutions and hence economic development.

The impact of informal institutions on economic actions and decisions should not be underestimated. A rich body of literature has supported this argument. Case studies have examined examples of how informal institutions reduce uncertainty and lower transaction costs. Avner Greif used the problem of contractual enforcement to illustrate how cultural beliefs can affect institutional development. His well known study revealed different institutions of contract enforcement applied by the individualistic Genoese traders and collectively acting Maghribi traders in the 11th century (Greif 1993). Pejovich has argued that the process of transition in Central and Eastern Europe from socialism to capitalism has been a cultural issue rather than a mere technical one (Pejovich 2003). Other examples include gift exchange in stateless societies in the Pacific (Landa 1994) or organisation of pirate societies (Leeson 2007). A related idea with a rich field of literature emphasized the effect of social capital and trust on economic and political institutions (e.g. Putnam 1998, Glaeser et al. 2000, Knack and Keefer 1997). A rich body of literature has applied economic models and game theory to further investigate the connection between culture, institutions and economic performance (e.g. Tabellini 2007, Guiso et al. 2006, Greif et al. 1994, Greif and Laitin 2004).

More recently, the distinction between informal and formal institutions⁷ has proven useful to explain the impact of cultural norms on economic behaviour. According to this line of research formal institutions need to be embedded within the existing local culture (i.e. informal institutions) to “stick” or otherwise lack legitimacy (Boettke et al. 2008, Claudia Williamson 2009). The concept of the primacy of informal institutions over formal institutions is noted by Oliver Williamson (Williamson 2000, p. 596-598), but the idea of embeddedness ultimately originated in the field of economic sociology with the influential work of Mark Granovetter (Granovetter 1985, Smelser and Swedberg 1994).

1.3.4 Colonial legacy

Writing about colonial legacy can be thorny business for economists. Decades after the end of colonisation the intellectual debate over the positive and negative impacts of colonisation is still very much alive. This study is not interested in justifying or condemning colonialism. On the contrary, the list of former colonies shows all levels of social and economic development and includes countries as different as Australia and Somalia. The distribution of colonial winner and losers is even and wide spread which rejects claims from both sides of the debate⁸ (Lange 2009, p. 2).

For the investigative aim of this thesis the colonial period simply provides a “natural experiment” in which foreign institutions have been imposed on existing frameworks of largely informal institutions of local populations (Acemoglu et al. 2004, p. 20).

The origins of colonial institutional research can be traced back to early influential contributions of – among others – Engerman and Sokoloff, Acemoglu et al. and Rafael La Porta.

⁷ See our discussion in section 1.2.3.2

⁸ This point will be made again in this thesis using the spread of institutional quality in former British possessions (see section 1.4.3.1).

Engerman and Sokoloff examined the effects of factor endowments and colonial rule for the subsequent economic development of colonies within the Americas. The authors argue that initial differences in endowment of land and natural resources are the reason for diverse paths of institutional development (Engerman and Sokoloff 2002, Sokoloff and Engerman 2000). Acemoglu et al. (2001a) investigated the historical origins of current institutions and focused on distinct settlement strategies as a main factor. La Porta et al. (1999) also examined the importance of colonial rule, but they focused on distinct legal institutions, which had been imported by the different colonial powers, and their long-term consequences for the protection of investments and property rights. Since then, the field has developed significantly. Cross country comparisons using regression models have underlined the connection between various degrees of success of this institutional transfer and the disparities in institutional quality in former colonies today (Gennaioli and Rainer 2005, Lange 2004, Englebert 2000).

In recent years, more narrative analytical country studies have tried to move the field beyond simply estimating causal relationships between historic events, institutional development and economic outcome. Their goal is also to explain why and how colonial history matters for institutional and thus economic development. Many of these case studies⁹ point again at the importance of informal institutions, which can be best understood in their historical and cultural context (e. g. Robinson 2009, Lange 2009b, Nunn and Wantchekon 2009, Huillery 2008, Berger 2008).

1.3.5 Indicators and methodological weaknesses of current research

With increasing research on institutions and economic growth, indicators have been created to measure institutional quality. Important indicators for institutional quality have come – among others – from the International Country Risk Guide (e.g. used by Knack and Keefer 1995) or have been constructed on settler mortality and population density (Acemoglu 2001a and 2002). Recently, the Governance Matters Indicators issued annually by the World Bank have

⁹ The terms “country studies” and “case studies” are used synonymously in this context. “Case studies” are the more precise term, because some studies focus on regional or ethnical entities smaller than countries. “Country studies” is the term more commonly used in the literature.

been broadly used (Kaufmann et al. 2009). But the use of indicators and cross country regressions in general may have methodological weaknesses (see a good overview on indicators in Aron 2000).

From a methodological point of view, the use of indicators in particular in cross country studies, which make the majority in the field so far, are plagued by some problems.

- a. The quality and availability of the data that are used to build the indicators. This problem is especially grave in developing countries.
- b. Weaknesses of proxies used for economic development. How well does the indicator depict the institutional quality or economic development?
- c. Reverse causality

Although databases are becoming more and more detailed, the quality of the data source (in particular when coming from less developed countries) will be a problem for a longer time. Studies will have to move from the aggregate level to specific case studies to be able to exploit country specific sources of data. This of course will reduce generalisability of the results (Ménard and Shirley 2008, p. 633-4).

Per capita GPD is a good measure for economic growth but falls short of explaining economic development which leads to long-term economic growth (see discussion of key terms above). A range of indicators is necessary to describe the socio-economic changes that induce long-term economic growth. The use of additional indicators such the Human Development Index compiled the United Nations Development Programme (UNDP) complement the picture.

Another methodological pitfall is reverse causality which relates to the question whether institutions are exogenous or endogenous to economic growth. In other words: Is growth the outcome of high quality institutions or rather are efficient formal institutions the result of economic prosperity? (Jütting 2003, p. 21) Here again analytical case and country studies can help tackle some these problems related with causality (Robinson 2009 or Berger 2008 are good examples). Case studies are less vulnerable to reverse causality, because they collect

important contextual factors (historical context, local norms etc.), which makes for a better understanding of factors and variables influencing economic and institutional development.

However, case or country studies too suffer from important methodological weaknesses.

- a. They may differ in their understanding of key terms (e.g. institutions).
- b. They also often neglect to define the conceptual framework they apply. It is necessary to clearly spell out how other factors influence the relation between institutions and economic growth (Jüttgen 2003, 27). More comparative analytical narratives – i.e. narratives using a common methodology and common conceptual framework to assess a larger sample - would allow identifying regularities with greater confidence (Ménard and Shirley 2008, p. 634),
- c. They are context specific and lack generalisability.

1.3.6 Building on the state of the field

While institutional research has been quite successful in explaining some areas of economic development (e.g. how institutions developed in Western Europe), more research on how institutions evolved in the developing world are necessary. In particular research of former colonies could promote understanding of the changes in norms and beliefs that underlie successful institutional development (Ménard and Shirley 2008, p. 633).

This thesis aims to contribute to ongoing research and will connect to the state of the field in two research areas mentioned above: culture and colonial history.

It aims to contribute to the questions of how institutions have developed under colonial rule. In this context, colonialism will serve as a “natural experiment” or simply as a phase of possibly intensive, institutional transfer. The thesis will use historical economic and non-economic sources to investigate the role of norms and beliefs (i.e. informal institutions) in this institutional development.

The thesis will present two case studies on institutional development under colonial rule. Both studies follow the same conceptual framework which consists of a working hypothesis, a theoretical model and a common research methodology. The hypothesis helps determine factors, variables and outcome of the research question. The theoretical model uses the concept of embeddedness and the primacy of informal institutions to create a theoretical framework and applies it in both case studies with an aim to investigate how institutions evolved under colonial rule. Finally, both case studies follow a single common methodology and structure. Two cases are hardly enough to reach robust conclusions and allow only very limited generalisability, but more case studies following the same conceptual framework would allow testing results among the samples of British and European colonies.

1.4 BUILDING A CONCEPTUAL FRAMEWORK

The conceptual framework of this thesis is meant to serve as a guiding structure. Its aim is to ensure scientific advance and credibility of the conclusions. The basic framework comprises three components:

- I. The conceptual framework includes a working hypothesis, which is subject to change and revision based on the findings of the case studies.
- II. Furthermore the framework presents a theoretical model based on current research of institutional economics. The theoretical framework will be used as tool of analysis in the case studies.
- III. Finally the conceptual framework will present a research methodology to ensure that the two studies (and other, later studies of the author) are conducted in a comparative way – particularly in terms of its structure and specific institutions examined.

1.4.1 The working hypothesis

The thesis compares the experience of two former British colonies in terms of their institutional transition and adoption of European institutions in a scientific manner. Ultimately, its aim is to identify regularities which can contribute to the falsification, revision or to the support of the working hypothesis.

Working hypothesis:

The variations among the extent to which imported European institutions clashed with the pre-existing local institutions largely account for disparities in institutional quality and economic performance in former British colonies today.

The working hypothesis is based on recent publications of institutional and political economists (Ménard and Shirley 2008 p. 633-634 and Englebert 2000, p. 10-11). It builds on the concept of “the imported state” (Badie 1992). According to this concept, institutions of a post-colonial state are more likely to promote long term economic growth the better local institutions are integrated into the post-colonial institutional framework and the more formal institutions of the modern state are embedded into a society’s social networks based on its history and culture.

Following the notion of the imported state, the working hypothesis is built on the following propositions:

- a. There was a transfer or import of European institutions during colonisation (or in shortly after i.e. in the first years of independence). The institutional transfer varied in extent and intensity with each colony. In this sense the colonial period can serve as a “natural experiment” (Acemoglu et al. 2004, p. 20).
- b. The transfer of institutions during or shortly after (i.e. as a result of) colonisation led to a conflict of institutions of various extent (Englebert 2000, p. 10-11).
- c. The extent of the colonisation-induced institutional conflict affects post-colonial institutional quality directly and economic performance indirectly (via institutions). The latter effect been asserted by international research¹⁰.
- d. The import of European institutions to the former colony took place regardless of the colonising power. The hypothesis does not differentiate between differences between European colonial powers or between types of colonies (e.g. protectorate, colonies).

The hypothesis maintains that the institutional conflict during colonisation largely – but not fully – explains institutional quality today. This leaves spaces for other parameters outside the hypothesis to affect institutional quality of former colonies. The case studies will repeatedly point to non-economic factors such as urbanisation or traditional cultural norms. In order to avoid reverse causality, the variables of the hypothesis and outcome today need further elaboration.

¹⁰ See section 1.3.1 on the relation between institutional quality and economic performance.

First, point c) maintains that the institutional outcome today is largely a result of institutional change under colonial rule. The outcome (i.e. the quality or efficiency of institutional framework of the post-colonial state today) has therefore to be measured. This is done by use of a set of indicators presented in section 1.2.3.5.

Second, exogenous variables shaped the process of institutional development under colonial rule and thereafter. Hence they influence the outcome (i.e. institutional quality) directly (e.g. rich resources found after independence) and indirectly via their impact on the institutional development process in colonial times (e.g. geographic factors limited or promoted expansion of colonial influence). These factors need to be identified by the institutional analysis.

The connection between the institutional quality and long-term economic growth is not within the scope of this study. In fact, the positive relation between institutions and economic growth is taken as granted based on recent findings in academic literature. The following table elaborates the distinctions between factors and outcome under the working hypothesis.

Exogenous variable	Endogenous variable	Outcome
Colonisation and factors induced by colonisation (e.g. indirect rule, taxation, work of missionaries)	Institutions (formal and informal) which were established or which emerged spontaneously under colonial rule or shortly thereafter	The quality of the institutional framework (i.e. informal and formal institutions together) of the modern, post-colonial state
Pre-existing institutions and customs (e.g. based on common culture)		
External conditions such as geographic factors, historical events, resource endowment with direct or indirect influence on the outcome.		

Table 2: Exogenous and endogenous variables of the working hypothesis

Source: Own

1.4.2 The theoretical model

The theoretical model presented in this section has been developed to guide the analysis of institutional transformation under colonial rule. Its aim is to provide a theoretical foundation to help explain observations of alterations of institutional settings once they are confronted with imported foreign institutions.

European colonial powers subjected a multitude of distinct ethnic groups and societies. Most of these pre-colonial societies predominately relied on social norms grounded in their shared culture to organise their social, political, and economic life. From an institutional point of view, social and cultural norms or otherwise institutionalised rules based on a society's belief system function as informal institutions. They are unwritten codes of behaviour which structure social interactions including economic transactions (North 2005, p. 50).

The fact that pre-colonial societies predominately used informal rules puts them at the core of the thesis' theoretical model. How do economists explain the emergence of informal institutions? How do informal institutions evolve and what is their influence on economic outcome?

Many institutional economists would agree that informal institutions emerge spontaneously as an answer to a specific coordination problem (e.g. access to resources, high transaction costs). (Williamson 2000, p. 597) In other words, informal institutions are believed to be set up by humans to solve or facilitate specific problem. The institutionalised solution later becomes part of a group's shared culture. This genesis makes informal institutions specific to place and time (Boettke et al. 2009, p. 332-335). Greif and Laitin's theory of endogenous institutional change gives a more detailed explanation of the genesis of informal institutions. Their theory is based on repeated game theory where players repeatedly test and confirm assumptions about the others' behaviour. This learning process leads to institutionalised rules of behaviour which allow an equilibrium, even if the individual player does not fully understand the causal underpinning of the rule he or she observes and applies. Path dependence and context specificity naturally have a strong role in the theory. Past behaviour, which has emerged

under specific circumstances, significantly determines future behaviour, because it is rational for the players to continue along the past patterns of behaviour. This makes institutionalised rules self-enforcing. Path dependence would then only allow marginal variations (i.e. gradual development) of the rules or else players are again confronted with uncertainty about the expected behaviour of the others. Under the additional assumption that institutionalised rules can be imitated and applied by third parties, the institutionalised rules are reinforced and gain legitimacy as informal institutions (Greif and Laitin 2004)

Greif and Laitin's theory allows us to advance the discussion of one of the key terms introduced in section 1.2.2: Institutional development has so far been explained as the necessary process parallel to economic development. At this point a more elaborate definition is possible. Institutional development is institutional change along a path-dependent trajectory caused by a conjunction of a) exogenous and / or b) endogenous variables.

- a. Exogenously induced institutional change rests on changes of the environment, the circumstances or of other parameters outside the institutions under study. The successful conquest and rule by a foreign colonial power may present such a change in exogenous parameters.
- b. Endogenously induced institutional change leaves the strictly neo-classical theory of economics¹¹ and follows the model by Greif and Laitin discussed above. Here institutions are affected by the behaviour which their own institutionalised rules have entailed. Theoretically, institutions can be self-undermining by setting incentives for behaviour which will lead to their own demise (Greif and Laitin 2004, p. 633-4).

For the focus of this study other features of informal institutions, which are largely beyond dispute in institutional literature, need to be highlighted.

¹¹ In neoclassics, the assumption that institutions are self-enforcing means that each player's behaviour is the best possible response. Hence any changes to self-enforcing institutions must have an exogenous origin, because no player has an incentive to deviate from his or her behaviour (Greif and Laitin 2004, p. 633).

As shown, informal institutions rank highest within the institutional hierarchy, because they impose constraints on formal institutions. In other words, human behaviour (including economic activities) tends to be organized by informal institutions (e.g. moral codes based on kinship) before formal institutions (e.g. the written law) are taken into account (Williamson 2000, p. 596-598).

As has been shown informal institutions emerge spontaneously and endogenously as solutions to particular coordination problems. Once adopted by society such institutional arrangements may “lock in” over generations and become a part of the society’s cultural heritage, tradition or religious beliefs. Unfortunately, locked-in institutional arrangements may later turn out suboptimal in regards to economic performance. Hence historic analysis is necessary, if we want to understand how particular informal institutions affect economic development (Boettke et al. 2008 p. 332). The case study of Botswana will show that informal institutions (e.g. the English language) can also be adopted and integrated into the system of social norms¹². In Greif and Laitin’s model this constitutes a case of institutional reinforcement: An informal institution increases the range of situations in which it is self-enforcing (Greif and Laitin 2003, p. 634).

Informal institutions tend to change very slowly - on the order of generations (Williamson 2000, p. 596-598). Similarly, newly introduced foreign introduced informal institutions (such as European languages, new religious beliefs) take a generation or two to become a norm accepted of society¹³.

However, informal institutions may later undergo a process of “formalisation” (e.g. by legal acts of society). The use of money and the codification of property rights are examples for such a process. Formalised institutions still enjoy considerable legitimacy, but changes and modernisation are possible within limits. Again money can serve as an example. If the EURO

¹² In the 1930s young educated Tswana were the first to use English language among themselves out of fashion (see section 2.4.3.3).

¹³ The reasons for the persistence of informal institutions have long riddled institutional economists. Douglass North concluded his 1991 article on institutions with the question: “What is it about informal constraint that gives them such a pervasive influence upon the long-run character of economies? What is the relationship between formal and informal constraints?” (North 1991, p. 111)

members states decided that asht rays would circulate by tomorrow as new legally mandated medium of exchange, people would most likely refuse to follow this new institutional norm. They would resort to the black market to continue trading trade in EUR, or would most likely use gold or other international currencies (Boettke 2008, p. 341).

Because informal institutions outrank all other institutional arrangements and because the change very slowly, new formal institutions (e.g. democratic system based on a constitution) need to be embedded within the existing informal institutions in order to be respected by individual actors (i.e. to “stick”). Embeddedness means that new formal institutions are adapted to local culture and to existing informal institutions. Japan’s Meiji Era may be an example of successful embeddedness (Boettke et al. 2008 p. 341-3). Another possibility is a crisis or revolution in a positive sense. Although rather the exception than the rule, a sharp break from established procedures¹⁴ presents a rare window of opportunity to introduce a range of new formal institutions with reasonable good chances of adherence (Williamson 2000, p. 598). Independence from colonial rule may present such an opportunity.

On the other side, imported formal institutions lack legitimacy unless they are adapted to existing informal institutions. This is an important point. Weak state institutions, characteristic for many developing countries, can be a result of ill adapted and incongruent set of institutions imported from foreign countries (Englebert 2000).

Figure 4 shows the connection between various forms of institutions and the legitimacy these institutions enjoy among individual actors. The closer an institutional norm is located to the core of the model, the higher its legitimacy and persistence. Hence core institutions represent “Level 1 institutions” in Oliver Williamson’s hierarchy (Williamson 2000, p. 596). “Mental constructs¹⁵” introduced by Douglass North (North 20005, p. 61-2) or Boettke’s et al. term “metis” (Boettke et al. 2008, p. 338) would be other denotations for core institutions.

¹⁴ Other scholars have also pointed out the impact of exogenous shocks on institutional development paths (Greif and Laitin 2004)

¹⁵ Earlier in his book North uses the term “mental models” in a very similar sense. Both are constructed by the mind to create patterns to explain and find rules in human behaviour (North 2005, p. 25-7).

On the other side, institutions placed at the model's periphery have little chance of effectively influencing human interactions and economic transactions. It is noteworthy that this simple model depicts the effectiveness of institutions and not their efficiency under the perspective of economic development. Core institutions may highly effectively regulate social interactions but have detrimental effects on transaction costs and resource allocation.

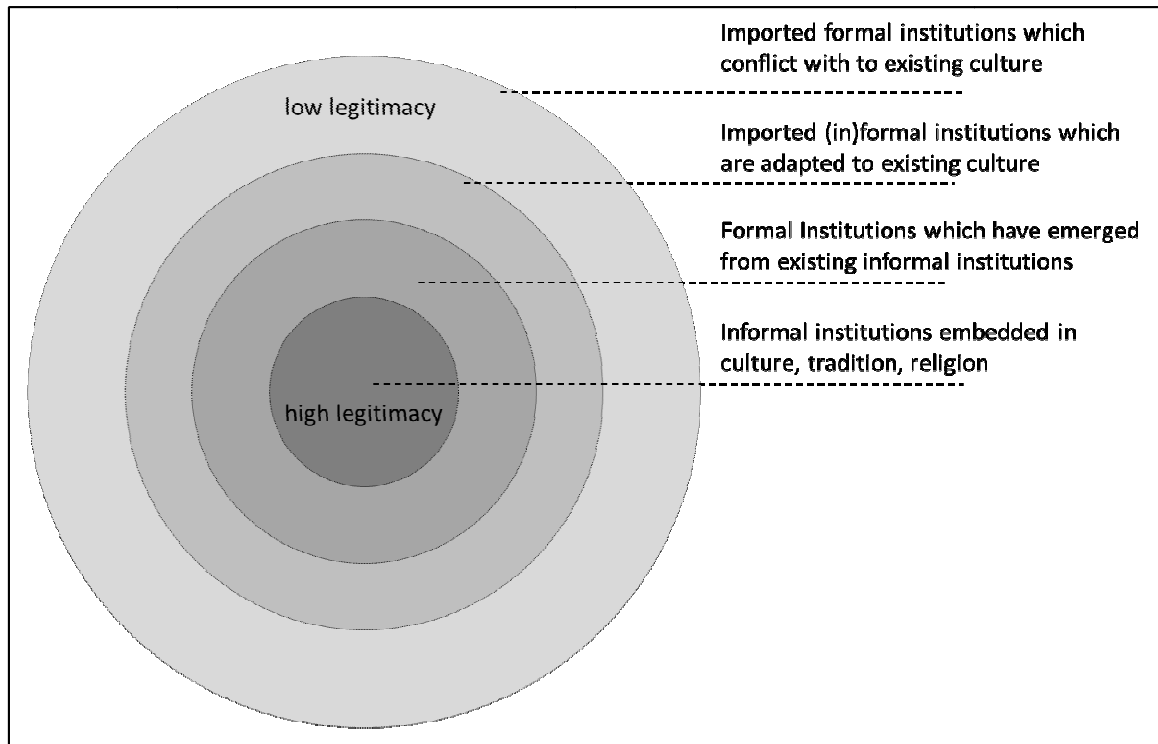


Figure 4: Hierarchy of institutions and legitimacy

Source: Own based on Boettke 2008

This theoretical framework, which is grounded on the findings of institutional research, will guide the analysis of the case studies in this thesis. It aims to explain the success or the failure of institutional transfer during and shortly after colonial occupation.

The legitimacy an institution enjoys in the population is seen as a function of its embeddedness in the culture (itself again a arrangement of informal institutions) of a given ethnic group. Hence, “... the variations among the extent to which imported European institutions clashed with the pre-existing local institutions ...” (working hypothesis) are related

to the embeddedness of imported European institutions within the institutional framework of pre-colonial societies.

As has been pointed out, most institutional economists believe that long-term economic growth and development are largely the result of well-functioning institutional framework. Because slow changing informal institutions trump their formal counterparts within a country's institutional setup, they too seem to be relevant factors for economic development. This may explain Douglass North' question of above "[w]hat it is about informal constraints that gives them such pervasive influence upon the long-run character of economies [.]" (North 1991 p.111)

1.4.3 Research methodology and choice of country studies

The country studies will follow an analytical-narrative approach and use a chronological structure. Each country study will investigate the a) pre-colonial, b) colonial and c) post-colonial period in terms of the adoption of European institutions.

- a) Pre-colonial institutions will be analysed using reports of contemporary anthropologists, missionaries and travellers. How were the pre-colonial institutions characterized? Which factors had shaped them?
- b) The analysis of the imposition of European institutions under colonial rule will draw from rich colonial sources collected by colonial administrators and colonial anthropologists. How were European institutions imported and imposed on the local population? Which factors exerted influence on this process? How did handover of power at independence influence the adoption of European institutions
- c) Post-colonial institutional effectiveness will be gauged using the World Bank's Governance Matters Indicators compiled annually by Kaufmann, Kraay and Mastruzzi (Kaufmann et al. 2009).

1.4.3.1 Scope

This thesis foresees country studies of two former colonies to investigate the institutional development under and shortly after colonial rule. Two studies out of more than hundred former colonies cannot provide conclusive evidence to answer the research question. More country studies of former colonies are clearly preferable. Despite these limitations the two studies can give insight into the mechanisms of institutional transfer during the colonial period and they may find regularities which are the first steps towards a greater generalisability.

A first move in this direction is the conscious choice of which former colonies to select. For a start the term colony needs to be clearly defined. The frame of this research the selection of European colonies and protectorates is based on the following criteria.

- I. Over 250.000 inhabitants in 2000
- II. Minimum of 50 years colonial rule
- III. Independence before 1985 and
- IV. Colonial rule starts before 1900.

These conditions result in a list of 95 former European colonies and protectorates. Notably, colonies and protectorates are taken as equal under the criteria above. This can be justified, because the distinction between protectorate and colony are blurred in several territories started (e.g. Namibia,, Somalia). Others (e.g. Nigeria) were strictly speaking a legal amalgamation of protectorate and colony.

To construct a measure for institutional quality the thesis applies the World Bank's GOVERNANCE MATTERS VIII dataset on institutional quality compiled in 2009 by Kaufmann, Kraay and Mastruzzi (Kaufmann et al. 2009).

Originally the World Bank dataset uses six aggregate, perception-based indicators to measure institutional quality:

- I. Voice and accountability,
- II. political stability,
- III. government effectiveness,
- IV. regulatory quality,
- V. rule of law, and
- VI. control of corruption.

Each indicator ranges from -2.50 (least efficient institutional quality) to +2.50 (best quality) and is based on empirically collected data sources. The six indicators are interrelated. It is hardly possible that a country shows excellent institutional quality in „Rule of Law“, but has weak institutions in e.g. „Control of Corruption“.

For the scope of this thesis it suffices to use the average value of all six indicators per country. This allows a simple ranking of former colonies along the perceived quality of each country's institutional framework. The resulting aggregate indicator will be named INSTGOV VIII. INSTGOV VIII permits to assemble a ranking of former colonies along their institutional quality. Table 3 below shows the list of all 95 former colonies, the colonial mother country and their respective score on INSTGOV VIII. See Annex 1 for the calculation of INSTGOV VIII.

Country	Code	Mother	INSTGOV VIII
Algeria	DZA	French	-0,77
Angola	AGO	Port.	-0,99
Argentina	ARG	Span.	-0,27
Australia	AUS	Britain	1,65
Bahamas	BHS	Britain	1,09
Bangladesh	BGD	Britain	-0,92
Barbados	BRB	Britain	1,18
Belize	BLZ	Britain	-0,05

Benin	BEN	French	-0,21
Bolivia	BOL	Span.	-0,74
Botswana	BWA	Britain	0,72
Brazil	BRA	Port.	0,04
Burkina Faso	BFA	French	-0,36
Burma (Myanmar)	MMR	Britain	-1,82
Burundi	BDI	German, Belg.	-1,09
Cambodia	KHM	French.	-0,78
Cameroon	CMR	French.	-0,82
Canada	CAN	Britain	1,65
Cape Verde	CPV	Port.	0,52
Central African Republic	CAF	French	-1,31
Chad	TCD	French	-1,52
Chile	CHL	Span	1,15
Colombia	COL	Span	-0,38
Comoros	COM	French	-1,10
Congo	COG	French	-1,10
Congo (former Zaire)	ZAR	Belg.	-1,69
Costa Rica	CRI	Span.	0,56
Cote d'Ivoire	CIV	French	-1,36
Cuba	CUB	Span.	-0,80
Djibouti	DJI	French	-0,64
Dominican Republic	DOM	Span.	-0,27
East Timor	TMP	Port.	-0,90
Ecuador	ECU	Span.	-0,86
Egypt	EGY	Britain	-0,53
El Salvador	SLV	Span.	-0,09
Equatorial Guinea	GNQ	Span.	-1,29
Fiji	FJI	Britain	-0,53
Gabon	GAB	French	-0,61
Gambia	GMB	Britain	-0,51
Ghana	GHA	Britain	0,06
Guatemala	GTM	Span.	-0,55

Guinea	GIN	French	-1,45
Guinea Bissau	GNB	Port.	-1,04
Guyana	GUY	Dutch, Britain	-0,38
Haiti	HTI	Span., Fran	-1,14
Honduras	HND	Span.	-0,53
Hong Kong	HKG	Britain	1,47
India	IND	Britain	-0,17
Indonesia	IDN	Dutch	-0,50
Jamaica	JAM	Britain	-0,04
Kenya	KEN	Britain	-0,68
Laos	LAO	French	-0,99
Lesotho	LSO	Britain	-0,20
Madagascar	MDG	French	-0,34
Malawi	MWI	Britain	-0,34
Malaysia	MYS	Britain	0,26
Mali	MLI	French	-0,31
Mauritania	MRT	French	-0,87
Mauritius	MUS	Port., Dutch, French, Britain	0,78
Mexico	MEX	Span.	-0,14
Morocco	MAR	French	-0,28
Mozambique	MOZ	Port.	-0,30
Namibia	NAM	German	0,49
New Zealand	NZL	Britain	1,72
Nicaragua	NIC	Span.	-0,59
Niger	NER	French	-0,68
Nigeria	NGA	Britain	-1,04
Pakistan	PAK	Britain	-1,09
Panama	PAN	Span.	0,19
Papua New Guinea	PNG	German, Britain	-0,65
Paraguay	PRY	Span.	-0,70
Peru	PER	Span.	-0,30
Philippines	PHL	Span.	-0,48
Rwanda	RWA	Belg.	-0,42

Senegal	SEN	French.	-0,25
Sierra Leone	SLE	Britain	-0,77
Singapore	SGP	Britain	1,57
Soloman Islands	SLB	Britain	-0,50
Somalia	SOM	Ital., Britain	-2,50
South Africa	ZAF	Britain	0,41
Sri Lanka	LKA	Port., Dutch, Britain	-0,54
Sudan	SDN	Britain	-1,66
Suriname	SUR	Dutch	-0,06
Swaziland	SWZ	Britain	-0,52
Tanzania	TZA	German	-0,29
Togo	TGO	French	-0,92
Trinidad and Tobago	TTO	Britain	0,19
Tunisia	TUN	French	-0,05
Uganda	UGA	Britain	-0,54
Uruguay	USA	Span.	0,67
USA	URY	Britain	1,36
Venezuela	VEN	Span.	-1,15
Vietnam	VNM	French	-0,56
Zambia	ZMB	Britain	-0,30
Zimbabwe	ZWE	Britain	-1,67

Table 3: 95 former colonies and protectorates and their value of institutional quality today

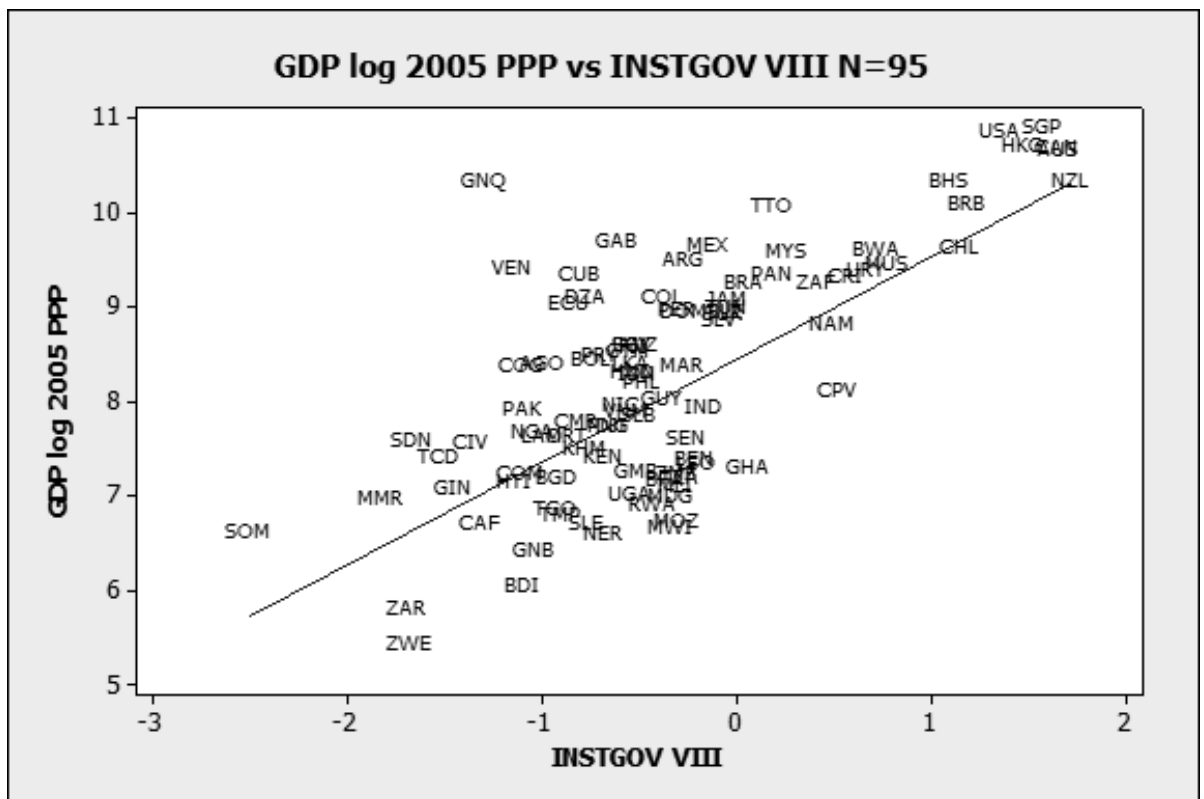
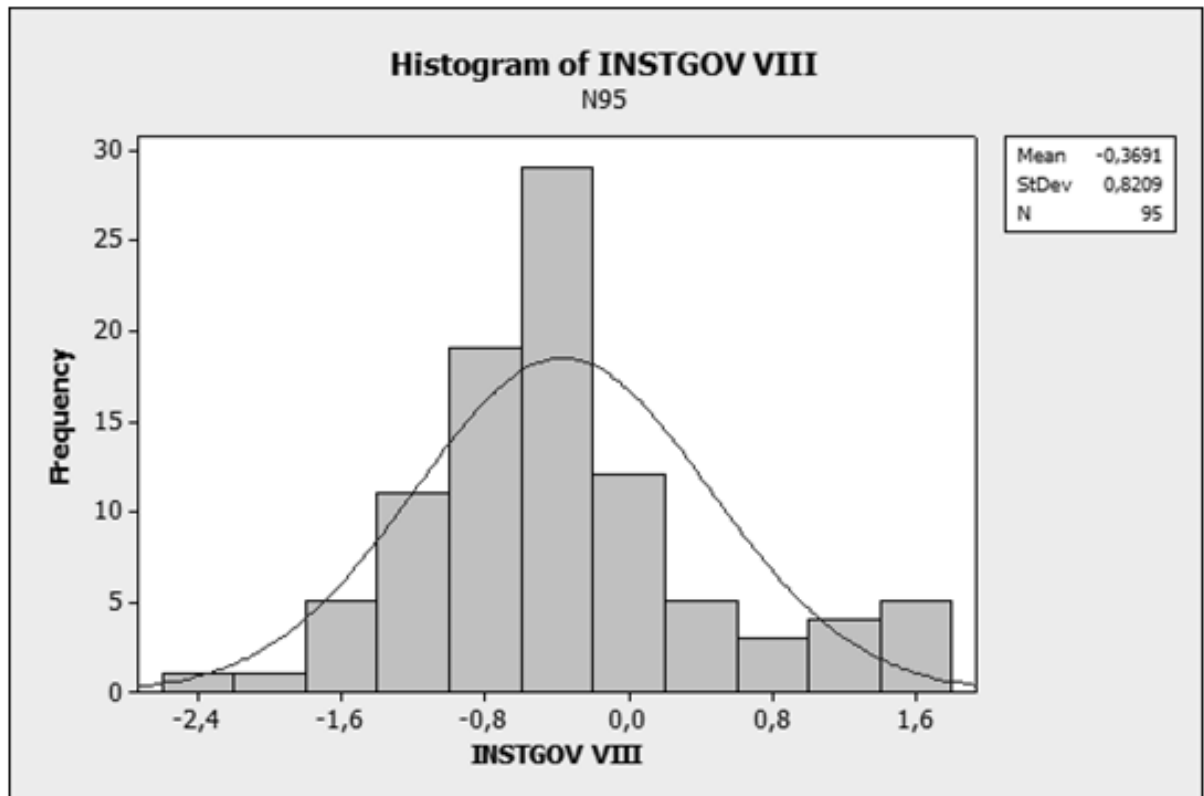
Source: Own, indicator INSTGOV VIII based on Kaufman et al. 2009

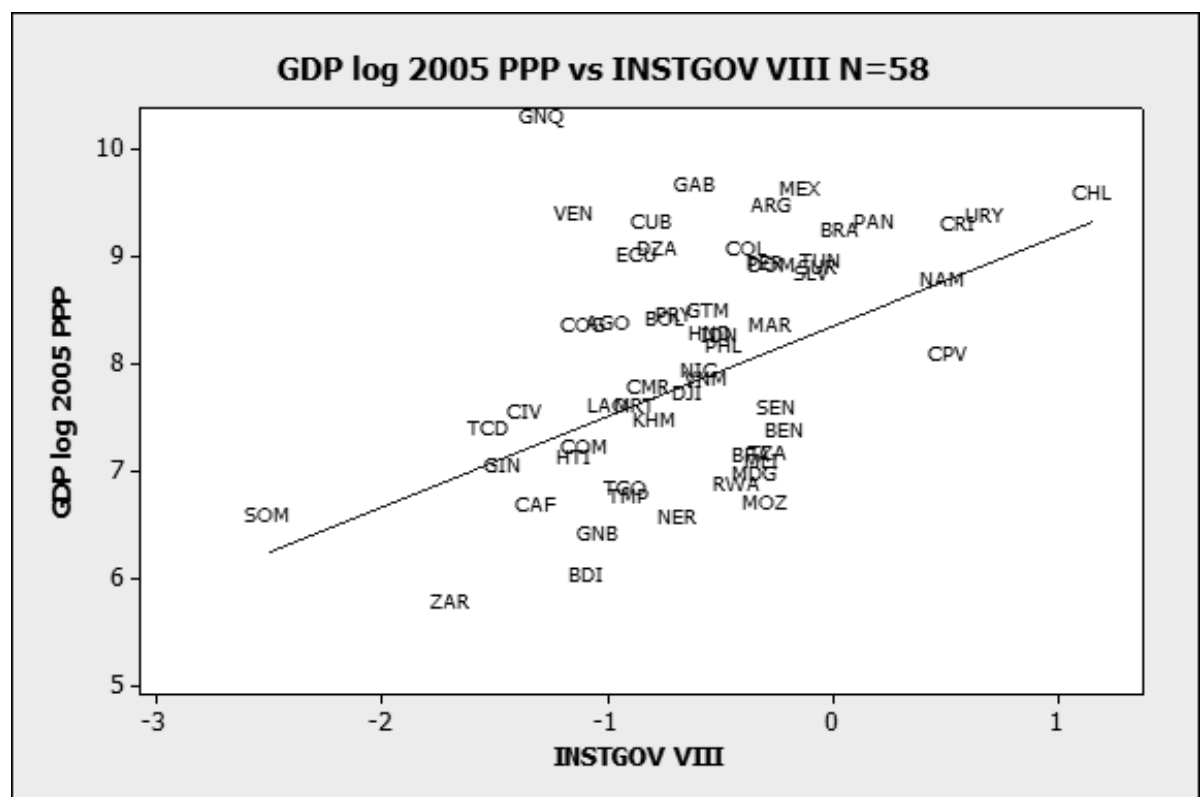
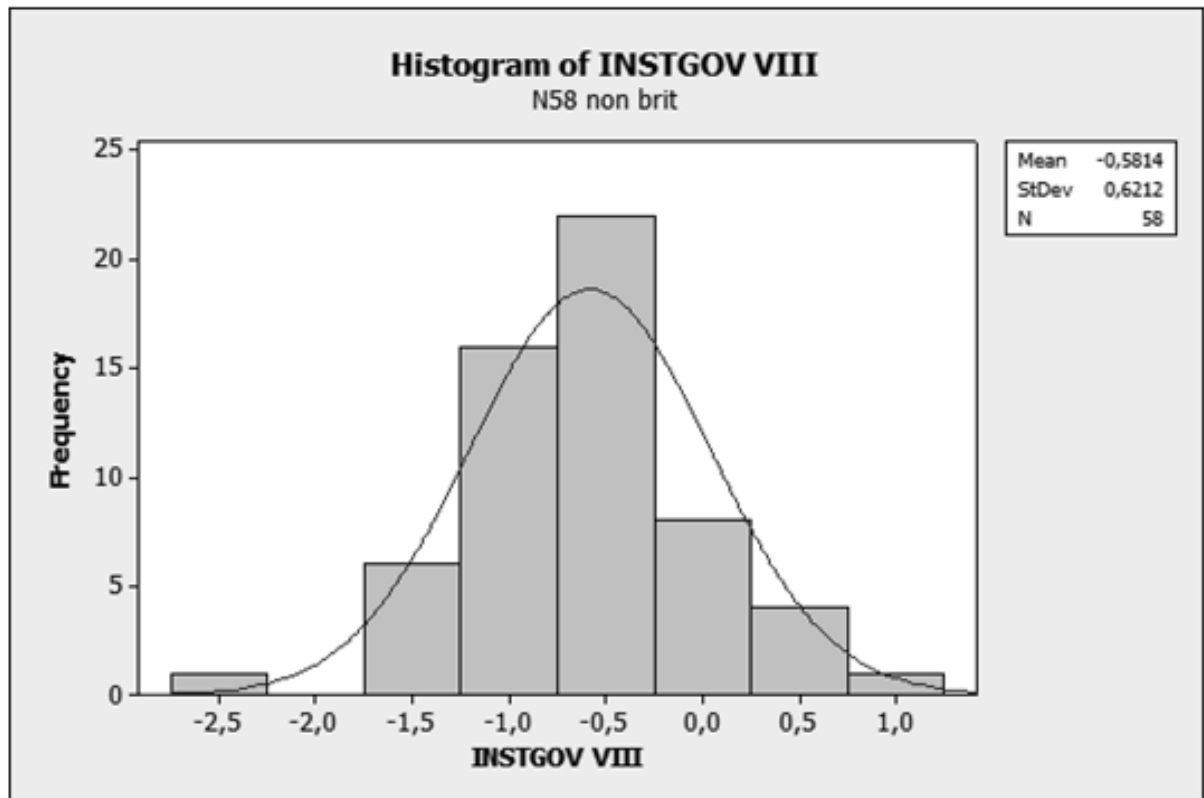
95 former colonies and protectorates are too many for the scope of a single thesis. Further limitation is therefore needed. The working hypothesis has so far not differentiated between the various colonial powers. Limiting the study to a single colonial power reduces the sample size and at the same time avoids possible confounding factors related to the ruling strategies of distinct European colonial powers. The hypothesis maintains that spread of institutional quality can be explained by a country's colonial past. Hence, a further limitation should focus on the colonial power with the greatest spread in institutional quality. Figure 5 below provides a comparison between various samples of colonies, their institutional quality today according to INSTGOV VIII and the relation between INSTGOV VIII and economic growth (using

OLS regression). It can be seen that the British sample shows the widest spread of institutional quality in former colonies and protectorates. Furthermore, all samples display a strong connection between economic growth and institutional quality which is demonstrated by use of scatterplots. The latter is not surprising and supports findings by institutional researchers. The set of histograms comprises the following three groups of former European colonies:

- I. 95 former European colonies including British, French, Spanish, Dutch, German and Italian (N95)
- II. 58 former European colonies without British possessions (N58)
- III. 37 former British colonies and protectorates (N37)

A list of the international country abbreviations used in the scatterplots has been given in Table 3: 95 former colonies and protectorates and their value of institutional quality today.





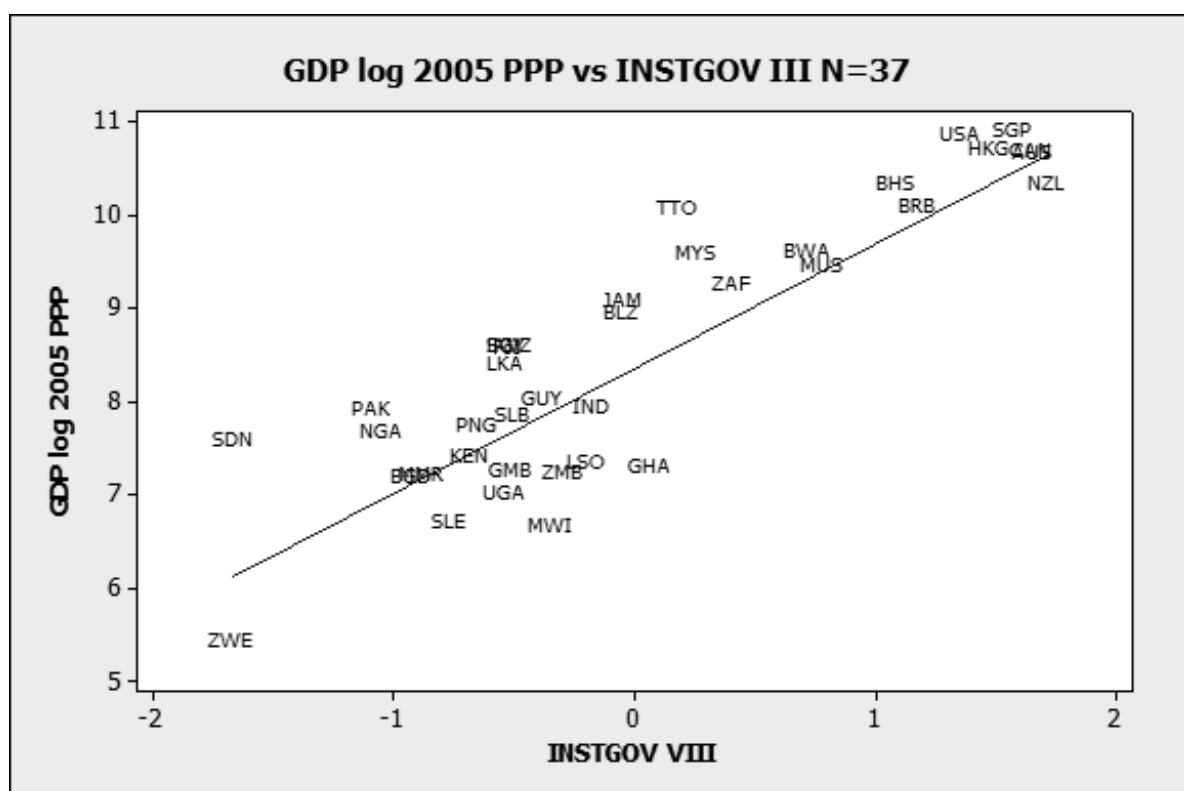
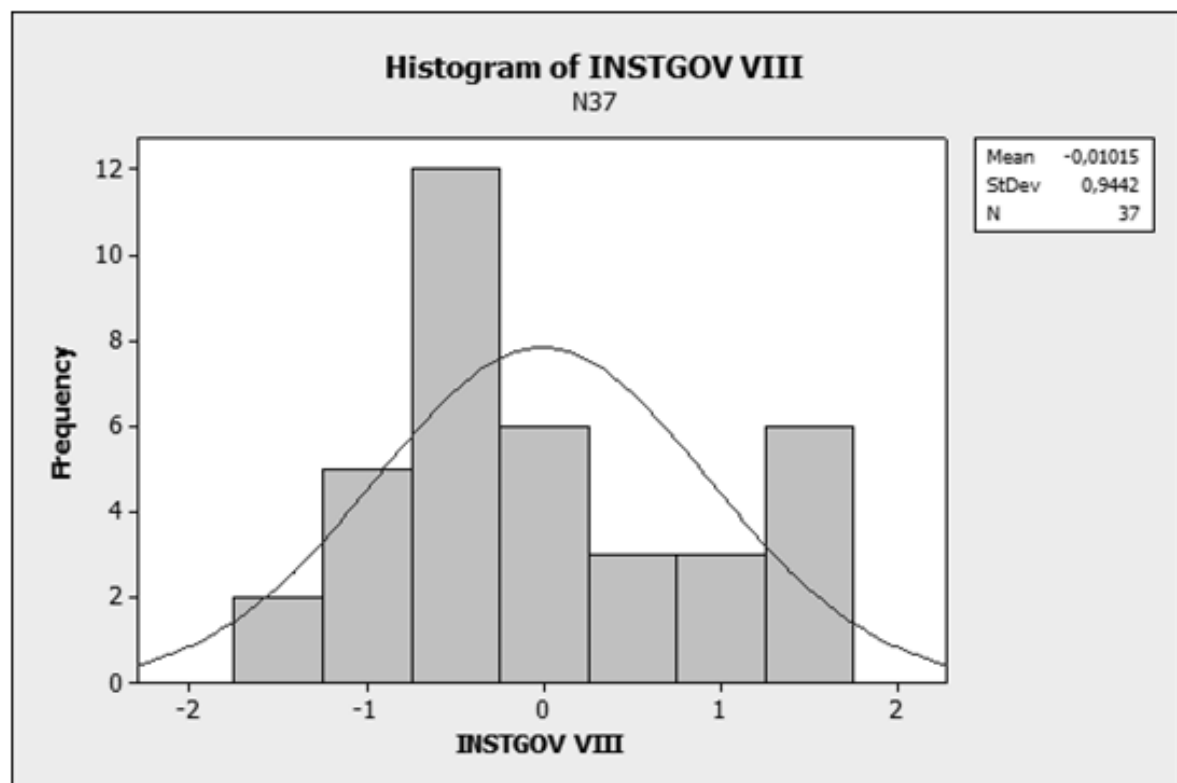


Figure 5: Spreads of institutional quality of former European colonies: Samples I, II and III.

Source: Own, indicator INSTGOV VIII based on Kaufman et al. 2009

The thesis will focus exclusively on British colonial possessions, simply because this group of countries displays the largest variance of institutional quality today. Furthermore, the focus on a single colonial power blocks a possible confounding factor related to the distinct nature of colonial powers. British colonial administration differed from - let's say - the Spanish and the peaks of these two colonial powers fell within different eras of European colonial expansion.

The thesis's range of only two country studies means that the British sample of 37 countries needs further classification to facilitate the selection of the two countries. The following classification is loosely based on David Fieldhouse (Fieldhouse 1965).

- I. By continent: African, Asian-Pacific, Caribbean, and American
- II. By colonisation era: Early period (1500-1800), late period (1800-1900)
- III. By settlement strategy: Settler colony, Settler plantation colony, non-settler colonies
- IV. By institutional quality of modern post-colonial state (measured by worldwide ranking in INSTGOV VIII)

Categorisation by continent is necessary, because colonising strategy differed by continents. These differences can be explained by the climate and endowment with natural resources (e.g. Engerman and Sokoloff 1997), but also with differences in colonisation period. The argument that the colonial era matters, maintains that technology and colonial strategies changed over the centuries of European colonial expansion. This is probably best documented by Acemoglu et al. study on a "reversal of fortunes" among former colonies which argues that the most prosperous colonies in 1500 are the poorest today (Acemoglu et al. 2002).

Table 4 below shows a first and exemplary list of five former British colonies and protectorates.

Country	Continent / Period		Emigration Strategy	Institutional quality
Botswana	Africa	Late	Non-settler	High, #53*
Nigeria	Africa	Late	Non-settler	Very low, # 187*
Singapore	Asia-Pacific	Late	Non-settler	Very high, #14*
Australia	Asia-Pacific	Early	Settler	Very high, #9*
Jamaica	Caribbean	Early	Plantations	Medium, #98*

Table 4: Representative colonies and protectorates of the British sample

Source: Own, * rank among 212 world sample based on Kaufman et al. 2009

In a final step, the selection of two country studies has to follow the restrictions of maximum comparability. Because the emergence of institutions is subject to contextual factors, a direct comparison between distinct colonial examples (e.g. a colony of the 16th century with one of the late 19th century) risks yielding little results. Although more than two studies are clearly preferable, this study will make a start with two African examples of non-settlement colonies of the late 19th century: Botswana and Nigeria.

Botswana and Nigeria are both African countries and belong to the late colonial period. This excludes confounding factors such as different colonial strategies or different levels of technology available for conquest and administration. Both are non-settler countries. European immigration (not shown in Table 4) remained negligible. Yet the institutional and economic success of the two countries could not be more different. Botswana ranks among the best African countries in institutional quality while Nigeria's institutional framework is one of the weakest.

2 BOTSWANA

Botswana is an African exception. It has achieved astonishing economic success and an impressive record of institutions that distinguishes it from many other African countries. It started from very low ground. Upon independence in 1966 only few economists would have foreseen the country's extraordinary economic development. Today most economists agree that Botswana has achieved long-term economic growth based on an efficient institutional framework. This makes it an interesting case study for the origins of efficient economic and political institutions.

Chapter 2 of the thesis examines the reasons for Botswana's strong institutional setup, which is considered fundamental to the country's economic success since independence. To do so, it will utilize the analytical framework discussed in chapter 1.

Chapter 2 will argue that Botswana ended up with better institutions than most of its African counterparts for three reasons.

- I. The first reason is based on local institutions. Pre-colonial Tswana culture comprised a number of informal institutions which were useful for creating a modern state. Most strikingly, the chiefs' powers were restrained and the political elite pursued strong economic interests.
- II. The second reason is contextual and grounded on the country's history. For various motives, British colonial was "light". British administration did not directly interfere with pre-existing Tswana institutions.
- III. The third and final finding is a result of the two above. In the few years before and after independence Tswana institutions underwent an impressive institutional transformation during which traditional Tswana institutions successfully merged with modern institutions many, of which modelled on European examples.

Additional to these findings the case study of Botswana will reveal a range of factors which influenced the process of institutional transformation.

Chapter 2 is structured as follows. The next section introduces the reader to Botswana and relevant important research. Section 2.2 provides a brief overview of Botswana's economic and institutional record after independence. Section 2.3 examines the pre-colonial cultural norms. Section 2.4 looks at what happened to these institutions under British rule. Section 2.5 analyses the institutional transformation that took place shortly before and in the years after independence. In particular, it will examine some examples of how pre-colonial cultural norms were integrated in Botswana's post-independence institutional framework. The final section summarizes and concludes

2.1 INTRODUCTION

Most economic scholars agree that Botswana has achieved astonishing economic success and an impressive record of well working institutions. Given the poor economic and institutional experience of other African countries, Botswana has been the subject of some scientific work to try to answer the question of why Botswana prospered and why it developed such good institutions. Not surprisingly, most institutional economists agree that these two questions have a causal link. Botswana's strong economic performance is seen as a consequence of its effective institutional structure.

The Botswana study uses the analytical framework of institutional economics which has been laid out in Chapter 1. However, additional key terms and literature on Botswana is presented in this section. Both are needed to investigate Botswana's institutional development. To explain the political institutions the study uses Max Weber's sociological theory of legitimate authority (Weber 1992, p. 122-134).

Recent economic research on Botswana has focused among others on the role of institutions of property rights (Acemoglu et al. 2001b), its political institutions (Parsons and Robinson 2004), the role of culture and democracy (Lewis 2006), or on how mineral-rich Botswana avoided the resource curse (Martin 2008). Some have examined Botswana's political institutions inherited from the Tswana tribes (in particular Robinson 2009 and Acemoglu et al. 2001b). The question of how pre-colonial Tswana institutions were successfully integrated into the formal institutional setting of modern Botswana has been touched upon by Englebert (Englebert 2000 p. 13-14), but the institutional analysis of Botswana's successful institutional syncretism is still missing. This study attempts to contribute to filling that gap.

The terms "resource curse" and "state" and "tribe" need further clarification. The term "resource curse" generally describes the negative effect of resource abundance on economic growth. A resource led boom can lead to appreciation of the real exchange rate of the currency which in turn reduces the international competitiveness of other sectors. Moreover, capital and labour are drawn away from non-boom sectors. This effect is also known as the

“Dutch Disease” (after the decline of the Netherlands’ manufacturing sector after the discovery of a large natural gas field in 1959). Politically, the resource curse entails increased corruption, clientelism and rent seeking in the political elites, who usually remain in power through inefficient income distribution rather than through democratic bargaining. In some African countries, perceived corruption and unequal income distribution has led to rebellion and civil war (Martin, 2008, p. 36-39).

In this study, the term “state” refers to more than just government or tribal polities. The term is meant to include territory, administration, army, government, law and judicial system, cultural and historical national myths and images of power (see also Englebert 2000, p. 10). Institutionally speaking, the term state represents the institutions of governance in the sense of Williamson 2000 (Williamson 2000, p. 599).

This study uses the term “tribe” as a sub-group of an ethnic group. Thus the ethnic group of the Tswana was divided in several tribes.

2.2 THE RECORD

The territory of modern day Botswana lies landlocked in Southern Africa. Roughly the size of France, it borders to the west and northwest Namibia, to the north Zambia, to the northeast Zimbabwe. To the east and south lies South Africa. The land is mostly arid. Only 4% of it can be cultivated. The dominant ethnic group, the Tswana, migrated into the territory in the 18th century and were predominately cattle traders (Acemoglu et al. 2001b, p. 9). In 1885, Botswana became a British protectorate under the name of Bechuanaland Protectorate. Until independence in 1966, the British Empire restrained its involvement and purely administered the Protectorate by using a very “light” form of indirect rule without exerting too much political influence. Pre-colonial tribal power structures remained mainly untouched (Robinson 2009, p. 1). The share of European settlers in the population stayed at about 1% (Lewis 2006, p. 7). British investments in the country’s infrastructure and human capital were similarly marginal. When the British left, Botswana had 12 kilometres of paved road, 22 Batswana¹⁶ had graduated from university (in South Africa) and 100 from secondary school (Acemoglu et al. 2001b, p. 1).

Today, Botswana is one of the world’s most interesting economic development success stories. When made independent in 1966, it was one of Africa’s poorest countries with a GDP per capita of about US\$70. Since then, its economic performance has surpassed that of other economies on the African continent and has also outperformed other low income countries and the world average. For the period from 1966 to 1996 Botswana’s average real growth per capita reached 8.2% making it the fastest growing country in the world for these three decades (Leith 2000). Table 5 gives a first quick impression using familiar comparative figures about Botswana’s and other countries’ socio-economic performance.

¹⁶ The inhabitants of Botswana are called Batswana.

	GDP per capita 2005 (PPP \$)	GDP growth average (1965- 2005)	GDP per capita growth average (1965- 2005)	Urban population 2005 (% of total)	Employment in agriculture 2005 (% of total employment)	Life expectancy at birth 2007
World	8,771	3.50	1.78	48.67	32**	69.00
Sub-Sahara Africa	1,707	3.19	0.41	35.00	68***	52.00
Low Income Countries	1,093	3.77*	1.28*	27.47	68***	59.00
Republic of South Africa	8,504	2.96	0.77	59.30	7.50	51.00
Botswana	12,067	10.01	6.98	57.30	29.90	53.00

Table 5: Botswana Economic Performance in Comparison to Other Economies

Sources: WDI-World Bank Indicators 2009, *Data from 1985-2005, **WDI-World Bank Indicators 1996, ***Acemoglu et al. 2001b (data for 1990)

It is important to mention that mineral wealth has supported Botswana's success. Rich deposits in diamonds were discovered shortly after independence and the mineral sector has played an important economic role ever since.

Botswana's leaders have followed orthodox economic policies. There have been low inflation, no unsustainable fiscal deficits, a stable currency and secure property rights. Difficult political and economic challenges have been tackled in a pragmatic manner (Leith 2000).

Botswana's management of its mineral wealth is just one good example out of many. Its economic exploitation of diamonds and other mineral resources has not ended in a resource curse as with many other resource-rich, but low-income countries. This is an extraordinary achievement. Botswana has applied some useful policies to prevent its resource boom from turning into a disaster. Strong foreign exchange reserves have been built and used to absorb demand shocks and stabilize real exchange rates (Leith 2000, p. 5-6). Macroeconomic stability has been ensured by a soundly operating central bank, which was established in 1976 (Leith 2000, p. 11- 16). The use of National Development Plans (NDP) has determined

domestic spending. Planned investment has ensured legislative control over public expenditure (Martin, 2008, p. 43). Also, Botswana has become an influential partner of De Beers in the diamond industry. De Beers uses its quasi-monopoly on diamonds to stabilize world market prices which has had a welcomingly stabilizing effect on the business cycle (Martin, 2009, p.43). These policies have prevented sharp appreciation of the real exchange rate and have kept negative effects on labour and capital low. Moreover, policies aiming to diversify the economy (i.e. cattle to minerals and finally to manufacturing) have curbed the mineral sector's share at a level of around 40% of the GDP (UNDP 2005, p. 15-17).

Although exceptional, Botswana's economy is not without challenges: Unemployment and economic inequality are structurally high, particularly in rural areas. Total factor productivity (TFP) slumped in the 1990s (Leith 2000, p.7-8). The HIV/AIDS epidemic is also another challenge. Botswana (like most of its neighbours) suffers from the highest infection rates in the world¹⁷. Most likely, traditional sexual behaviour patterns have spread the disease in spite of the government's early and well-structured response efforts (Lewis 2006, p. 17-18).

Botswana's example shows that orthodox economic policies can indeed be successful in a developing country. Why is this not possible in other countries? In Botswana's case, institutional economists argue that its institutional setting ensure that its leaders follow responsible policies (e.g. in managing its mineral wealth) (Acemoglu et al. 2001b; Martin 2008, p. 43-44). In fact, the country enjoys one of the best-working set of institutions on the African continent. Botswana's mature democracy has seen peaceful transitions of governments after free and fair elections. Its property rights are secured by an efficient law system that also provides for transparency and keeps corruption relatively low (World Bank 2009).

A brief institutional comparison with other countries gives a picture of Botswana's institutional ranking. Using the average value of all six World Bank Governance Matters

¹⁷ Recently, the infection rate has dropped marginally from 26.5% (2001) to 23.9% (2007) (UNAIDS/WHO Working Group on Global HIV/AIDS and STI Surveillance, 2008). A joint study mandated by the Botswana government and the United Nations Development Programme (UNDP) estimated an induced annual loss of GDP growth between 1.2% and 2.1% over the 2001-2021 period (ECONSULT 2007, p. 2-3).

indicators for each country (INSTGOV VIII) places Botswana at a value of 0.72 and ranks 53rd among the worldwide sample (213 countries). Its institutions equal countries such as Italy or Taiwan, which is ahead of its neighbour South Africa (ranking 74th) and clearly so of emerging economies such as Brazil, India or Mexico (see Figure 6).

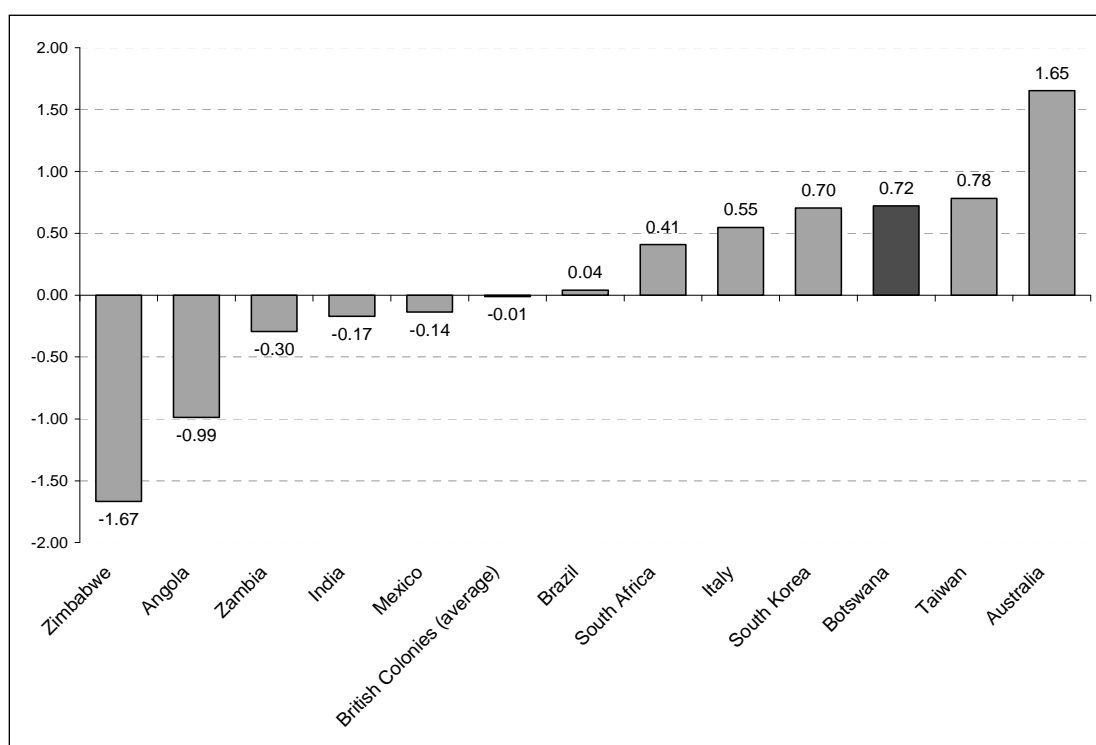


Figure 6: Botswana's institutional ranking (INSTGOV VIII) against selected countries worldwide

Source: Kaufmann et al. 2009

Among African nations, Botswana's overall institutional quality (again measured by INSTGOV) puts it on grade 3 behind Reunion and Mauritius. Neighbouring South Africa reaches rank 6 (no figure displayed).

I use the smaller sample of 37 former British colonies to demonstrate how Botswana's institutional record is linked with its economic performance. Figure 2 shows this relationship. GDP Log2005 stands for income per capita in 2005 (in PPP). INSTGOV represents the average of all six Governance Matters indicators in a former British colony. Botswana (BWA) ranks 10th among its former colonial peers. Its position is close to the predicted relationship (diagonal line) indicating that its economic success largely reflects good institutions.

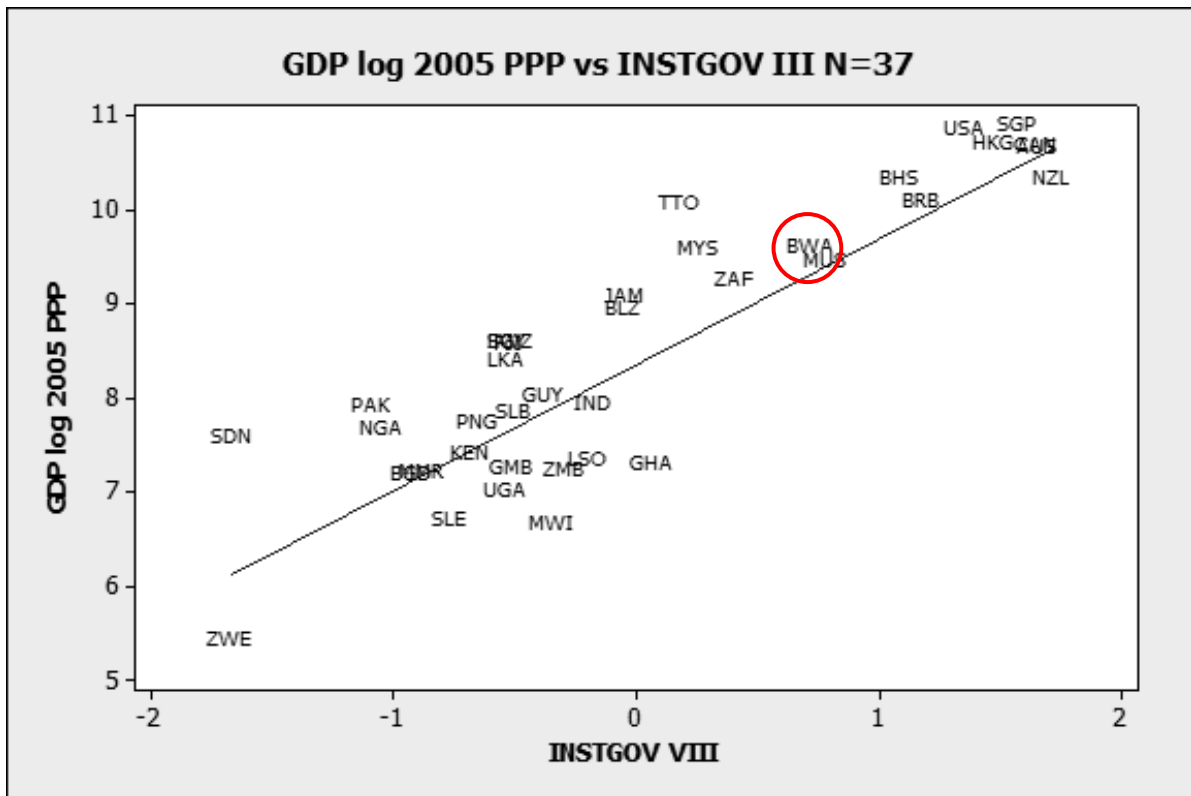


Figure 7: Botswana's rank among former British colonies. OLS Regression Institutional Quality vs. Income

Source: Kaufmann et al. 2009, WDI World Bank Indicator 2005 (GDP values), CIA the World Factbook 2010 (GDP values for Burma and The Bahamas), own

Why does Botswana have stronger institutions than most other countries in Africa and than most former British colonies? How did colonial rule affect Tswana institutions?

To investigate these questions the remainder of the case study applies the following methodological approach. The genesis and the development of Tswana institutions is analysed along three stages of Botswana history: The pre-colonial, the colonial and the post-colonial period.

The study will take a focus on specific institutional areas which are deemed important by institutional literature for long-term economic growth. The following three areas of institutions will be the object of analysis:

- I. Political institutions: In particular the constraints on the ruler, the legitimacy of rule and the system of law.
- II. Economic and legal institutions which secure property rights: In particular contractual enforcement and the distinction between communal and private ownership.
- III. Social institutions: In particular urbanisation, management of working time, religion, education and markets.

The next sections follow Botswana's three historical stages chronologically. The following section examines Botswana's institutional setup in pre-colonial times. Section 2.4 analyses the colonial period and section 2.5 examines how local institutions merged with independent Botswana's institutions. Each section starts with a brief historical overview continued with the analysis of the three institutional clusters. Relevant institutional research on these three clusters will act as an analytical frame and will be introduced within the sections.

2.3 PRE-COLONIAL INSTITUTIONS

In the 18th century, the Tswana migrated into the area of modern day Botswana from the south east. They presumably left modern South Africa, where the Tswana today still form a major ethnic group. By 1800, several related Tswana tribes (tribal polities) had been established. Their chiefs (kings, leaders) and their entourage (relatives, officials, and clients) formed the political elite. Over a period, tribes sometimes split up or major groups broke away to form new tribes.¹⁸ However, Tswana tribes remained closely connected. They developed common cultural institutions and a common language, Setswana. Subjected non-Tswana tribes were structurally integrated and largely absorbed into Tswana culture (Acemoglu et al. 2001b, p. 9). Contact with Europeans dates back to the early 19th century. Ivory and ostrich feathers were traded with Europeans as early as 1805. The tribes saw trade as a source of income and a way to acquire important goods such as guns. Missionaries were also welcomed. The first missions were founded in 1817 (Acemoglu et al. 2001b, p. 11-12 and Parsons and Robinson 2004, p. 11).

The Tswana tribes followed cultural norms to organize their social, political, and economic life. As in other traditional societies, cultural norms and other institutions were internalized through education by parents or through sanctions by the tribe (Schapera 1955, p. 36).

From an institutional point of view, cultural norms equal informal institutions. We can assume that all aspects of pre-colonial Tswana daily life were ruled by informal institutions. This section will examine the most important in regards to economic performance.

¹⁸ Today, there are eight main Tswana tribes in modern Botswana: Batawana, Bangwaketse, Bakwena, Balete (Bamalete), Bakgalata, Barolong and Batlokwa. The syllable "Ba-" means more than one person and can be dropped.

2.3.1 Political institutions - constraints on rule, legitimacy of Rule and legal System

Tswana tribes - like many others in sub-Saharan Africa - were ruled by the traditional authority of their chiefs, who enjoyed paramount legal, judicial and executive powers. Tswana political institutions - unlike other African ethnic groups – however, constrained the powers of the chiefs.¹⁹ Moreover, Tswana institutions encouraged the political elite to engage in economic activity which promoted able and pragmatic leadership.

2.3.1.1 Constraints on rule

Two important institutions curbed a chief's powers to rule.

- I. The chief had to work with the advice of a traditional assembly (kgotla) over which he presided. Although the chief's decision was final, he had to follow a consultation process and consensus seeking.
- II. He had to pursue economic interests to be able to maintain political support from an economically powerful elite.

The chief presided at the kgotla, an assembly (place)²⁰ of adult males which served as a judicial chamber, administrative body or as an advisory body to the chief. His subordinates had the right to use the kgotla to express disapproval. The chief generally consulted the stakeholders involved before making any decision on matters of any importance. He would then try to seek consensus when possible, although he did not necessarily have to abide to this consensus (Acemoglu et al. 2001b, p. 10 and Lewis, 2006, p. 7).

¹⁹ Most other Sub-Saharan African polities such as those of the Nyiginya in modern-day Rwanda developed different political institutions with a more powerful ruling and warrior class (Robinson 2009, p. 9).

²⁰ The term kgotla stands for the meeting place as well as the assembly itself.

The colonial British anthropologist, Isaac Schapera, describes how the chief's powers were kept in check by the kgotla.

“...all matters of tribal policy are dealt with finally before a general assembly of the adult males in the chief's kgotla (council place). Such meetings are very frequently held ... [Among] the subjects discussed ... are tribal disputes, quarrels between the chief and his relatives, the imposition of new levies, the undertaking of new public works, the promulgation of new decrees by the chief ... [It] is not unknown for the tribal assembly to overrule the wishes of the chief. Since anyone may speak, these meetings enable him to ascertain the feelings of the people generally, and provide the latter with an opportunity of stating their grievances. If the occasion calls for it, he and his advisers may be taken severely to task, for the people are seldom afraid to speak openly and frankly.” (Schapera 1940, p. 72 in Robinson 2009, p. 8).

The kgotla provided a framework for commoners to give an opinion, but the tradition of consulting and consensus seeking went deeper. It was central to Tswana rule, decision making and the chief's expression of his responsibility to serve his people (Lewis 2006 p. 7-8). This is well conveyed by the Tswana proverb: “Kgosi ke Kgosi ka batho” or: “A chief is a chief by the grace of his tribe.” (Schapera 1955, p. 84).

Political and economic powers were closely related and both were predominately in the hands of the chief and his entourage. Therefore, economic resources (in particular cattle) were necessary to win and maintain political support. Herds were allocated to subordinates in exchange for political support for the chief and those close to him (Acemoglu et al.. 2001b, p. 10). The chief himself was likely to be a wealthy man. In fact, the word “kgosi” means “chief” as well as “wealthy man”²¹ (Schicho 1999 p. 122). Tswana tribes have a remarkable history of being ruled by able and pragmatic leaders, which dates back to the 19th century. It is reasonable to assume that strong leadership has been the result of institutional constraints on the political elite (Robinson 2009, p. 4).

²¹ By 1875, at the start of his rule, chief Khama III held some 8,000 cattle. By 1920, his son and successor had increased this number to 50,000 (Good 1999, p. 187 and Schicho 1999, p. 122).

2.3.1.2 Legitimacy

The chief's authority was based on the traditional norms of paternal succession and religious beliefs. The fundamental role of succession that was related to religious rites for the authority of a Tswana chief is well documented (Schapera 1955, p. 59-60). His legitimacy as a leader was also based on the respect he typically enjoyed among his subordinates (Schapera 1955, p. 85).

The analysis of these features of traditional authority can be traced back to the sociologist Max Weber. According to Weber, traditional authority is one out of three legitimate forms of domination; i.e. the subjects' interest to obey is not based purely on materialistic and rational calculations. Subjects believe in the legitimacy of being obedient. In the case of traditional authority, this belief is based on the rites and the sanctity of traditional norms (Weber 1992 p. 122-130). Hence, a chief had a natural interest to preserve the traditional norms that granted his powers and, if possible expand them by even using a newly introduced religion – Christianity no less – in his favour.

The Christian faith was first introduced to the Tswana in the early 19th century. British missionaries had followed swiftly behind the first European traders. The influential London Missionary Society (LMS) founded its first mission on Tswana territory in 1817. After that, Christianity co-existed with traditional beliefs rather than replaced them. Tswana chiefs embraced this new religion. Chief Khama III converted to Christianity in 1860 (Acemoglu et al. 2001b, p. 12) and Chief Lentswe followed in 1892 (Schapera 1933, p. 407).

It is probably safe to assume that the Tswana chiefs' interest in Christianity was political. If religious norms were the base of the legitimisation of their powers, it is plausible that pragmatic Tswana chiefs wanted to add Christianity to their legitimisation. They also used their good contacts with the missionaries to facilitate negotiations with European officials (Acemoglu et al. 2001b, p. 12).

The chief's right to rule was ascribed to his person as much as to his title. His rule was organized by personal and economic relations between him and his officials. Five such levels of political authority ranged from the chief, who governed the tribe, via lesser chiefs in charge of towns, headmen of both villages and hamlets to the heads of single families (Parsons and Robinson 2004 p. 17). Each administrative level had its own kgotlas which functioned as the political and administrative forum (Schapera 1939 p. 8). Subjected tribes were integrated into the Tswana tribal structures, but left to rule their own wards with their own kgotlas. Subjected tribes paid tribute (either in kind or in service) to Tswana leaders. Despite their rather peaceful integration, they remained economically and politically underprivileged²² (Robinson, 2009, p. 1 and Acemoglu et al. 2001b, p. 11).

Political scholars call early Tswana ruling strategy "personal rule" or "patrimonialism."²³ This basically means that political support rests on clientelism and patronage. For this study's aim, it is important that ruling by patrimonialism is incompatible with formal institutions used by modern bureaucracies. Scholars therefore believe that patrimonialism has to make way for a well working institutional framework (i.e. good governance), if a country aims to modernize and achieve long-term economic growth (Parsons and Robinson 2004 p. 2-4 and Robinson 2009 p. 5-6).

Patrimonialism among the Tswana tribes was not without limits. In rare cases, Tswana traditional norms allowed any chief's rule to be publicly challenged, if it was seen as unfit. Such situations typically ended in the splitting of the tribe or the chief's tragic death. But these were rare occasions. Generally, Tswana politics between the chief and his tribe was characterized by a stable and harmonious cooperation which was based on several limitations of the chief's powers (Schapera 1955, p. 84-85).

²² We know from the well documented example of non-Tswana tribes (e.g. the San and the Basarwa) in the 19th and early 20th century that many of them were serfs. Servile labour and economic inequality were entrenched in the Tswana system of domination. Members of subjected tribes fulfilled pastoral duties and other chores. This allowed the Tswana to focus on more profitable activities such as trade, herd management or politics (Good 1999, p. 189 and 191).

²³ The concept of patrimonialism can again be traced back to Max Weber (Weber 1992 p. 133)

2.3.2 Law and judiciary system

The Tswana tribes' judiciary and legal affairs lay in the hands of their chiefs. Within a tribe, a chief settled disputes and dispensed justice. Lower chiefs had similar though limited powers. The kgotla was traditionally the place where trials were held (Schapera 1955, p. 271).

Legal norms had a religious (magical) foundation. Existing legal norms were further developed by a chief's legislation and jurisdiction through oral case law (Schapera 1955, p. 40). In Tswana tradition, no chief was above the law. In theory, there was no distinction between chief and commoner before the law. In practice however, offences by the chief and those close to him were treated more lightly (Schapera 1955, p. 51-51).

2.3.3 Property rights: Cattle and land

Most economic and institutional scholars agree that institutions which ensure economically efficient property rights are essential for long-term economic growth (see for example Acemoglu and Johnson 2005, Kerekes and Williamson 2008). The pre-colonial Tswana had elaborated rules on institutions of property rights. The concepts of communal property and private ownership co-existed side by side. The form of ownership depended on the value of the asset. The enforcement of communal and private property rights lay in the hands of the chief.

Unused land was an abundant resource for the Tswana. Its ownership was considered communal. The chief or his officials could allocate areas of unused land to tribesmen for cultivation, settlement or grazing (Schapera 1955, p. 195-198). A chief could use this right to distribute new lands to his tribesmen in return for services and political support. The chiefs and their entourage benefited from their powers over land distribution and themselves became large owners of land (Good 1999, p. 187-188).

Private property existed only for cultivated or settled land, crops, personal belongings and livestock. Cattle were the most valuable asset the Tswana had. The cattle were used as a

source of milk, skin, meat or as a trading currency for all sorts of services such as domestic repairs or craft-work. As with land, the chief allocated stray or looted cattle among the tribe in exchange for political loyalty or special services (called “kgamelo”). The Tswana also used private property rights for goats, sheep and crops, all of which ranked lower in value than cattle (Schapera 1955, p. 214-217).

The institutional theory of property rights explains the various forms of ownership in pre-colonial Tswana societies. We can expect no private ownership, if a resource such as land is abundant and externalities among competing users are negligible. Institutional thinking predicts that communal use of land shift in favour of private property, once land either becomes scarce or gains value (Platteau 2000, p 83).

However, access to this resource does not take place in a political vacuum. In the case of many pre-colonial African societies, membership in a tribe granted general access to land and excluded foreigners. A chief guaranteed this access and acted as a mediator (Platteau 2000, p. 75-77). Even more importantly for the Tswana, the low fertility of the land and unpredictable rainfall in Bechuanaland required herds to be moved over vast territories to avoid any drought. Such mobility generally rules against assigned property rights to specific plots and promotes communal ownership (Platteau 2000, p. 87-89).

2.3.4 Markets

Markets are themselves institutions because their characteristics determine the costs doing business. They also rest on several institutional arrangements such the way of contracts are enforced or tools to lower information asymmetry among the traders (Greif 2005, p. 727). As market institutions co-evolve with political and social institutions the analysis of institutional arrangements known and applied is helpful in understanding economic performance.

Pre-colonial Tswana trade was typical of a subsistence based economy. Typically, surplus goods were traded in the markets. We do not know of any enterprise-orientated production for the markets. Market exchange was governed by personal relations among men. Trade was

done either within one Tswana tribe or with members of another Tswana tribe. Inter-tribal trade usually needed the presentation of the trader before the chief of the receiving tribe before goods could be exchanged. The chief was entitled to be paid a small commission.

There was no cash or other single trading unit. Anything of value could be used as payment. Relative prices had to be known by the market participants which increased transaction costs.

Exchange was preferably done on the spot. Any contract that was of a slightly higher complexity or value (e.g. purchase on time or on credit, purchase of cattle or livestock) needed witnesses, who could speak out at the kgotla in case of any contract breaches. Contracts of higher values would sometimes take place before the kgotla in session. We can assume that impersonal trade was unknown to the pre-colonial Tswana tribes (Schapera 1955 p. 241-243).

Institutional theory explains that personal relations and repeated transactions between trading partners reduce the incentives to renege (North 1992 p. 66-67). If the goods are exchanged immediately, minimum informal institutions of contract enforcement are a good way to enable trade at lowest transaction costs. More complex trade (future exchange, trade with foreigners) need stronger institutions. This explains the use of witnesses or the need for members of other tribes to present themselves and their goods before the chief. Even in societies with highly developed legal institutions, traders value personal relations because contract enforcement before court is more expensive (Edwards, Ogilvie 2008 p. 6).

Beside exchange of goods through markets, the Tswana also used an institution of non-market allocation (called “mafisa”) whereby a cattle owner could allocate some or all of his herds to a third person. The owner would keep the rights of ownership, profits and offspring while reducing management costs and the risk of disease. The recipient could use the cattle for ploughing and the production of milk and would be entitled to some of the calves. This enabled non-cattle owners to begin their own herds. A chief himself an important owner of herds could use a similar arrangement (“kgamelo”) to bind commoners politically (Schapera 1955, p. 246-250).

2.3.5 Pre-colonial social institutions

The pre-colonial Tswana lived in a traditional society based on a pastoralist and agricultural economy. They followed a cyclical perception of time and had a preference for settling in relatively large capitals.

2.3.5.1 Urbanisation

Research has pointed at positive relation between urbanisation and economic growth (see for example Acemoglu et al. 2002). Even more interesting for the aim of this study is the impact of urbanisation and population density on the emergence of effective institutions. For instance, high population density may increase the pressure on resources, leading to the emergence centralised institutions (e.g. markets) which regulate their allocation (Gennaioli and Rainer 2005, p. 22). Furthermore, the provision of essential public services such as justice, education or tax collection is relatively inexpensive in comparison to more widely distributed population patterns (Platteau 2000, p. XIX).

Unlike other African tribes of their time, the Tswana, although dispersed over vast territories, preferred to settle in major towns and capitals, which marked the economic and political centres of each tribe. In the 19th century, Tswana towns were among the largest settlements in Southern Africa. By 1866, the capital of the Ngwato (called Shoshong²⁴) counted 30,000 inhabitants (Palmer and Parsons 1977, p. 115-116). Other Tswana towns (such as Serowe and Kanye) were considered major towns in their time (Parsons and Robinson 2004, p. 17-18)

Tswana towns and capitals followed an elaborate political, demographic and geographic lay out. The central kgotla and the chief's or headman's cattle kraal (enclosure) made the centre of each settlement. Major villages and towns consisted of an agglomeration of smaller villages, each with their kgotlas and with the headman's cattle kraal at their centres. The towns were usually surrounded concentrically by agricultural land and then by herding areas.

²⁴ Shoshong was capital of the Ngwato until 1890. The capital was later moved to Serowe.

Non-Tswana tribes settled in villages under their own leaders. These villages were geographically integrated in major Tswana towns (Schapera 1955, p. 10).

Economic theory regards urbanisation and high population density as crucial factors for early institutional development. They promote market expansion and facilitate the enforcement of property rights. Furthermore, the provision of essential public services such as justice, education or tax collection is relatively inexpensive in comparison to more widely distributed population patterns (Platteau 2000, p. XIX).

2.3.5.2 Organisation of time

Apart from these urban settlements, we can assume that a major part of pre-colonial Tswana lived in smaller settlements and villages averaging a few hundred inhabitants. As traditional agricultural labourers and pastoralists, the everyday duties caring for crops and herds structured not only their daily working time (e.g. at a specific time the cattle had to be watered each day) but also their annual (e.g. harvesting season, cattle-breed season etc) (Schapera 1955, p. 10 and p. 12-13 and p. 214 and p. 224-229 for mainly the description of the colonial Tswana).

Measuring time cyclically (e.g. daily, annually) based on the repetition of work duties is an institution typical of traditional societies. It can still be found today in some African pastoralists such as cattle-herding societies in northern Tanzania (Obrecht 2009). Similarly, time can be measured in periods of time necessary for cooking rice (around half an hour) or frying a grasshopper (a few seconds) depending on each society's main activities (Holloway and Thompson 2007, p. 22).

From an institutional point of view, how time is perceived is one of many mental constructs, which humans use to explain their social and economic world. Individuals who share the same cultural heritage also share similar beliefs and mental constructs, which again constitute cultural norms (North 2005, p. 61-2). The theoretical model maintains that institutional norms based in a society's culture (i.e. core institutions) set powerful incentives for social interaction

and economic behaviour. With regard to long-term economic growth, two effects of cyclical perception of time need to be mentioned:

- I. Living with a cyclical perception of time means time itself is not used economically. It is not regarded as a resource that can be traded. Once the level of subsistence is reached, it is usually not expanded (Pirker 1997 p. 4).
- II. From a more economic perspective, the perception of time (cyclical or linear) has a direct impact on the synchronization of working hours and working discipline. If time is not measured in standardized units (e.g. hours), transaction costs for labour markets remain high. In this sense, time perception functions as an institution. It determines the rules and transaction costs for labour markets (Pirker 1997 p. 5-7).

It seems clear that the Tswana cyclical or traditional perception of time constituted a self-enforcing informal institution with sub-optimal effects on economic development. According to the theoretical model introduced in chapter 1 it is unlikely that this institution would change endogenously. There was no rational reason for pre-colonial Tswana to break with past pattern of time organisation. As the study will show, exogenous parameters – taxation - introduced by the colonial rulers would induce change.

2.3.6 Pre-colonial Tswana institutions – a short summary

For the aim of this study, some features of the Tswana institutional environment should be stressed:

Pre-colonial Tswana used informal rules and institutions to regulate all aspects of human interaction. Well-defined property rights were secured by the institutional powers of the chiefs, who were not only economically active, but also respected as legitimate rulers by their people. Enforcement of property rights was in the chiefs' own interests and enforcement costs were low for exchange on personal relations. While markets and trade remained personal and relatively underdeveloped, population density (i.e. the tendency to settle in large capitals)

strengthened the powers of the chiefs and their administration. With so many factors in favour of strong patrimonial rulers, it was a unique feature that their powers were constrained by strong informal institutions such as the tradition of consensus seeking at the kgotla and the need to be economically prosperous. Strong inter- and intra-tribal homogeneity meant Tswana institutions were widely respected even by subjected tribes who had been culturally assimilated.

2.4 INSTITUTIONS IN THE COLONIAL PERIOD

2.4.1 How the Bechuanaland Protectorate was created

Between 1818 and the 1830s, the military expansion of the Zulu caused widespread migration. Military conflicts became inevitable. The Tswana tribes united and eventually defended their lands against settlers from other tribes. Soon after the 1830s, clashes with Boers, who were moving north, threatened the Tswana (the Boer “Great Trek” took place in 1835). Scholars point out that this period of cooperation against the common enemy is likely to have founded a unified Tswana identity and an early feeling of nationhood. Unlike other tribes in the region, the Tswana had developed a strong diplomatic tradition to settle conflicts. If military defence was necessary, the various Tswana tribes tended to unite in face of the common enemy (Martin, 2008, p. 41).

As early as 1853, Sechele, the chief of the Bakwena, travelled to Cape Town to persuade the British to offer protection from the Boers. The British ignored his and similar wishes from other chiefs until the Germans annexed South West Africa (today’s Namibia). This started the scramble for Africa in 1884. Unexpectedly, the Tswana occupied an important strategic position blocking the Germans from South West Africa on one side and the Boer states on the other. In 1885, most of the territory which is today’s Botswana became the Bechuanaland Protectorate²⁵ with its later capital, Mafeking²⁶, actually lying outside the Protectorate (Acemoglu et al. 2001b, p. 11-12).

Different from many other acts of colonisation in world history, this arrangement seemed to have been at least partly in the interest of the subjected population. The agreement with the British recognized the authority of the Tswana chiefs within their lands and granted protection against not only the Boers but also other African tribes. The British were able to protect the

²⁵ In 1885, Britain also declared the creation of a crown colony in British Bechuanaland, which was a much smaller size (around 50,000 square miles). It lay south of the Molope River with Mafeking as its most important settlement. In 1895, British Bechuanaland was incorporated into the Cape Colony and the territory is today part of South Africa.

²⁶ Mafeking served as capital for the Protectorate from 1894 to independence.

strategic route into Southern Rhodesia (then known as Southern Zambezia) at relatively low costs. A railway was built in 1896 for a better connection with the Cape Colony (Martin 2008, p. 41 and Ijagbemi 2006, p. 115). Settlers did not flock into the Protectorate. Their share of the population stayed below 1%. Compared with other colonies, land conflicts between settlers and Tswana were rare. The territory was divided into eight largely self-administering tribal reserves, five relatively small white settler farm blocks and the remainder was crown lands (Lewis 2006, p. 7 and Parsons and Robinson 2004, p. 12-13).

Tswana hegemony thrived in the Protectorate. Tswana tribes continued to incorporate other non-Tswana tribes and disseminated their language and other Tswana institutions throughout the Protectorate (Martin, 2008, p. 41). Incorporation of other tribes went to the extent that ethnic Tswana became a minority within their own tribes. The 1936 census of two Tswana tribes delivered astonishing results. Of 101,481 Ngwato tribesmen only 20,742 were of Ngwato origin. The rest counted as other tribesmen who had been incorporated. There were similar figures from the Tawana: only 7,072 tribesmen of Tawana origin in a tribe of 42,158 people (Schapera 1955, p. 5).

2.4.2 British rule

Most scholars' classifications of the British colonialism in Bechuanaland vary between "light rule" (Acemoglu et al. 2001b, p. 13) and "benign neglect" (Beaulier 2003, p. 229). The British themselves were frank about their interest in the Protectorate being limited. In 1885, the High Commissioner defined British rule as follows: "We have no interest in the country to the north of the Molope [Bechuanaland], except as a road to the interior; we might therefore confine ourselves for the present to preventing that part of the Protectorate being occupied either by filibusters or foreign powers doing as little in the way of administration or settlement as possible." (quoted in Acemoglu et al. 2001b, p. 13)

British rule of the Protectorate was indirect although in a much “lighter” version than the “classic indirect rule” which was practised in Nigeria. The following characteristics of British rule are worth noting,

- a. Colonial administration remained miniscule and had little interaction with the colonial indigenous population. The administration’s radius of direct influence was limited to the colonial capital outside the Protectorate and non-Tswana population in the Protectorate (Lange 2009b, p. 9).
- b. Taxes were introduced in 1899 (hut tax) and 1919 (native tax).Tswana chiefs collected taxes on behalf of the British.
- c. Chiefs kept their institutional powers over their people including judicial, legislative and executive functions. The ordinary tribesmen were governed by their chiefs, sub chiefs or the headmen in the area. Colonial district commissioners worked solely with the chiefs, who benefited personally from their position as intermediaries between the colonial world and the local population. Their position allowed them to be rent-seekers when exchanges between the colonial administration and the local population occurred (Lewis 2006, p. 7 and Lange 2004, p. 907).
- d. Whereas Tswana population largely kept their institutional setting, the Europeans (and the very small Asian and mixed-race communities) had direct contact with the colonial authorities (Lewis 2006, p. 7). It is safe to assume that this minority followed British colonial institutions. For the frame of this study the institutional development of the European and Asian minority will not be taken into account.
- e. The British showed no interest in the resources from Bechuanaland, nor did they invest in much infrastructure. 75% of British spending on the Protectorate was on “administrative expenses” and another large portion was spent on upgrading tribal militants. The British armed the tribes against the Germans to the west and the Boers to the south, beyond this defence spending however, the British did not engage in any kind of nation-building in Bechuanaland (Scott 2003, p. 229-231).

Despite the generally light colonial rule, Tswana chiefs had to defend their rights and titles against the British. Most importantly, they sought to prevent Bechuanaland's integration with the Union of South Africa.²⁷ Ever since the creation of the Protectorate, the British intended to merge Bechuanaland into the surrounding British possessions; a plan which was also pursued by Cecil Rhodes and South Africa (i.e. the Cape Colony, later Union of South Africa). South Africa's influence was strongly felt in the Protectorate. The administration of the Protectorate was under the indirect control of the British High Commissioner in Pretoria who appointed the Resident Commissioner for the Bechuanaland Protectorate (Rey et al. 1988, p. XVIII). Despite political pressure from Pretoria, plans for merging the Protectorate with South Africa never materialized.

Until 1934 the British hardly attempted to establish the direct authority of the Tswana chiefs (Acemoglu et al. 2001b, p. 14). The presence of British staff in the Protectorate remained low. In 1915, the British administration counted 277 members of staff, of which 90% were police guarding the border. In the mid-1930s, only 22 non-police administrators were permanently stationed within the Protectorate (Lange 2009b, p. 9). Among the few occasions, when the British intervened directly in tribal affairs, two examples stand out. The Kwena and the Tawana were the two tribes in which the British had enforced the replacement of clever but dissident chiefs (1906 and 1931). Subsequent chiefs were dependent on the British rather than on popular legitimacy. Consequently, they tended more than other Tswana leaders to promote their own interests rather than develop tribal well-being. The Kwena and the Tawana remained the least democratic and the least guided by legal-rational ideas during the 20th century. The Tswana tribes on South African territory underwent a similar fate, where colonial interferences in mainly succession resulted in corrupt patrimonialism (Parsons and Robinson 2004, p. 17).

²⁷ On smaller squabbles and contest for power between the British and the chiefs see Ijagbemi 2006, p. 108-126

2.4.3 General Effects on pre-colonial Tswana institutions

Tswana institutions were not directly challenged by colonial rule. Research in this regard has focused in particular on political institutions and institutions that secure property rights (Acemoglu et al. 2001b, Robinson 2009). Unlike other African countries, colonisation did not forcefully replace local institutions with colonial institutions. Consequently, there was no direct clash between Tswana cultural norms and British formal institutions (Englebert 2000, p. 13-14).

Even without an obvious clash of institutions, British rule had an important effect on the development trajectories of various Tswana institutions. Furthermore and particularly in the areas of language and in the organisation of social and economic life, there was a steady institutional takeover of European (mainly informal) institutions. This development was promoted by four main factors:

- I. The introduction of colonial taxes;
- II. the subsequent increase of job migration into European mines and factories outside the Protectorate;
- III. intensified contact with missionaries and traders; and
- IV. the Tswana elites' interest in economic prosperity and the tribes' preference for urbanisation.

Out of all factors, taxation had probably the strongest impact on Tswana institutions. First, taxation strengthened the political and economic power of the chiefs, who received a commission of some 10% of what they collected (Good 1999, p. 1888). Second, job migration became widespread among Tswana males, because many in the Protectorate looked for employment in South Africa and the Transvaal. By 1943, nearly half of the male workforce between 15 and 45 years were working away from the Protectorate²⁸ (Acemoglu et al. 2001b, p. 14-15 and Schapera 1993, p. 405). Third, taxation slowly introduced a cash-based economy

²⁸ Lewis reports conflictingly that, by the time of independence, about 30% of the workforce worked in South African mines, farms or factories (Lewis 2006 p. 7).

into the Tswana society. In addition, European traders introduced new goods onto Tswana markets (Schapera 1955, p. 56 and 256 for examples). By and large, Tswana chiefs were aware of the gradual changes and tried to steer the process. They forbade labour recruiters to operate in the tribal areas, tried to ban spirits and prohibited the entry of poor white and Indian traders (Schapera 1936, p. 236).

2.4.3.1 Political Institutions in colonial times

Tswana political institutions such as the kgotla, the need for consultation and the close connection between economic wealth and political power remained untouched under colonial rule. In general, rule by traditional authority was not altered. Sub-chiefs' and headmen's patrimonial hierarchy also remained intact. However, chiefs' position and powers were slightly altered during the colonial period.

They still presided over tribal courts at the kgotla, but severe cases (e.g. murder) were brought before British administration. From 1919 onwards, colonial administration also acted as a court of appeal to other verdicts of tribal courts.

- a. Their magical and religious functions were partly replaced by Christianity.
- b. Their right to call for unpaid labour services was more and more resented once cash and payment for work had become ubiquitous (Schapera 1933, p. 406).
- c. Their personal income benefited from their role as agents and tax collectors for the British (Good 1999, p. 1888). They also received rents from traders and tribute in cash from migrant workers returning home to their tribes (Schapera 1936, p. 230-231).

Missionaries expanded their work under British rule. The expansion of Christianity slowly eroded the chiefs' religious status. As Christian norms questioned the religious legitimacy of the chiefs' powers, the chiefs reacted pragmatically. They adopted Christianity and worked together with the missionaries much as they had cooperated with the sorcerers in pre-colonial times. At the same time, the missionaries became important political allies often taking sides

with the Tswana against the British administration in everyday life and other problems²⁹ (Schapera 1933, p. 407).

2.4.3.2 Property rights

Tswana institutions which secured property rights were not directly affected by British rule. Communal property for unused land and private ownership for livestock and used land continued to co-exist. Based on their political powers, the chiefs and their officials continued to enforce these property rights within the tribal reserves. The institutions setting continued to favour the establishment of a prosperous “beefocracy” around the chiefs and their political elite (Parsons and Robinson 2004, p. 18). Economic inequality became slowly entrenched as a result of this institutional arrangement (Good 1999 p. 188-189).

Technological development influenced the value of land. From the 1920s, more boreholes were drilled to provide water for the herds. Newly created wells were owned privately and the adjacent grazing land also increased in value and was subsequently regarded as private property. This trend benefited the major cattle holders and continued into the 1960s. (Good 1999, p. 188)

Under colonial rule, markets gained importance for the Tswana’s economic activities. The introduction of cash as a currency supported this trend further. Cash and livestock (most importantly cattle) existed side by side as main trading currencies. Interchange was fairly easy. Around the 1930s, 1 £ was equivalent to one ox or two goats (Schapera 1955 p. 273). The chiefs adapted and started to accept cash or cattle for tribute payment or fines (Schapera 1955, p. 65 and 86). The increased presence of trading stores and white traders opened new markets for imported basic commodities, which were considered superior to Tswana products. In exchange, Tswana traders exported cattle and other products to South Africa. This was

²⁹ In 1930 Resident Commissioner Rey noted bitterly in his dairy: “Now the Church of Scotland mission run an institution in South Africa called Lovedale where a thousand natives regularly are being educated – and apparently all the unrest among natives is due largely to those who come out of Lovedale. So that is a jolly prospect. I wish I could induce my savages to start a pogrom of missionaries and eat the lot.” (Rey et al. 1988, p. 19).

initially an important source of cash income, which was later (owing to South African import restrictions) replaced by job migration (Schapera 1936, p. 231). Another impact of European influence was the creation of small labour markets and enterprises in urbanised areas. Early forms of service industries in the areas of transportation, crafts or health were created in particular (Schapera 1936, p. 230).

2.4.3.3 Social institutions

Important social European institutions expanded in towns and areas close to neighbouring white colonies. Among those the most important institutions gradually taken over by the Tswana were

- a. European languages: English and Afrikaans were imported by migrant labourers in neighbouring colonies.
- b. European education in particular writing was disseminated.
- c. Christianity brought by missionaries imported a full range of new social norms.
- d. Post-industrialised working hours and a linear perception of time was imported by migrant labourers.

Several factors contributed to the expansion of European institutions. First, the hut tax may have promoted the import of European institutions, because it forced Tswana to work in neighbouring colonies (i.e. the closest source of money). It thus confronted a considerable part of the population with the new institutions such as money and working hours.

Second, schools were another important factor. Formal education was actively supported by the political elite and seen as a way to achieve wealth by the common Tswana. The spread of Christianity was closely related with schooling, because most schools were run by missionaries.

Third, the Tswana preference for urbanized settlements also promoted the “silent” institutional takeover of European informal institutions. In urban settlements taxation, schooling and markets were comparatively more effective.

Urbanisation did not start with British rule, but gained momentum in colonial times. In the 1930s, Schapera observed relatively large towns and settlements of populations of up to 25,000 inhabitants (Schapera 1955, p. 8). Such early urbanisation was unusual for most other African tribes in the region. In particular the main towns developed into the Tswana states’ early political and economic centres (Parsons and Robinson 2004 p. 17). For the aim of this study, two impacts from Tswana urbanisation are interesting:

- I. Urbanisation influenced how people managed their working time on a daily basis and annually.
- II. Urbanised settlements facilitated contact with British or Boer institutions for a large number of Tswana.

Schapera’s description of Mochudi, capital of the Bakgatla (Bakxatla) tribe, can serve as a good example. In the 1930s, an estimated two thirds of the tribe (i.e. 9,000 out of 12,000 Bakgatla) lived in Mochudi. Living together in a small area had an important impact on these two thirds. It changed their annual working cycle and time management in comparison to their rural fellow tribal members. Urban life did not allow people to live close to herds; therefore cultivated lands and grazing areas were miles out of town – too far for a daily agricultural routine. Hence, from November to June (the rainy season) the urban families moved to live and work on their fields outside the towns. During this time, urban life came to a standstill. During winter (July to October), the families moved back into town leaving the young men and boys to herd the cattle. Consequently, winter months were filled with political work, domestic production and house building (Schapera 1933, p. 402-403).

The location of the Bakgatla tribal area and its capital city close to the south-eastern border of the Protectorate exposed the tribe to Europeans more intensively and earlier than other Tswana tribes. Whereas hunting, cattle and agriculture still served as the traditional source of food, economic life in Mochudi had adapted to European institutions. In order to pay taxes, an

estimated 40% of the male workforce had to work in neighbouring European-led centres of employment. They worked in the gold mines of Witwatersrand or on the fruit plantations of the Rustenburg district outside the Protectorate. Absences of two years were common. The migrant workers were the first to adapt to new European institutions of employment including work and time management. Among the young and educated it was regarded fashionable to speak English among themselves (Schapera 1933, p. 404-406). At least for urban settlers, the traditional lifestyle steadily came to an end. Aspirations for men typically included working in the mines long enough to afford cattle, finding a wife to start a family. Some went to work as clerks for the colonial administration (Lewis 2006, p. 8).

This development recalls traditional European societies which were also characterized initially by a cyclical time perception. Industrialization began in urbanised areas. Industrialization induced a linear perception of sequenced (working) time slots. Individual working time began to serve as a resource for labour markets and firms. The subsequent economic and social transformation of European nations was based on a new linear view of time, which functioned like any other informal institution. It set rules to regulate working hours. Hence, it separated private time from working time, which was sold to an employer. Punctuality and diligence became assets because of lower transaction costs (Pirker 2004, p. 113-125).

Missionaries (among them most actively, the LMS) also benefited from urbanisation. Their schools and churches were early promoters of European culture and institutions such as education and health care. Bakgatla chiefs actively supported missionaries and in particular schooling, which they saw as a tool to modernize and to adopt new technologies. Reports from the town of Mochudi show that in the 1930s roughly 20% of the children attended schools. Schools inside and outside the Protectorate produced the first wave of Tswana entrepreneurs.³⁰ Resident teachers enjoyed considerable prestige and promoted European culture. Education outside home and job migration of the husband gradually eroded the role of the traditional household-based economy (“oikos”). Towards the 1920s, Tswana tribes ran

³⁰ Quett Masire, the second President of Botswana, started as a former school teacher. In the 1950s, he applied modern farming methods which led to Botswana quickly becoming the largest grain producer in the Protectorate (Lewis 2006, p. 8).

their own schools and after the 1930s the colonial administration followed suit (Schapera 1933, p. 405 and Schapera 1936, p. 233 and 243-244).

The partnership between missionaries' schools and both the British administration's South African entrepreneurs' economic interests was not coincidental. It was common practice in Southern Rhodesia, Kenya and other parts of British colonial Africa. The missionaries were in search of souls that could read the Bible and the British "...required a civilizing mission that would convert Africans into proto-Europeans who would peacefully co-exist with their tutors in civilization while inclining them toward the economic practices of modern capitalism" (Windel 2008, p. 4-5). By the 1920s the Colonial Office started efforts to streamline and structure educational efforts throughout the Empire. Command paper 2374, a first policy statement, urged that "... Education should be adapted to the mentality, aptitudes, occupations, and traditions of the various peoples, conserving as far as possible all sound and healthy elements in the fabric of their social life; adapting them where necessary to changed circumstances and progressive ideas, as an agent of natural growth and evolution" (Windel 2008, p. 9).

2.4.4 Institutions in the colonial period – a short summary

Although a direct clash between British and local institutions was avoided, the development paths of some Tswana institutions were affected under colonial rule. Interestingly new European institutions (e.g. language, labour markets, cash based economy) were not imposed by acts of colonial masters, but gradually introduced into Tswana society because of geographical and social factors. Among these the vicinity to European led day labour, taxation, urbanisation, education, and the work of missionaries were the most influential in promoting this development. Furthermore, Tswana chiefs personally benefited from the political arrangement with the colonial administration and supported a gradual modernisation of Tswana society.

2.5 INSTITUTIONS IN POST-COLONIAL BOTSWANA

2.5.1 The way to independence

The Protectorate's path to independence evolved around the central figure of Seretse Khama, heir to the chieftainship of the Ngwato tribe. During his education in London, he married a British woman, which was a serious breach of Tswana tradition (and it took a series of kgotla sessions to reconcile him with his tribe). In 1951 however, the British administration banned him from the Protectorate under pressure from the newly elected racist government in South Africa. Only in 1956 were Khama and his wife allowed returning to the Protectorate under the condition that he denounced chieftainship (Lewis 2006, p. 10).

Khama's exile had profound effects on the population. During the period of his banishment, his followers began to organize a political movement for independence that would rattle British rule in the Protectorate. The Ngwato crisis was closely followed in the media by the British public, who largely opposed apartheid South Africa. In 1954, it became clear to the British administration that its initial plans to merge the Protectorate with South Africa would have to be given up (Lange 2009b, p. 11 and 13).

The colonial administrator, Peter Fawcus, who later became the Protectorate's last Resident Commissioner, became an important ally of the young Tswana independence movement. By 1961, Fawcus established new political bodies based on a preliminary constitutional arrangement that was approved in London. Among these bodies the most important were: an African Council,³¹ a European Council and a mixed Legislative Council (LEGCO).³² At this early stage of limited political autonomy, the traditional Tswana institution of consultation with the tribesmen was already integrated into legislative and administrative bodies. The African Council began to reform Tswana political institutions and started to replace the local

³¹ The African Council represented the native population and was elected from the local ward level up through a system of tribal kgotlas.

³² LEGCO consisted of ten Africans (eight elected by the African Council and two appointed), ten Europeans (eight elected by the European Council and two appointed), one Asian and ten government officials with the resident commissioner presiding.

chiefs' patrimonial rule with democratic processes. Civil servants and early politicians gained valuable practice in various councils and administrative departments. The first political parties were formed inside the LEGCO. Seretse Khama founded the new Bechuana Democratic Party – later the Botswana Democratic Party (BDP) – in 1962. The BDP was explicitly national, non-tribal and non-racial. It immediately started building grass-root structures using Khama's popularity as a former chief. BDP leaders travelled throughout the country discussing ideas, recruiting members and disseminating information about the new constitution. At the 1965 elections, the BDP had offices in every constituency thereby winning 81% of the vote (Lewis 2006, p. 10-12). In 1966, the country gained independence as the Republic of Botswana with Khama as its first president and the BDP as the ruling party (Parsons and Robinson 2004, p. 13).

Despite the peaceful achievement of political freedom, newly independent Botswana was impoverished. During its first five years of existence, it was heavily dependent on British financial support (Parsons and Robinson 2004, p. 13). On the other hand, colonial rule had ended peacefully and independent Botswana was an unusually ethnically homogenous nation. On independence a majority considered themselves Tswana and shared the same language³³ (Robinson 2009, p. 9).

2.5.2 Institutional development towards a modern state

The hypothesis laid out in Chapter 1 builds the idea of an institutional development upon the imported state hypothesis. It argues that the variations in the extent to which post-colonial state institutions clash with pre-colonial institutions largely account for differentiations in institutional quality and thus economic performance (Badie 1992 and Englebert 2000).

According to the simple theoretical concept, which this thesis applies, institutions of a post-colonial state are more likely to promote long term economic growth, the better local

³³ This feeling of Tswana-hood is partly surprising. Owing to extensive incorporation of non-Tswana tribes, probably no more than 50% of Botswana's population had Tswana ancestors on independence. Even if ethnical homogeneity in Botswana cannot be supported by statistics today, the overall feeling of belonging to a homogeneous group had a politically stabilizing effect (Robinson 2009, p. 9)

institutions are integrated into the post-colonial institutional framework and the more formal institutions of the modern state are embedded into a society's social networks based on its history and culture. Consequently, the following analysis will focus on how pre-colonial Tswana institutions were integrated into the institutional framework of modern Botswana and how European institutions, which were necessarily imported to build this framework, were introduced to the Tswana society.

The introduction of several informal European institutions had already begun during the colonial period. As shown above, the perception of working time had changed owing to taxation, job migration and schooling. Local labour markets had started to exist. English language and Christian values had been diffused among the population. This first phase had a geographically focus on Tswana capitals. Affecting mainly informal institutions, the process took roughly two generations. A clash between British and Tswana institutions was avoided owing to light colonial rule and pragmatic Tswana leadership.

In a second phase, the process shifted to the conscious adoption of formal modern state institutions. This process was much shorter. It roughly lasted from the decade before independence and ended a decade thereafter. The cumulative introduction of a wide range of formal institutions in such a short period of time is probably best explained by concepts of "crises" or otherwise sharp breaks from established procedures. Independence after generations of colonial rule usually constitutes such a crisis (Williamson 2000, p. 598 and Lange 2009b, p. 2-5).

In this second phase, Botswana's leadership chose which institutions to build from scratch and which pre-existing ones to keep. Newly introduced institutions were modelled on European examples and adapted to Tswana culture. Existing institutions such as the kgotla were integrated into the formal institutional framework necessary to run a nation. As this section will show, a clash between pre-colonial and post-colonial institutions was again avoided.

Phases of Institutional Development in Botswana	
1. Colonial Period: ~ 80 years (1885 - 1966)	2. Independence Period: ~ 20 years (1961 - 1980)
Mostly informal institutions taken over from British and Boers. Examples include:	Mostly formal institutions taken over from the British or Dutch and adapted to Tswana culture. Examples include:
<ul style="list-style-type: none"> • language • cash based trade • linear perception of working time 	<ul style="list-style-type: none"> • Westminster based parliamentary system. • Tswana institutions such as kgotla and customary law preserved

Figure 8: Phases of institutional takeover in Botswana

Source: Own

Breaking the institutional development into two phases may help to examine what went wrong in other former colonies, where colonial rule often destroyed local institutions and replaced them with European institutions by use of force. More often than not, this phase was brutal. It is a remarkable feature of African colonial history that the Tswana have managed to preserve most of their institutions under colonial rule. In this context, a comparison with related Tswana tribes on South African territory is interesting: Tswana tribes on South African territory and the closely related Basotho in Lesotho initially had very similar institutions (e.g. the kgotla) to the Tswana in the Protectorate. These institutions were determinedly undermined by British efforts to mobilize labour for the expanding mining industry. Other examples of subverted local institutions are documented (see Robinson 2009, p. 9).

2.5.3 Political institutions

Today, Botswana is a parliamentary democratic republic with strong presidential powers. Its legislative, judiciary and governmental institutions have been modelled on European examples but adapted to Tswana tradition. Tswana institutions have been preserved at the level of local administration, where chiefs still exercise important judicial functions. The kgotla remains as a good example of a local institution that still has an important role in

modern Botswana political life. This section will take a look at the establishment of modern Botswana's institutions.

2.5.3.1 Establishment of a new framework of political institutions

The process which developed Botswana's political institutions from its colonial framework began with the disempowerment of the chiefs towards the end of the colonial period. The first step was the creation of elected district councils to administer former tribal areas in 1966.³⁴ At this point, the chiefs were invited to act as ex-officio chairpersons within the district councils which governed the territories occupied by their respective tribes. At the same time, the Chieftainship Act of 1965 formalized the chiefs' traditional powers. This act explicitly confirmed their judicial powers in customary courts, their right over stray cattle, their authority to regulate tribal affairs, their right to convene kgotla meetings, the power to allocate land, and many other rights. The power to recognize, appoint and suspend the chiefs was transferred to the president. After the chiefs had agreed to this formalization of their rights and powers, these were gradually eroded in a series of legal acts. In 1968 for example, the Tribal Land Act transferred the right to allocate land which was formerly the customary right of the chiefs to the newly established land boards (Adams et al. 2003, p. 3). Similarly, most of the chiefs' other rights such as revenue collection were transferred to local government and tax authorities. Finally, the chiefs were removed as ex-officio chairpersons in the district councils (Parson 1984, p. 43-44 and Picard 1985, p. 66).

Two prevailing conditions facilitated the surprisingly peaceful transformation from patrimonial rule to bureaucratic administration.

First, the chiefs' disempowerment was eased by Seretse Khama himself being the chief of the country's largest tribe. Combined with the high ethnic homogeneity among the Tswana, Khama's legitimacy of the president as political leader was greatly enhanced. Botswana was governed like a "modernized traditional kingdom" (Englebert 2000, p. 14). Once legitimacy

³⁴ The district councils govern all citizens within its boundaries regardless of race or tribe (Lewis 2006, p. 13). However, the territories of the nine districts largely coincide with the former tribal areas. The district councils were granted semi-autonomous powers in the beginning, but lost some of their autonomy in the 1970s (Parson 1984, p. 44-46).

of his government had been established, it no longer mattered that his successor (his vice-president) was not originally a chief³⁵ (Lewis 2006, p. 14-15). In Weber's terms, Botswana had changed from the legitimate domination of traditional authority to a rule based on rational-legal authority.

Second, the state administration's rapid expansion was carried out by competent bureaucrats, who were either expatriate staff or Tswana civil servants educated in either London or South Africa. Together with British educated Seretse Khama, they acted as powerful local supporter to institutional development (Ménard and Shirley 2008, p. 631). The need for competent administrators was strong. In the last decade before independence, 2,500 new jobs were created in state administration. After independence the administration continued to grow by 20% per year (Lange 2009b, p. 9-10). Staff members with a foreign background by either education or birth were aware of how political institutions functioned and of the problems which could be avoided (e.g. racism and tribalism in other colonies). The European and South African expatriate workforce, who filled the responsible positions in the civil administration, was considerable. In 1964, expatriates filled 75% of all senior and middle management positions in public services. In 1977 this share was still 33% (Parson 1984, p. 41-42).

It is remarkable that Botswana's leadership did not give in to political temptation to quickly replace expatriate civil servants by local civil servants. Despite public pressure, "localization" was gradual and enabled Seretse Khama and his successors to keep civil services running without breaches in standards of efficiency (Picard 1987, p. 85-89 and Lange 2009b, p. 15).

2.5.3.2 Botswana's framework of political institutions today

Botswana's parliamentary system follows the Westminster model which has been adapted to fit Tswana culture. The political system grants more power to the president who is both head of state and head of government. Legislation lies with the National Assembly. A House of Chiefs advises the Assembly on tribal affairs and customary law, but cannot influence

³⁵ His successor as president and head of the BDP, Quett Masire, had been a teacher. After his succession in 1981, fears that he would fail to unite voters did not materialize (Parson 1984, p. 55).

legislation (Parson 1984, p. 39-40). Botswana's judicial system is based on a Dutch-Roman model, but also has elements of British common law. On the national level, its judicial system is comparable to a continental European country (Beaulier and Subrick 2006, p. 110). On the local (formerly tribal) level, the chiefs retain important judicial powers. They preside over customary courts and do justice according to customary law in minor offence cases. These customary courts were expanded to areas where they had never existed (such as new urban settlements) so that all Batswana today could have equal access to the judicature without a lawyer. As a result, the legal system has not changed much for average citizens, whose legal problems take them before a chief. 70 to 80% of all civil and minor criminal cases are still settled at around 500 customary courts in Botswana. There is no codified or formalized generally applicable customary law. Appeal courts provide the necessary congruence among customary and common law (Lewis 2006, p. 13-14 and Ditshwanelo 2010).

The kgotla remains the place where chiefs and governmental officials hold customary court. Politicians (e.g. cabinet ministers) also use the kgotla as a forum to consult with the citizens and inform them about new legislation (Parson 1984, p. 38-41). Today, the kgotla is considered one of the earliest pillars of Botswana's democracy, which may be flattering. As has been shown, the kgotla was a forum to seek consensus, but not necessarily a democratic institution in today's sense. However, the political importance of the kgotla in modern Botswana politics is seen by anyone who reads a Botswana newspaper (Botswana Gazette 2010).

In its early election campaigns, the BDP used the kgotlas extensively. Feedback from community meetings reported the people's needs for health services, education and better access to markets. The BDP government responded thereby remaining in power (Lewis 2006, p. 14-15). Research conducted in 1979 in rural areas and villages showed that trust in the effectiveness of the kgotla was higher than in any new established governmental body (e.g. the land board or district council) and that kgotlas were still frequently attended. In particular, the less educated rural population education had little understanding of the meaning of national government and of the nation state, Botswana (Picard 1985, p. 66-68).

The role of the kgotla is a good example of the two assumptions that this study holds. First, informal institutions outrank existing formal institutions in their influence in regulating social life (Williamson 2000, p. 596-598). Second, the kgotla example shows that integrating compatible informal institutions within the institutional framework of a modern state increases political legitimacy and raises the overall effectiveness of formal institutions. There is probably more research needed on informal institutions and how they influence long-term economic growth.

2.5.4 Property rights on land

The co-existence of common and private ownership of land as well as the private ownership of cattle was inherited from the colonial period and remains dominant even today (Beaulier 2006, p. 108). This institutional arrangement of property rights has suppressed the establishment of functioning land markets. Consequently, rural economic development in Botswana is lagging behind the country's overall economic performance.

On independence, the ranching industry was the only industrial sector of importance in Botswana. Owing to the traditional connection between political power and cattle, the distribution of cattle ownership was highly unequal. Nevertheless, the non-cattle-owning rural residents' economic existence was indirectly dependent on the health of the cattle sector. Hence, cattle owners and non-cattle owners shared a common interest in having a prosperous ranching industry. This gave all sides strong incentives to keep common ownership of land and private property rights of cattle unchanged and to follow the developmental path based on ranching and exporting cattle. Consequently, the new government invested in physical capital (infrastructure, roads) and human capital (education, public health) in rural areas because such investment initially promised high returns in ranching and promoted growth (Martin 2008, p. 42).

What appeared as good economic policy right after independence (i.e. building on unchanged property right institutions) became a problem in later years. Today, vast investments in the rural areas and the establishment of governmental bodies allocating land (Land Boards) have

not shown much success. Without going into too much detail, the findings of the second Common Country Assessment (CCA) by the UN state that traditional institutions clash with governmental initiatives. In particular, the traditional land tenure system is blamed for obstructing efficient land use (2nd CCA for Botswana 2007, p. 11). “Although rooted in traditional structures and communal land ownership, the administration and allocation of land are highly problematic, with a lack of transparency, excessive bureaucracy, long delays, no effective market mechanism for reflecting supply and demand, and ample scope for corruption. The shortcomings embedded in this system are one of the main causes of inefficient and unproductive land use.” (2nd CCA for Botswana 2007, p. 23).

2.6 SUMMARY

The aim of this study has been to investigate why Botswana ended up with remarkably strong institutions. By applying the conceptual framework of this thesis to the course of Tswana history, the study has been able to identify influential factors and variables

Exogenous variable	Endogenous variable	Outcome
<p>Light colonial rule left Tswana pre-colonial institutions untouched</p> <p>The colonial period was peaceful and long enough for informal institutions to be adopted.</p> <p>Gradual introduction of European institutions (language, education, working time perception, money).</p> <p>Sovereignty was handed over in a peaceful and constructive manner.</p> <p>Foreign financial support and availability of skilled workforce in public services enabled continuity.</p>	<p>Botswana has successfully introduced European institutions which have been adapted to Tswana culture (e.g. judiciary system incorporates customary courts) and important local institutions have been preserved and integrated into the post-colonial institutional framework (e.g. role of kgotla today).</p>	<p>Botswana's institutional framework is one of the best in Africa and ranks 53rd in the world. The country has one of the highest per capita GDP in Africa.</p> <p>Sectors where modernisation of institutions did not take place in the early years of independence (e.g. land use and communal ownership) have suffered from structural economic underperformance.</p>
<p>Pre-existing political institutions constrained political power of the leader (kgotla)</p> <p>Tswana leadership pursued economic interests and promoted education.</p> <p>Tswana preference for urbanisation and modernisation.</p> <p>Perceived high ethnical homogeneity among the Tswana population.</p>		
<p>Geographic vicinity to European settler communities in South Africa.</p> <p>Rich deposits of minerals and diamonds found after independence.</p> <p>Relative high level of geopolitical neglect by European colonial powers.</p>		

Table 6: Exogenous and endogenous variables of the working hypothesis
Source: Own

What conclusions can be drawn from Botswana's case?

First, Botswana applied orthodox economic policies to achieve long-term economic growth. There was no "big push forward", nor import substitution. However, it would be wrong to argue that other African countries would have been richer today, had they followed similar policies. Rather, we can learn from Botswana's case that if the institutional framework is right, orthodox policies can lead to long-term economic growth.

Second, the reasons for Botswana's effective institutions can be found in its colonial and post-colonial period. In those areas where existing institutions clash with modern formal institutions (e.g. property rights on land), economic underperformance is measurable. This supports the working hypothesis. Furthermore, the theoretical framework which has been introduced in chapter 1 has been helpful to explain how Botswana avoided a clash of institutions and built an effective institutional framework.

Third, Botswana's success attributes to a unique combination of exogenous conditions (e.g. light colonial rule, apt Tswana institutions, ethnical homogeneity) and historical circumstances (e.g. the vicinity to European settlers in South Africa). The combination of these variables can hardly be repeated. Thus Botswana cannot easily serve as a model for other countries which suffer from ineffective institutions. More research (and individual case studies) on conditions and influencing factors are needed to establish a nuanced theory on (post-) colonial institutional development, which can be tested on a broader scale.

Finally and more fundamentally, the study has emphasized the role of informal institutions within the institutional framework of a state and their impact on economic performance. In the context of post-colonial development, informal institutions represent the institutional level of customs, tradition, culture and religion. Botswana's case has shown that these norms persist through generations and that they dominate and potentially obstruct the effect of formal institutions. The lesson here is that scholars and policymakers alike should consider to the importance of existing informal institutions and how they can be used to increase effectiveness of the institutional framework of a state.

3 NIGERIA

3.1 INTRODUCTION

The world's 10th largest resources in oil have turned Nigeria into an African economic giant. Nigeria has the third biggest economy by GDP in Africa behind South Africa and Egypt. Yet most scholars agree that despite immense wealth in natural resources, common Nigerians are probably not much better off early in the 21st century than they were in the 1960s. Nigeria's economy is highly dependent on oil-exports and imports pretty much else. National political and economic institutions are weak, malfunctioning or simply infested with corruption. Most institutional economists would concur that Nigeria's economic underperformance and its extremely weak institutional framework have a causal link. The lack of functioning political and economic institutions is seen as the main reason for Nigeria's economic underperformance.

The following case study aims to contribute to the question of why Nigeria ended up with such inefficient institutions. It traces Nigeria's institutional origins back to the country's pre-colonial and colonial past. Owing to Nigeria's sheer size and the multitude of its ethnic societies with their distinct institutional legacies a limitation of the scope of this research is inevitable. Therefore the institutional analysis of study will focus on a single ethnic group: Kanuri living in today's Borno³⁶ State in north-east Nigeria.

Nigeria's colonial past shares some similarities with Botswana. It is characterised by indirect rule and negligible European immigration. Different from Botswana, Nigeria's case may be regarded exemplary for a group of former African colonies which suffer from weak institutional and economic performance after independence.

³⁶ The older spelling Bornu is used to describe pre-colonial and colonial Bornu. Upon independence the spelling changes to Borno. The study will follow this notation.

The Kanuri have been selected from among Nigeria's many ethnic groups, because some similar exogenous parameters they share with the Tswana. Both ethnic groups have a comparable population size and live in a landlocked, arid and flat country. Nomadism and cattle herding are still important ways of life, although the majority of the Kanuri are sedentary farmers.

The study of Nigeria and the Kanuri is conducted under the hypothesis that the variations among the extent to which European institutions clashed with the pre-existing local institutions largely account for disparities in institutional quality and economic performance in former colonies. The findings of the study on the Tswana have so far underlined - among others - the importance of persistent informal institutions which root deeply in a country's pre-colonial cultural traditions. This study will build on these findings and put an emphasis on the role of informal institutions in the Kanuri institutional development. Are the Kanuri, too a case for the prevalence of informal institutions over formal institutions?

The study will employ the theoretical framework presented in Chapter 1. The framework is grounded on the school of new institutional economics which was also presented in Chapter 1.

The study uses historic evidence gathered from largely non-economic sources to analyse pre-colonial and colonial market and non-market institutions. Other economists have likewise employed non-economic sources in institutional research over different historic periods to deepen knowledge about political, economic and social factors which influence institutional development (see for example Greif 1993, Lydon 2009, and Landa 1994). In particular the work of the British anthropologist Ronald Cohen has been a valuable source (Cohen 1967 and Cohen 1965). The diaries and travel accounts of 19th century explorers such as Barth, Nachtigal or Denham and Clapperton have provided additional important information, in particular for the institutional analysis of the pre-colonial Kanuri (Barth 1890, Rohlf's 1884, Denham et al. 1828 and Nachtigal 1879 to 1889). For the colonial period James Coleman and Michael Crowder's books give good recounts (Crowder 1978a and 1978b, Coleman 1963). Other important sources are the colonial reports and works written by Frederick Lugard, High Commissioner and later Governor in Nigeria (Lugard 1922). Important political and economic

research on Nigeria has focused among others on the role of Nigeria's neo-patrimonial state (Kohli 2004) and the erosive effect of its increasing political fragmentation (Bach 2006). Sala-i-Martin and Subramanian examine how weak institutions are related to the resource curse (Sala-i-Martin and Subramanian 2003). On a more regional level Daniel Berger's attempt to measure the persistence of local institutions (Berger 2009) and Ghislaine Lydon's well-researched book on trans-Saharan trade proved useful (Lydon 2009). With more local focus the German ethnologist Holger Kirscht has extensively studied a Kanuri village situated near Lake Chad (Kirscht 2001).

At this point an important caveat seems appropriate. Accurate figures about Nigerian economy are not easily available. The Economist, a weekly newspaper, once quoted in its 1982 survey on Nigeria: "This is the first survey published by The Economist in which every number is probably wrong. There is no accurate information about Nigeria." (The Economist 1982, In: Kohli 2004, p.331) Similar difficulties with Nigeria's statistics are reported by the UNDP and others (UNDP 2009b, p. X, Stolper 2003). In case of contradictive figures preference has been given to the figures from the World Bank over other sources, simply because the World Bank data and time series on Nigeria are most complete.

The rest of the Nigeria study is organised as follows. The following section provides a brief overview of Nigeria's economic and institutional record after independence. Section 3.3 is an introduction to the Kanuri of Bornu. Section 3.4 starts the analysis of important pre-colonial Kanuri institutions which will serve as a baseline for the rest of the study. Section 3.5 looks at what happened to these institutions under British rule. Section 3.6 analyses how independence affected the quality of institutions in the Borno State. The section 3.7 summarises and concludes the Nigeria case study.

3.2 THE RECORD

Located in western Africa on the Gulf of Guinea, Nigeria shares territorial borders with four francophone countries (Benin to the east, Niger to the north and Chad and Cameroon to the west). Nigeria is a sub-Saharan country. Its variety of ecosystems ranges from wetlands (including the Niger delta) and tropical forests in the southern lowlands to savannah and semi arid plains in the north. The country possesses abundant fertile land as well as substantial natural resources (Bach 2006, p. 63). Nigeria is a considerably large country, slightly smaller than Tanzania or Egypt. It is also Africa's most populous country counting well above 150 million inhabitants (CIA World Factbook Nigeria 2010).

Nigeria's territorial shape is a product of colonial times, when the British united the coastal Colony of Lagos with their Protectorates of Southern and Northern Nigeria in 1914. As a result today, three major ethno-linguistic groups and some 250 ethnic groups and minorities share one country. The three major ethno-linguistic groups are: The Hausa Fulani in the north, the Yoruba in the south west and the Igbo (Ibo) in the south east. The big three ethnic groups are regionally divided by the Niger and the Benue River, its main tributary. European immigration has remained minimal. The nation is somewhat less than half Muslim (predominately in the north) and about 45% Christian with a wide range of indigenous beliefs shared by many Nigerians (Lewis et al. 1998, p. 27-28).

Ever since independence in 1960, Nigeria has suffered from volatile political stability. The country has been under military rule 30 out of 50 years since 1960. Nigeria finally re-achieved democracy in 1999. The election in 2007, although regarded severely flawed by international observers, can be considered the country's first democratic political transition (OECD 2008, p. 517-518).

Under colonial, military and democratic rulers alike, Nigeria's economy has been heavily dependent on exports of natural resources ranging from agricultural products to minerals. Oil became the most important economic resource in the 1970s. Today, Nigeria is the world's 15th largest producer of crude oil at roughly 2.2 million barrels per day. Oil and related products

account for around 95% of Nigeria's exports and more than 70% of the government's fiscal revenues. It contributes around one third of Nigeria's GDP. Other important export commodities are traditionally cacao and rubber (Bach 2006, p. 69 and CIA World Factbook Nigeria 2010).

The importance of oil is economic as well as political. The federal government redistributes a significant share of the oil revenues to Nigeria's 36 states and 776 local governments, which have become highly dependent on this source of income. This helps to keep secessionist tendencies at bay (Englebert 2009, p. 136).

Despite abundant natural resources and fertile land, Nigeria's overall economic performance has been poor. Agriculture, manufacturing and service sectors are underdeveloped. Agriculture accounts for more than 30% of Nigeria's GDP and employs 70% of its workforce. Nigeria, once an exporter of food at independence, has become a massive importer of staple food such as rice. Dismal infrastructure, erratic energy supply (electricity), high levels of corruption, a severe pollution problem and simmering ethnical tensions complete the picture (Bach 2006, p. 69-70 and OECD 2008, p. 510). Table 7 gives a first quick impression using familiar comparative figures about Nigeria's and other countries' socio-economic performance.

	GDP per capita 2005 (PPP \$)	GDP per capita 2005 (const. 2000 \$)	GDP per capita growth average (% 1965- 2005)	Urban population 2005 (% of total)	Employment in agriculture 1996 (% of total employment)	Life expectancy at birth 2005
World	8,771	5,666	1.78	48.66	32	68.23
Sub-Saharan Africa	1,707	561	0.45	34.99	68**	51.06
Low Income Countries	1,093	330	1.35*	27.46	68**	57.89
Botswana	12,067	4,329	6.94	57.30	15.60	50.79
Nigeria	1,737	439	1.14	46.20	70***	47.25

Table 7: Nigeria Economic Performance in Comparison to Other Economies

Sources: WDI-World Bank Indicators 2010, * value for 1985-2005; ** source: Acemoglu et al. 2001b (value for 1990), ***CIA World Factbook (data for 1999)

This first, brief look at basic economic figures puts Nigeria's economy on par with the Sub-Saharan average and well below the world average. A more detailed analysis shows that economic growth since independence has been meagre with GDP per capita rather volatile over the same period. Figure 9 shows that income per capita in relation to the development of world oil prices. It also shows that income per head in 2005 level was roughly the same as in 1980. There is a trend of stronger and steadier GDP growth since the re-establishment of democracy in 1999. In period from 2000 to 2008 Nigeria's GDP achieved an average growth rate of 6.11%.

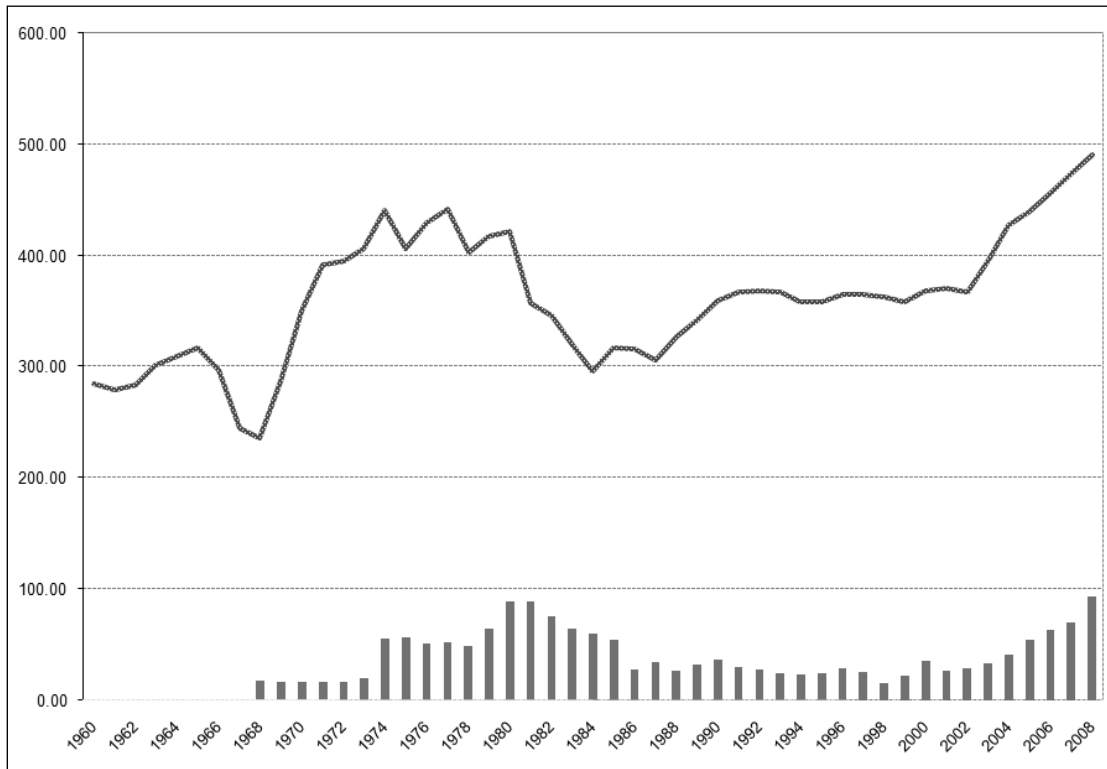


Figure 9: Nigeria's GDP per capita (constant 2000 USD) and world oil prices³⁷ 1960 – 2008.

Source: WDI 2010, EIA 2010

Other economic indicators are equally disappointing. Sala-i-Martin and Subramanian calculate a negative TFP growth since 1965 and an average capacity utilisation rate between 35 and 40 per cent since 1980. This means that roughly two-thirds of the investment in manufacturing (largely done by the government) is consistently wasted. One famous example of this waste is the Ajaokuta steel complex built in the late 1970s which until recent has not produced a commercial ton of steel (Sala-i-Martin and Subramanian 2003, p. 13-14).

Nigeria's very low life expectancy of roughly 47 years is among the lowest five countries in the world and weighs heavily on Nigeria's human development. The Human Development Index³⁸ (HDI) issued by the United Nations Development Programme (UNDP) ranks Nigeria

³⁷ Annual Imported Crude Oil Price as reported by US Energy Information Administration are used as a proxy for world oil prices. Values are imported crude oil price (\$/barrel) CPI adjusted in 2010 constant USD.

³⁸ The HDI is a composite measure of four indicators for socio-economic development: GDP per capita (PPP USD), life expectancy at birth, adult literacy rate (% ages 15 and above) and combined gross enrolment ratio in education (UNDP 2009).

158th of 182 countries (OECD 2008, p. 518). The HDI long term trend since 1995 shows that Nigeria has so far been unable to outperform the average development of sub-Saharan countries - already the least developed region in the world (UNDP 2009a). Similarly the poverty rate, measured as the share of the population living on less than 1 USD per day, increased from close to 35 per cent to fewer than 70 per cent between 1970 and 2000 (Sala-i-Martin and Subramanian 2003, p. 4).

Despite this rather grim record there are some tentative reasons for hope. In particular in the most recent years, Nigeria's economy has clearly stabilized obviously benefiting from higher oil prices, the relative political stability and some small structural reforms. In November 2005, the country reached a debt-relief deal with international creditors that reduced its external debts to around 5% of its GNI after a peak of 150% and above in the mid 1990s (OECD 2008 p. 514 and WDI 2010). The establishment of an excess crude oil account, where oil revenues are saved when prices rise, has facilitated fiscal planning and policy setting (OECD 2008, p.511). While oil exports are largely dependent on the world markets and production conditions in the Niger Delta, growth in the non-oil sector is expected to remain stronger in the coming years, especially in sectors such as agriculture, telecommunications and construction (EIU 2010).

Management of oil wealth may have improved in recent years, but for many scholars Nigeria's post-independence economic record sets a classic example of how natural resources can turn into a resource curse³⁹ for a developing country. The academic discussion about the negative effects of resource abundance dates back to the 1990s and is popular until today (see for example Sachs and Warner 1997, Robinson et al. 2006, Collier 2007). In Nigeria's case, the exploitation of oil has arguably resulted in impressively wasteful economic policies.

³⁹ The term resource curse generally describes the negative effect of resource abundance on economic growth. A resource led boom can lead to appreciation of the real exchange rate of the currency which in turn reduces the international competitiveness of other sectors. Moreover, capital and labour are drawn away from non-boom sectors. This effect is also known as the "Dutch Disease" (after the decline of the Netherlands' manufacturing sector after the discovery of a large natural gas field in 1959). Politically, the resource curse entails increased corruption, clientelism and rent seeking in the political elites, who usually remain in power through inefficient income distribution rather than through democratic bargaining. In some African countries, perceived corruption and unequal income distribution has led to rebellion and civil war (Martin, 2008, p. 36-39).

Although oil revenues per capita increased tenfold from about 33 USD in 1965 to 325 USD in 2000, income per head did not grow accordingly. Moreover, scholars argue that oil revenues have promoted overall corruption and further undermined Nigeria's state institutions (Sala-i-Martin and Subramanian 2003).

Contrary to Nigeria, Botswana is an important example of how an African country has successfully managed and exploited its mineral wealth. Both countries discovered their wealth in natural resources (Botswana: minerals and Nigeria: oil) within the first decade after independence. Different from Nigeria Botswana enjoys one of the most effective economic and political institutional frameworks in Africa (Kaufmann et al. 2009). Not surprisingly institutional economists argue that a resource curse is largely a consequence of ineffective institutions (see also Mehlum et al. 2006).

How ineffective are Nigeria's institutions really? A brief institutional comparison with other countries gives a picture of Nigeria's institutional ranking. The study uses the INSTGOV VIII introduced in Chapter 1. Nigeria reaches a value of -1.04 in 2008 ranking 187 among the worldwide sample (213 countries). This is a low value for a lower middle income country and also well below the average institutional quality of African countries (-0.62).

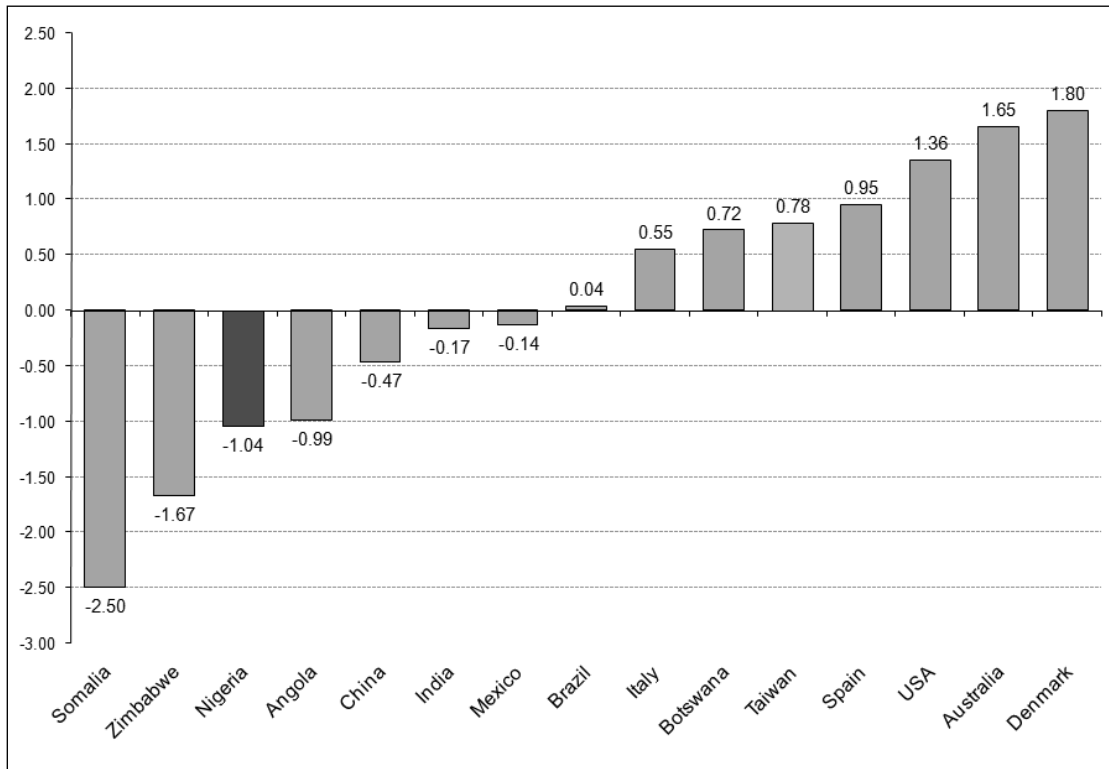


Figure 10: Nigeria's institutional ranking (INSTGOV VIII) against selected countries worldwide

Source: Kaufmann et al. 2009

A direct comparison with diamond-rich Botswana does not only show Botswana's much more effective institutions, but also reveals a trend. Compared to Botswana Nigeria's institutional quality is more volatile and has improved from -1.43 to -1.04 since 1996.

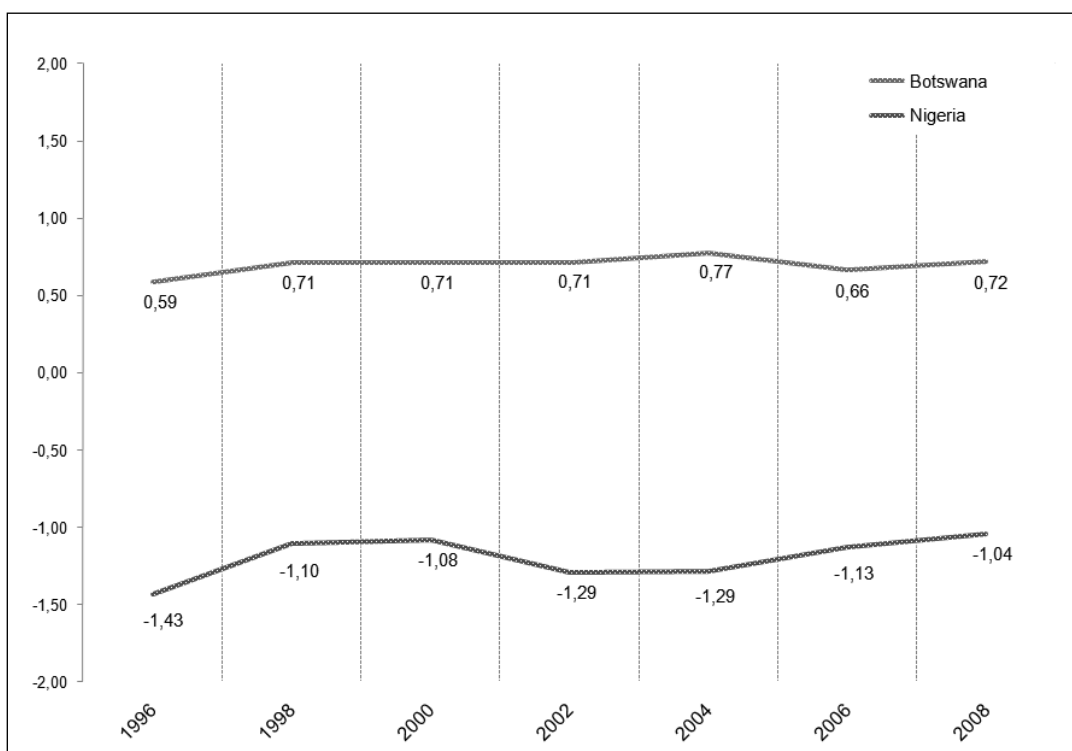


Figure 11: Nigeria's institutional quality (INSTGOV) against Botswana from 1996 to 2008

Source: Kaufmann et al. 2009

The smaller sample of 37 former British colonies is useful to demonstrate how Nigeria's institutional record is linked with its economic performance. Figure 12 shows this relationship and provides yet one more proof of the connection between institutional quality and economic performance.

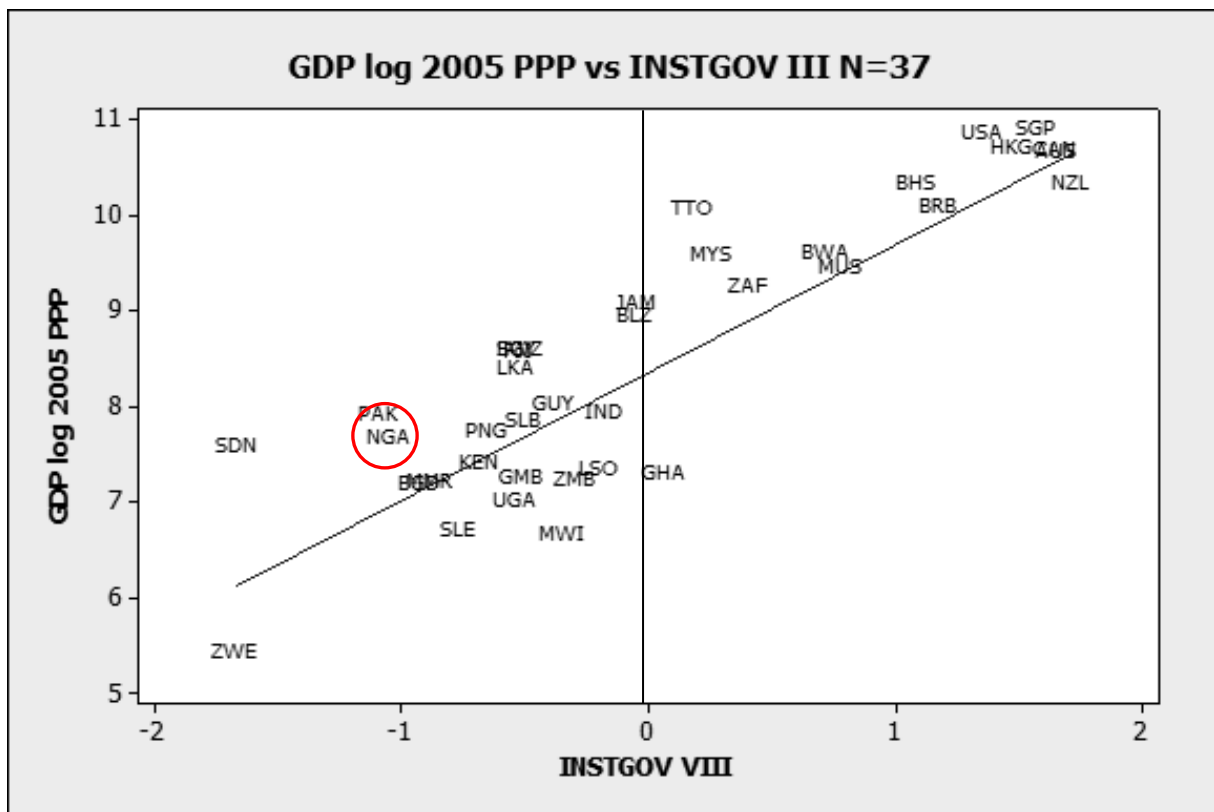


Figure 12: OLS Regression Institutional Quality vs. Income N=37 – Scatterplot

Source: Kaufmann et al. 2009, WDI World Bank Indicator 2010 (GDP values), CIA The World Factbook 2010 (GDP values for Burma and The Bahamas), own calculation

GDP Log2005 stands for income per capita in 2005 (in PPP). INSTGOV represents the average of all six Governance Matters indicators in a former British colony. Nigeria (NGA) ranks 34th among its former colonial peers. In this sample only Pakistan, Sudan and Zimbabwe have weaker institutions. The mean in this sample lies at -0.01. Nigeria's institutional quality ranks well below that. Its position above to the predicted relationship indicates that its economic output is somewhat better than its institutional quality would predict.

Figure 12 also shows that 13 out of 16 African countries have an institutional quality below the mean of the sample of former British colonies. If the working hypothesis holds, this would indicate that the clash between existing local institutions and imported institutions was most severe in the majority of African countries. Nigeria ranks low even among its African peers. How come that Nigeria ended up with weak and largely ineffective institutions? Is Nigeria's case exemplary for other African countries?

To understand Nigeria's weak institutions today, the study will follow the thesis's chronological approach along the stages of colonisation. It will start with a section covering the pre-colonial period, followed by colonial rule and finally the period after independence.

Different from the Botswana study, Nigeria was confronted with a variation of colonial ruling strategies and tax institutions. This already provides proof that the British had to adapt to the diversity of various different local traditional institutions. To do justice to the sheer quantity of tribal societies, it would be necessary to analyse a wide range of them and compare the impact of colonial domination among them. Unfortunately this would by far exceed the limits of this study⁴⁰. Hence this study will focus on one of the major ethnic groups in Nigeria: The Kanuri in Bornu. It is clear that the study of the Kanuri institutional development will hardly be enough to draw conclusions about Nigeria in total. But the case of the Kanuri can serve as an exemplary starting point for the analysis of the institutional development of many of Nigeria's 250 or more ethnic groups.

The institutional development of the Kanuri has been selected for an in-depth discussion because the Kanuri and the Tswana (discussed before) share important features. Both were landlocked and agricultural societies in the pre-colonial period. Estimated numbers of the respective pre-colonial populations are similar. British colonial rule was indirect and light (in Botswana's case very light). Colonisation came late and was relatively short in both countries.

⁴⁰ To analyse the institutional development of all 250 or more ethnic societies of Nigeria could easily become a life-long task. At least three more main groups would deserve further analysis: The Hausa Fulani the Yoruba and the Igbo (Ibo).

3.3 PRE-COLONIAL BORNU

Situated in the southern Sahel, the Kanuri belong to a group of Muslim societies in the western Sudan region (Coleman 1963, p. 36). They have held sovereignty over the people living in the predominately flat savannah around Chad Basin for over a thousand years. Today, their territory is organized as the Borno State within Nigeria. The history of the Bornu Empire starts somewhere in the first millennium A.D., when the Kanuri migrated south from the central Sahara following the receding waters of Lake Chad⁴¹. Around 1000 A.D. the Kanuri eventually established a first kingdom called Kanem north east of Lake Chad. Islamification began in the 11th century. In its wake came literacy and strong trade connections to the north and east coast of Africa (Curtin et al. 1978, p. 90). Benefitting from trans-Saharan trade the first empire, called Kanem Empire, developed in to a central African power by the 13th century. Two centuries later, decline and internal power struggles lead to the relocation of the kingdom into today's Borno, to the west of Lake Chad. There it once again regained a dominant position in the region under the leadership of the Sefuwa (also: Sayfawa) dynasty.

By the mid 19th century, the rule had shifted in favour of a powerful Shehu (Sheik), who belonged to the ethnic group of the Kanembu. The newly erected Bornu Empire dominated the region and the ethnic groups around the Lake Chad. Kanuri language -the vernacular of the largest ethnic group – was widely used in the new Empire⁴² (Crowder, 1978a, p.15). Educated Kanuri spoke Arabic which also served as written language in the Empire (Denham et al. 1828b, p.162).

⁴¹ Lake Chad was once an huge inland sea stretching deep into the Sahara which enabled human settlements as early as 5000 years ago (Cohen 1967, 13). Even today the water surface keeps shrinking dramatically (UNEP 2010)

⁴² Migration, nomadism and warfare mixed ethnic groups in Bornu (see Cohen 1971, p. 90 and 95). It is therefore not totally correct to call all inhabitants of Bornu Kanuri, although we can assume that basic cultural and religious norms was shared by all ethnic groups in Bornu.

In the second half of the 19th century, attacks of the expanding Fulani and of Sudanese raiders⁴³ weakened the Bornu Empire (Curtin 1978, p. 367). The Bornu Empire came under colonial domination around 1902⁴⁴ (Cohen 1967, p.12-19 and Crowder 1978a, p.180-182).

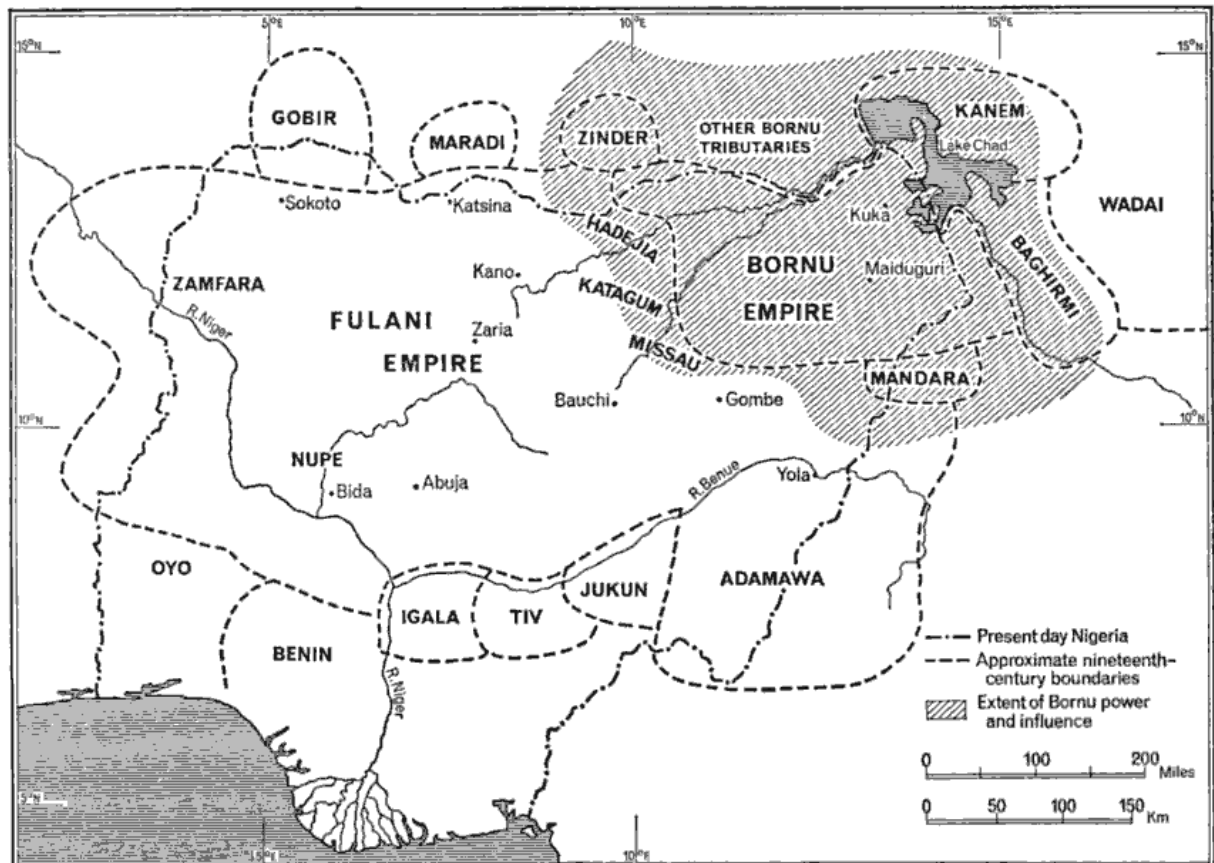


Figure 13: Figure 6: The Bornu Empire in mid 19th century Nigeria.

Source: Cohen 1971, p. 76

The following will analyse the most important political and economic institutions of pre-colonial Kanuri starting from the early 19th century.

⁴³ One of them, a man called Rabeh, managed to establish rule over Bornu for seven years. He was killed in 1900 by the French colonial army (Cohen 1971, p. 79-80).

⁴⁴ The Bornu-Kanem Empire was divided between British, French and German. British dominance in today's Nigeria dates back to the rough agreement in the Treaty of Berlin 1885, but effective control over most of today's Borno State was established as late as 1902. The Dikwa Emirate in the southeast was only handed over to British in 1916 (DeCorse 2001, p.123).

3.4 PRE-COLONIAL KANURI INSTITUTIONS

3.4.1 Political institutions in the 19th century

By the beginning of the 19th century, the Kanuri had formed a feudal-like and Islamic society ruled by a king (“mai”) and administered by sheikhs (“shehus”) and members of the royal family. Islamic scholars held important legal and religious functions and acted as scribes and advisers to the king and his nobles (Cohen 1967, p. 20-27). Rule was built on clientelism and on respect and obedience to seniors in particular in a paternal line. For the Kanuri these relationship patterns were essential for any successful economic, political or military large scale organisation.

From around 1820 on, the Kanuri feudal system came under control of a single powerful Shehu (engl. Sheik), who ruled on behalf of a politically weakened king. The Shehu became nominal owner of all land in the state. Similar to the Sefuwa kings before him, his rule was based on a feudal system built on personal bonds, clientelism and a standing military force. The smallest political, economic and social unit of Kanuri society was the household ruled by a male head, generally the father. Household members (family and clients) owed respect and discipline to the head, who in return took care of their legal and political representation (Cohen 1967, p. 46). The household rule served as a repetitive pattern for the entire system from village level up to the Shehu, who resided in the capital and conveyed fiefs to his followers and officials (Big Lords⁴⁵). The Big Lords used a system of locally based fief holders (Junior Lords) to administer the territories. Fief holders at all levels were expected to raise militia for defence or military campaigns, administer justice and raise taxes. In general the fief holders’ rights were hereditary in the male line, but the Shehu could expand or diminish the territories or the rights of his fief holders (Cohen 1967 p. 25).

Additional to this residence based hierarchy a common Kanuri was ruled by a representative of his ethnic group who reported to another Big Lord in the capital. This latter system of

⁴⁵ The simplified distinction of Big Lords and Junior Lords is taken from Cohen 1967. The Kanuri language had various titles for the Shehu’s followers. This group consisted of members as distinct as the Shehu’s mother (the largest fief holder), his tailor, freed slaves (mostly former military), other family members and free Kanuri (Temple 1919, p. 437).

ethnicity based rule helped administer (and tax) nomads or otherwise internally displaced (e.g. after wars) (Cohen 1967 p.27). Figure 14 gives an impression of the various layers.

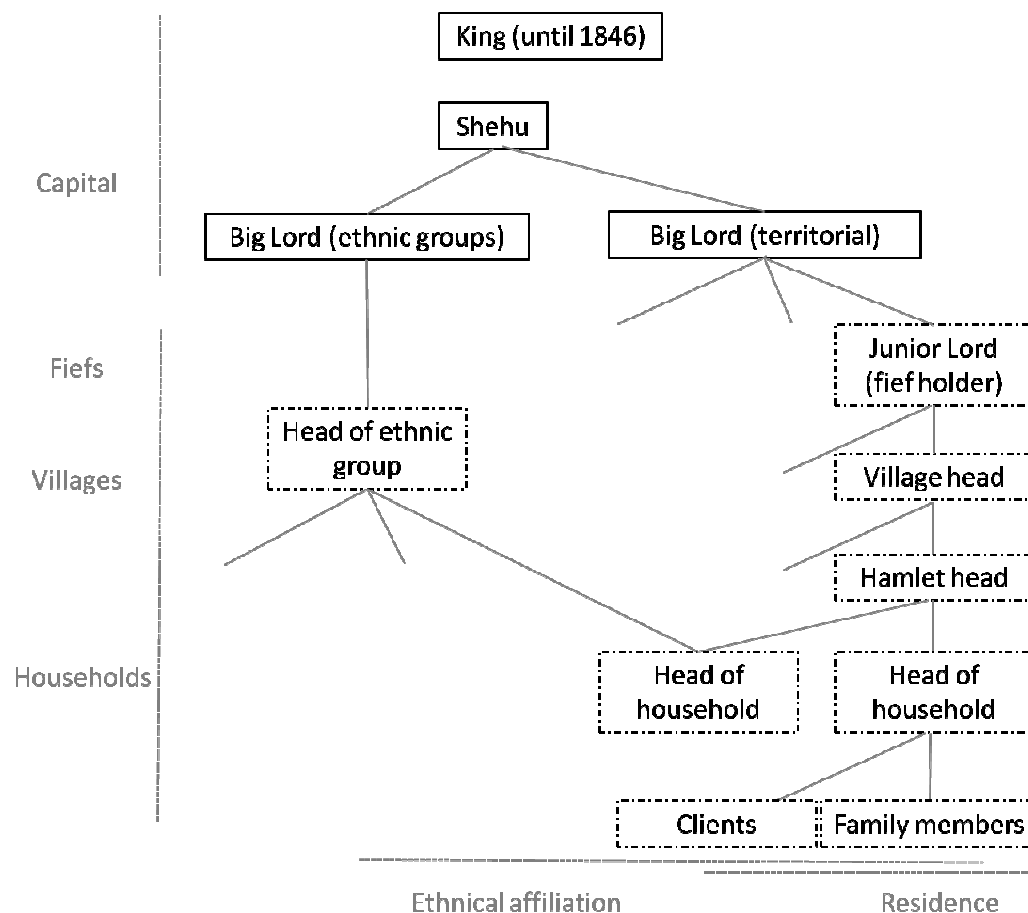


Figure 14: Feudal system after 1814 in the Bornu Empire

Source: Own based on Cohen 1971, p. 110

3.4.1.1 Taxation

Bornu rulers used a system of direct taxation. An annual income tax and a tax on the grain harvest existed side by side with more erratic taxes such “half the calabash” or “rolling up the mats”⁴⁶. The village head and the fief holder (Junior Lord) held key roles in apportioning and collecting the tax duties. Taxation was partly grounded on Islamic norms which facilitated the

⁴⁶ The former simply involved collecting half the possessions of the populace in times of economic recession. The latter allowed a favourite at court to go to a stipulated village and collect whatever he wanted using force and rolling his loot in straw mats for transportations (Cohen 1971, p. 95).

collection of revenues. On the other hand, Islamic norms forced the Shehu to re-distribute the taxes – at least to some extent - to people in need. As a result the Shehu handed considerable amounts to his followers and scholars in the capital – not all of them necessarily poor (Kirscht 2001, p. 36-7). A massive annual re-distribution system of tax collection and gift exchange with clients seemed have been in place (see also Section 3.4.4.4 on gift exchange)

Not everyone had to pay taxes. Islamic scholars, cattle owners and those explicitly exempted by the Shehu – mainly in exchange for military service - were left untaxed. Ethnic groups had to pay taxes to their ethnic leaders and various other officials collected fees for specific services (Cohen 1971, p. 94-5 and Kirscht 2001, p. 38-41).

3.4.1.2 Constraints to political power

The question of how a society limits the powers of its rulers is closely linked with the quality of its leadership. Scholars have investigated this relation among pre-colonial African societies (see for example Gennaioli and Rainer 2005, p.10). To give one example, political institutions among the pre-colonial Tswana in southern Africa served to remove unfit rulers and allow talented candidates to become political leaders (Robinson 2009, p. 4). In Bornu the Shehu needed loyal clients, military power and financial resources (taxes, tributes, gifts) to maintain his hold on power.

Different from other African groups (e.g. the Tswana) Kanuri succession did not promote able leaders. Various versions of the succession to the office of a new Shehu exist such as succession by word of the dying Shehu, by lottery, by choice of the most powerful military general or simply by civil war. A potent mixture of polygamy and agnatic succession created plentiful incentives for the Shehu's many wives to promote their son which probably added to the confusion (Cohen 1971, p. 83 and 87-88).

Bornu's flat landscape and lack of natural boundaries made it prone to external attacks. Without a centralised military organisation, the Shehu risked being chased from his lands. This is what happened in the last decade of the 19th century when the Sudanese warlord Rabeh

was able to claim the throne (Cohen 1971, p. 79-80). Furthermore, tribute payments needed a well working military force to remind forgetful subjected kingdoms of their dues. In the 1870s, a politically weakened Shehu Umar found the subjected tribes on the periphery of his Empire slip away. Instead of 100 camel loads in annual tribute the Shehu had to accept a dozen of them (Nachtigal 1889, p. 8). For these reasons the Shehu maintained a large body of militia directly under his command. Additional military forces could be made available by his Lords and nobles, although some of them were rival heirs to the throne. This led to events such as those in the 1850s, when the Shehu's brother and a group of nobles tried to take the throne by force (Cohen 1971, p. 96-7).

Officials at court (Big Lords) needed wealth and ability to supply militia to the Shehu which again depended on the abilities his fief-holders (i.e. the Junior Lords), who were in charge of taxation in the fiefs. In case of mismanagement (e.g. low revenues, complaints reaching other nobles or emigration out of the fief) a Big Lord could lose parts of his fief or the entire fief. Hence it was in a Big Lord's interest to see that each fief was well governed.

A Junior Lords was the highest authority living in the fief. Anybody in his fief had to seek support from his office to appeal to the Big Lord in the capital and – with the support of the Big Lord – to the Shehu. The Junior Lords needed cooperation with the village heads to generate revenues for his Big Lord in the capital. Village heads on the other hand, drew their legitimacy from the villagers they represented. This could lead to conflicts, in particular if the village leader had the backing of the most influential families behind him. Ultimately though, he could be replaced, if the fief-holder was supported of the nobles at court. In return very successful village heads could make a career and become a member of titled nobility with the blessing of the Shehu (Kirscht 2001, p. 30-31).

Commoners had - arguably limited – possibilities to complain to other nobles or influential households. More effective was “voting with their feed”, i.e. migrating out of the fief of the loathed fief holder into a neighbouring fief. If such emigration occurred in great number the big lord had to fear for his tax revenues and – equally important – for his ability to raise militia. In these extreme cases the entire fief could be transferred to another big lord's administration (Cohen 1967, p. 26 and Kirscht 2001, p. 39).

It seems that the stability of the Kanuri political institutions, which had persisted with relative little change of centuries, was not grounded on the constraints they posed for the elite but rather on the legitimacy they drew from the repetitive pattern of patron-clients relationship (Malone 2011). A peasant believed in the legitimacy of the authority of a head of household or head of village as in the legitimacy of the Shehu's rule (Cohen 1967, p. 46).

These features of traditional authority can be traced back to Max Weber. Accordingly, traditional authority is one out of three legitimate forms of domination; i.e. the subjects' interest to obey is not based purely on materialistic and rational calculations. Subjects believe in the legitimacy of being obedient. In the case of traditional authority, this belief is based on the rites and the sanctity of traditional norms (Weber 1992, p. 122 - 130).

Kanuri followed a ruling strategy called patrimonialism (Weber 1992 p. 133 and 136). This basically means that political support rests on clientelism and patronage. For this study's aim, it is important to note that ruling by patrimonialism is incompatible with formal institutions used by modern bureaucracies. Scholars therefore believe that patrimonialism has to make way for a well working institutional framework (i.e. good governance), if a country aims to modernize and achieve long-term economic growth (Kohli 2004, p. 393-9, Parsons and Robinson 2004 p. 2-4 and Robinson 2009 p. 5-6). However, neo-patrimonial ruling strategies can be observed today in many African states when leaders attempt to sustain their political regimes using patron-client like links to replace state institutions of low legitimacy (Sandbrook 1986, Englebert 2000, p. 12).

3.4.2 Legal system and Islam

Legal practice was grounded on the Koran and Islamic jurisprudence. Before the political changes in the 1820s, the chief judge was the religious leader of Bornu (titled “second to the king”). He and his followers knew Arabic script and thus made up a literate group closely associated with the political leaders and high bureaucrats. These men served as legal advisers, scribes or religious men in rich households or directly in the king’s administration (Cohen 1967, p.22-23 and Curtin 1978, p. 111).

Under the Shehu political influence of Islamic scholars seemed to have diminished but the Koran remained the main legal source. Islamic scholars (ulamas, mallams) gave legal advice and mediated in trade conflicts. They assisted political leaders (e.g. village heads) who administered justice in most cases (Lydon 2009, p. 279-308 and Cohen 1967, p. 25).

A second important feature of the Kanuri legal system was the role of agnates. Agnates (groups of male Kanuri related by patrilineal descent) were treated as corporate units in the eyes of the law in the sense that the group was responsible for the actions of their members⁴⁷ (Malone 2011).

The political structure from the head of village upwards served as an appeal court. The Shehu was the highest court of appeal. Only cases of homicide were immediately referred to the capital (Cohen 1971, p. 90 and Cohen 1967, p. 27).

The system of justice was not without flaws. To enforce one’s rights (e.g. recover a debt) the legal sentence seems to have been without great effect in particular against politically influential delinquents (Nachtigal 1879, p.704). Law enforcement by marshals was foiled by corruption (Nachtigal 1879, p. 706). In particular collecting debts before court seems to have been problematic, because any debtor could go free, if he could prove poor (Denham et al. 1828b, p. 168).

⁴⁷ The legal system of other ethnic groups of the area also used agnates and age-groups. See Bohannan’s case studies of justice among the Tiv (Bohannan 1957)

3.4.3 Property rights of land

The Kanuri institutions of property rights were made to serve a population with a tradition of solving population growth by hiving off from an established village and building new settlements after having cleared the land⁴⁸ (Cohen 1971, p. 100). Ownership of all land was vested in the community and distributed by officials of the Shehu (e.g. head of village). This was in line with Islamic law and made economic sense in a thinly populated region with low value of land. A Kanuri could take possession of land by clearing it after having registered one's intent with the village head. The plot could then be passed on within the family by inheritance. Things became more elaborate in the south and west of Bornu, near the Lake Chad, where fertile land was more sought after. Here sales and lease contracts are recorded from the beginning of 19th century even though historic sources are ambiguous (Kirscht 2001, p. 32).

Also the British anthropologist Ronald Cohen reports that land could be sold, if it had to be possessed for a vaguely defined "longer" period of time. How long exactly seems to have varied and was cause for legal problems. Furthermore, the help of the village head could have come with some costs and his powers in property transactions seem to have varied depending on the village leader and his personal relations. In general, no written forms of land contracts were known and transfers of land rights remained an inter-tribal affair (Cohen 1967, p.79).

Conflict resolution and enforcement of property rights was again the task of the relevant political leader: usually the headmen of the village. An appeal system led up to the Junior Lord (Cohen 1967, p.27).

This historic evidence of the Kanuri property rights supports common institutional theory on land ownership. We can expect no private ownership, if a resource such as land is abundant and externalities among competing users are negligible. Institutional thinking predicts that

⁴⁸ Frederick Lugard remarked about the Kanuri system of land tenure that "... the poverty of the soil, and the migratory habits of the people, lead to the frequent transfer of villages from one site to another, and consequently to a similar absence of any rigid system of land tenure." (Lugard 1922, p. 287).

communal use of land shift in favour of private property, once land either becomes scarce or gains value (Platteau 2000, p. 83).

In a similar manner the right of use of fish and watercourses near Lake Chad was regulated in great detail. Informal institutions enforced by the village heads and elders determined who could use land set free by the receding lake and how water for irrigation had to be made available to all stakeholders (Kirscht 2001, p. 33). Again institutional literature on common pool resources is in line with these examples of the pre-colonial Kanuri institutions (see for example Ostrom 1999).

Cattle were of lower economic importance to the Kanuri than agriculture and their number seemed to have diminished over the 19th century. Cattle ownership was more common among the ethnic group of the Shuwa who were of Arabic descent (Cohen 197, p. 100).

3.4.4 Economic institutions

In the 19th century the Kanuri economy was built on three pillars

- I. an agricultural subsistence economy,
- II. the sale of agricultural surplus and some semi-specialized craft production mainly for the internal markets and
- III. a well-developed system of external trade (Cohen 1965, p. 356).

Exchange of goods and services among the Kanuri was regulated by a variety of institutions, only one of which was the market place (Cohen 1965, p. 355).

The following section will look at some institutions with facilitated the exchange of goods or resource allocation in general:

- a. the market (including money system)
- b. the household (including clients)
- c. gift exchange

3.4.4.1 The market

Market places were located across the Bornu Empire. Weekly markets were held in interlocking cycles in rural areas so that a trader could attend nearby markets on successive days of the week. Larger towns held markets every day and usually provided specific quarters for non local traders (Cohen 1965, p. 356). Markets were open to all ethnic groups. The Monday market in Kukawa was by far the most important marketplace in Bornu. Each week it attracted 10.000 and more from various ethnic groups and countries. Likewise, Kanuri traders could be found across central Sahara and into central Sudan (Nachtigal 1879, p. 687-688). Inter-regional middlemen traders (often of Arabic origin) connected marketplaces in Bornu and neighbouring sub-Saharan states. Arbitrage between the markets produced lower costs and more unified cost patterns over the Bornu Empire and neighbouring states (Nachtigal 1879, p. 637-638).

Without existing 19th century economic research on Kanuri markets we can only deduce from Barth's and Nachtigal's report that transaction costs and institutional arrangement were – at least to some degree - comparable with agricultural markets of low developed economies today. Indeed their recounts match with modern economic research (see for example Fafchamps, Minten 2002 and Aker 2008).

Markets now and then suffered from poor market institutions which coincide in the following areas:

- a. lack of formal credit,
- b. inadequate contract enforcement,
- c. high search costs and
- d. information asymmetry.

All these were problems now and then, which reduced market efficiency and raised transaction costs. Again not different from economically underdeveloped agricultural markets today, Kanuri markets relied on informal institutions such as reciprocity, family links, religious norms and personal contacts which enhance trust (i.e. social capital⁴⁹) to reduce uncertainty and costs.

Reports from the 19th century indicate that market institutions in Bornu may have been more efficient than in other markets in Western Africa of their time. Around 1850, the German traveller Heinrich Barth reported that market prices in Bornu's capital Kukawa were considerably lower than in other central African market places (Barth 1890, p.383-384). Twenty years later Gustav Nachtigal likewise praised the low prices in Kukawa without giving a direct comparison with other major sub-Saharan trading hubs (Nachtigal 1879, p. 692 and 701). Among a range of possible factors (accessibility, political stability, use of brokers and middlemen etc) which may help explain this, the fact that the Kanuri developed a comparably efficient money system in the 19th century stands out.

3.4.4.2 Money and barter

In the 1820s, reports from British travellers Denham and Clapperton indicated that the Kanuri still used a plethora of tradable objects as money. Coarse cloth rolls, bullocks, slaves,

⁴⁹ There is a whole school of research on social capital and its effect on economic performance (see for example Putnam et al. 1993, Knack and Keefer 1997 or more recently Guiso et al. 2008). For the aim of this study it suffices to note that social capital forms a framework of informal institutions and that it is even more important, if formal institutions are weak or inexistent.

boomerang shaped iron plates and iron bracelets and the Austrian Maria Theresia Thalers (a silver coin) were common and their use depended on the type of trade and the origin of the traders (Cohen 1965, p. 356-357). Thirty years on, Heinrich Barth visited the market in Kukawa and found that cloth rolls, the Thaler and the newly imported cowries were main units of exchange. The “rotl” – once the standard of one copper pound – was still used as a counting term without copper pounds being exchanged. Barth recorded time-consuming and sometimes fruitless attempts of Kanuri to trade their ware, because of the lack of “standard money for buying and selling” (Barth 1890, p. 382-383). Another twenty years later in the early 1870s, another German explorer, Gustav Nachtigal, meticulously described the Monday market in Bornu’s capital Kukawa. At that moment only the Thaler, rotl and cowries were used⁵⁰. Nachtigal stressed the fact that the reduction to only three currency units was initiated by the Shehu and that it distinguished Kukawa from other African markets where transaction costs remained high (Nachtigal 1879, p. 690-691). Nachtigal’s findings are supported by the brief recount of the yet another German explorer, Friedrich Gerhard Rohlfs, who had visited the daily markets in Kukawa only a few years before Nachtigal (Rohlfs 1884, p. 77-80).

From an institutional point of view the lowest transaction costs will decide on which commodity is used as money⁵¹. Slave traders would only accept slaves as payment for their goods when returning back to the North African coast (Denham et al. 1828b, p. 190). Similar constraints affected the iron trade with the Mandara or farmers who usually had a need for cloth (Cohen 1965 p.358-359).

3.4.4.3 Household and clients

Given the restrictions of market institutions, the household had an important economic allocation function. The household and its institution, the patron-client relationship, provided

⁵⁰ At the time of Nachtigal's stay in Kukawa, one Thaler was worth 120-130 rotl or 4000 cowries (Nachtigal 1889, p. 691). In the 1920s, British administrators reported very similar exchange rates (Temple 1919, p. 434).

⁵¹ For an early study on the relationship between transaction costs, traded good, origin of trader and money units see Jürg Niehans' Static Theory of Optimal Payment Arrangements (Niehans 1969, p. 717-720).

lower costs for information and contract enforcement albeit only within the limited “club” of family members and clients.

A typical smaller rural household can be understood as a compound of huts accommodating three to ten family members and clients. It can also be seen as a non-market economic institution which regulated resource allocation among its members. The head (normally the father) decided on the distribution of the produced goods and of the revenues of surplus sales on local markets. He also enforced property rights within the household compound. Surpluses from farming were sold at local weekly markets or daily markets in major towns. Goods needed within the household were equally acquired through local markets (Cohen 1967, p.74-76). After the harvesting season and during the following dry season (October – May) farming rested. Farmers turned to craft work (butcher, blacksmith etc), to services (middleman trade, barbering etc) and to sales of agricultural surpluses. Tools used in agriculture and crafts were basic and productivity was low (Cohen 1967, p.77-78 and 80-81).

A typical Kanuri household at village level included one or two unmarried adult men living in the compound who were not family members at all. These clients provided important economic services such as farming, pursuing non-farming crafts during the dry season and selling these and other surplus goods on local markets. In return they received food, clothing, lodging and legal protection. Two other reasons made clientelism attractive. The first was career promotion. Belonging to the household of a powerful man was regarded as a fast track for personal advancement. Another reason was education and transfer of skills. Membership in an occupational group (e.g. butcher, trader etc) other than the occupation in one’s father’s household was only obtainable through membership in a relevant household. Young men were sent as recruits to new households to gain new technical skills and personal contacts necessary to enter an occupation (Cohen 1965, p. 362).

Clients were bound to the male household head by a father-son like relationship. Different from real sons they could be dismissed if their loyalty was in doubt or their service not satisfying. The number of clients represented the patron’s political and economic ranking. Wealthy traders would use many clients to represent them at trading partners. The most

powerful household - that of the Shehu of Bornu - used the patron-client relationship to manage the country (Cohen 1967, p. 50-51).

3.4.4.4 Gift exchange

The household provided rules for low cost transactions with other household members. Outside the household however transaction costs were higher. One way of reducing transactions costs with non-family members was delayed reciprocal gift exchange. The Kanuri exchanged gifts on various occasions throughout the year. The “nzia ceremony” was one occasion. In these ceremonies gifts were given to the organizer. Type, quantity and value of the gifts were noted or shouted out and had to be repaid with gifts of similar value on later occasions (see a more detailed description of the nzia ceremony at Cohen 1965, p. 360). In a similar manner religious holidays such as the end of Ramadan (Eid-al-Fitr) were occasions where ties with existing and former clients were strengthened. On these days, the Shehu received tribute payments from subjected states and distributed gifts to his followers. According to the reports of European travellers, the amount of goods and money exchanged on these occasions seems to have been substantial, even if the share of these non-market allocations in the Bornu economy is unknown (Nachtigal 1889, p. 11-12 and Cohen 1971, p.102-3).

Hence gift exchange functioned as an allocation mechanism of goods and resources outside the market. Furthermore, gift exchange with delayed reciprocity constituted an informal institution with an aim to build trust and thus effectively lowered transaction costs between non-household trading partners. In this context gift exchange

- a. informed of the wealth of the business partner (how expensive or generous is the returned gift compared to the received one) and
- b. it informed about the partner’s reliability and thus provided some protection against moral-hazard (Posner 1980, p. 16).

Gift exchange between members of distinct societies has been proven to lower hostility and thus enabled regional and long-distance trade. The example of the Kula Ring in Melanesia has been given some attention by economist and anthropologists (Landa 1994).

3.4.4.5 Institutions of Trans-Saharan Trade

Some of the market institutions laid out above were equally applied in trans-Saharan trade (e.g. money system, clients), but the organisation of caravan trade over long distances brought even more specialised institutional arrangements. Islam and Arabic language provided the necessary basis for these arrangements. The Kanuri and other empires south of the Sahel benefitted from these institutional advancements.

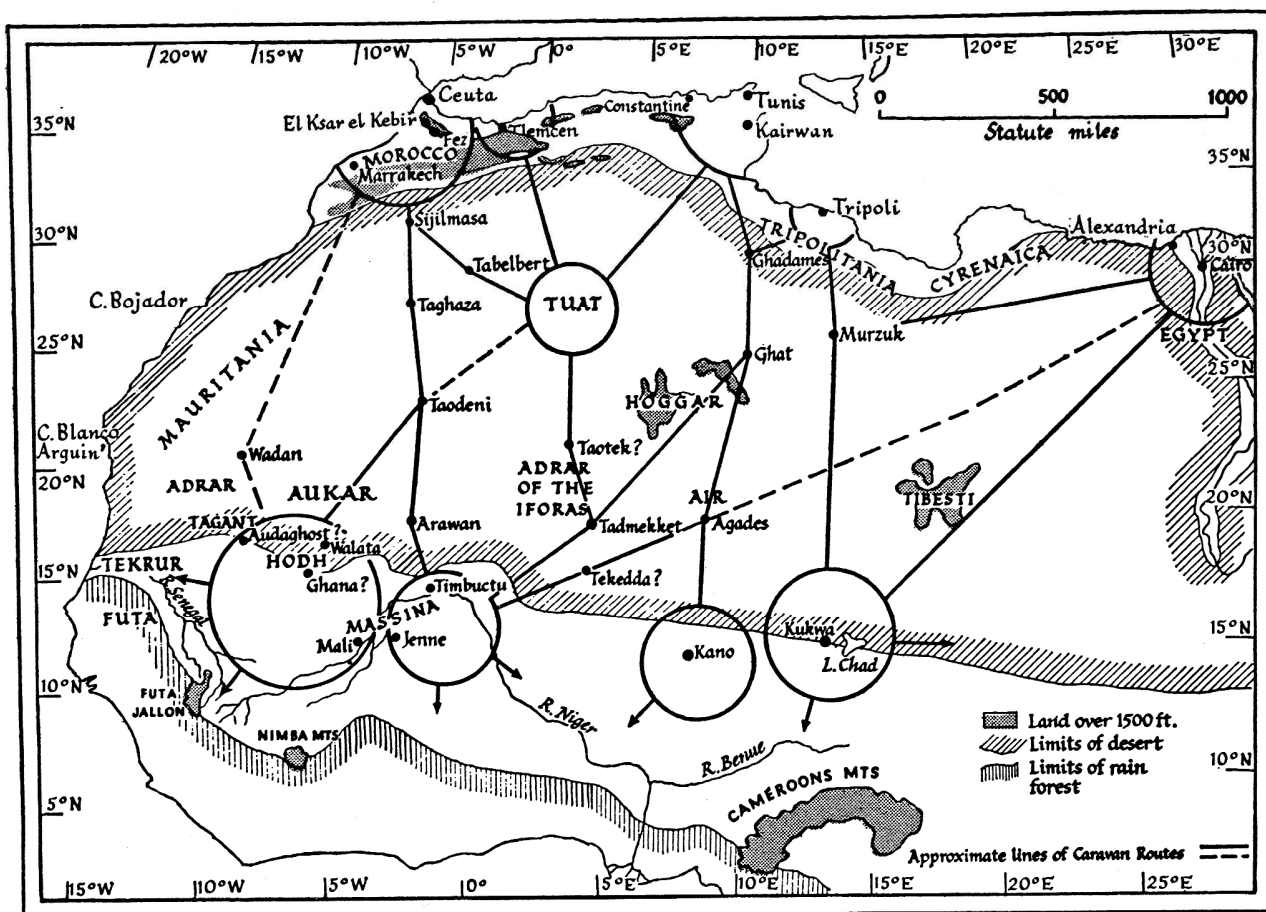


Figure 15: Trans-Saharan Trade in the 19th century

Source: Coleman 1963, p. 38

Trans-Saharan trade between the Mediterranean Sea and Lake Chad dated back to antique times. Notably the introduction of camels around 0AD had shortened travel time and reduced transport costs. Ever since, regional African and European Empires had grown rich on the control of trading routes. The Bornu Empire was one of these empires. Trade with Tripoli via the Tripoli-Fezzan-Bornu route through the Sahara had traditionally been an important source of wealth for the Kanuri. Traffic along this route peaked in the 16th century and – more important for this study - from the beginning of the 17th century to the 1820s. After that it declined partly owing to political revolutions in Tripoli. The subsequent strengthening of Saharan raiders (mostly Tibu and Tuareg) increased the costs of trans-Saharan trade (Boahen 1962, p. 349 and 352). A later reason for the decline of trans-Saharan trade may have been colonial redirection towards African ports in the south (e.g. Lagos). The ban of the slave trade initially had adverse effects. The number of slaves increased on the still existing caravan roads which remained outside British control⁵² (Boahen 1962, p.358).

Usually caravans assembled at rendezvous points at the edge of the Sahara, where provisions could be obtained. Camel drivers, guides, financiers or their representatives resided at these departing points. For the route from Tripoli to Bornu Ghadames and the oasis of Aujila were the main starting points. Stopover markets and oasis settlements provided refreshments for men and camels and developed into thriving commercial centres (e.g. Ghat, Murzuq). Main Bornu terminuses were the capitals Birni Ngazargamo and later Kuka (Kukawa)⁵³ (Boahen 1962, p.354).

⁵² The slave trade was used as the main justification for the conquest of Northern Nigeria by the British from 1900 to 1906. Kanuri, Fulani and Arab slave traders raided the periphery of their Empires for slaves, who were used as agricultural labour or shipped to North Africa. Slave raids weakened neighbouring states by depopulation and caused immense human suffering (Crowder 1978a, p. 178). For the institutional impact of slave trade in Africa see Nunn and Wantchekon (Nunn, Wantchekon 2009).

⁵³ The old capital of the Bornu Empire was razed in the war with the Fulani in 1812.

Transaction costs incurred for trans-Saharan trade must have been plenty. This study will focus on three of them

- I. Costs because of unsafe caravan routes (Nachtigal 1889, p. 22-23).
- II. Costs for financial services and contract enforcement such as collecting debts (Nachtigal 1879, p. 705-709)
- III. Costs rising from the principal agent problem (Lydon 2008).

3.4.4.5.1 Costs for safe trade

Raiders and wars raised risks and costs of transport. On unsafe routes trade could collapse or traders had to travel together in huge annual caravans of up to 2000 camels which were cheaper to protect. Annual caravans produced higher costs for organization (e.g. warehouse management) and travelled at lower average speed compared to smaller and irregular caravans of 5 to 100 camels (Boahen, 1962, p.356). Continuous raids, such as the Tuareg raids in 1901, could lead to the total suspension of trade (Mockler-Ferryman 1902, p. 137). The Fulani wars in the 1830s had very similar effects (Cohen 1971, p. 103). Furthermore the loss of caravans to raiders led to reduced supply of goods and consequent price shocks on Bornu marketplaces (Nachtigal 1889, p. 22-23).

In the context of the Bornu Empire, centralised military power resulted in safe trade environment and can be considered a political institution with a direct effect on transaction costs. Until the 1820s, the Bornu Empire was powerful enough to guarantee safety along its main trading route into the in the Southern Sahel. The trade through the Fezzan until Ghadames was controlled by Karamanli dynasty in Tripoli until into the 1820s. In 1825 it was still seen as a “trading route along which a child might travel ...” (Laing 1825 quoted in Boahen 1962, p. 351). After 1830 the rulers in Bornu and Tripoli failed to re-establish the safety level of the Tripoli-Fezzan-Bornu route and costs for protection of caravans rose. Trade

was reduced to annual caravans thereafter. The main traffic had shifted to more secure routes, partly lying further east⁵⁴ (Boahen 1962, p. 352).

3.4.4.5.2 Costs for Contract enforcement, principal agent problem

A caravan trader faced a dilemma when it came to organise the sale of his wares abroad. He could either travel along with his merchandise and sell them himself or hire an agent he would provide the same services. The latter option was more efficient, because it allowed him to save time and risk of travelling and cater more than one market at the same time. Without supporting institutions, however, a hired merchant could act opportunistically and embezzle the merchant's goods. The principal-agent problem is arguably one of the oldest in economic history and different societies have developed distinct institutions to reduce its costs.

The 19th century trans-Saharan trade used a variety of contractual agreements to reduce transactions costs such as the one stemming from the principal-agent problem, but also to reduce costs arising from asymmetric information or contract enforcement in general.

The following gives a brief overview over common forms of partnerships, contracts and agreements used by Saharan traders until the early 20th century. This compilation is based on Ghislaine Lydon's compilation of Arabic trading records, family archives and interviews of retired caravan traders. Although focusing on the Western Sahara, it should be equally representative for central-Saharan trade (Lydon 2008, p. 98-110).

⁵⁴ The Cyrenaica-Kufra-Wadai route circumvented Bornu trading towns and became exceedingly safe in the second half of the 19th century. A Muslim brotherhood (the order of Sanussi) provided branches along the road and contributed to peaceful relations between the various connected tribes and territories (Boahen 1962 p.352-353).

Name of contractual agreement	Type of contract	Rights and liabilities
Mufawada	Long-term partnership	Joint-investment and joint liability partnership between two partners: a sedentary (principal) and travelling partner (agent). The latter had full authority to dispose of the joint capital. Profits and losses were split according to shares in investment in capital, labour and equipment.
Sharika (Shirka)	Long-term partnership	Joint-investment and joint liability partnership between two or more parties. Management and decision-making was jointly shared. Profits and losses were split according to investments. In the Mediterranean trade this contract was also known as collegantia or societas
Wakala	One-shot agency contract	Basic contract whereby a travelling agent is given power of attorney to conduct a specified trade or task on behalf of the principal. The travelling agent is given a commission.
Ibda	One-shot agency contract	Similar to Wakala but without commission based payment. Common among family members
‘Aquad	Long-term or short term labour contract	Labour contract in various forms. The worker is entitled to receive a salary
Suftaja	Financial instrument	Traveller’s check
‘Aqd al qard	Financial instrument	Debt contract
Hawala	Financial instrument	Money order or debt swap used to settle long-distance payment using third parties.
Bay’ al Salam	Financial instrument	Forward purchase to receive payment in advance for future caravans

Table 8: Contractual agreements of trans-Saharan trade in the 19th century

Source: Lydon 2008

Most agreements were oral, but by the 19th century evidence on paper had become more and more important. Writing down contracts and other legal documents was a profession exercised by scribes. Contracts were usually drafted in the presence of at least two male witnesses (Lydon 2008, p.95). In case of default of a business partner, requests for payments did not only go to the defaulting party but also to other respected member of his community

and his trade network. This created a reputation based enforcement mechanism.⁵⁵ Waybills or reminder notes detailed goods and terms of trade and lowered enforcement costs. Exchange of letters were common to keep up-to date with current prices and trends of distant market places (Lydon 2008, p.110-111).

Arabic language and the Islam doubtlessly provided the institutional framework for these contractual agreements. Trans-Saharan trade benefitted in several ways:

Islam served as a source of trust among faithful traders. The obligation of all Muslim to give “just weight and full measure” or otherwise be fair, especially in trade, is stressed throughout the Koran (Lydon 2009, p. 284). Islam had introduced Arabic language and writing as “lingua franca” which clearly transaction costs among Saharan traders (Lydon 2009, p. 242). Caravan leaders were often learned men required to be literate in Arabic for basic organisational purposes as well as accounting and working with legal documents (Lydon 2009, p. 224). The Koran served as a legal source for contractual conflicts thus lowering the risk of embezzlement and adverse behaviour. Since most of the Islamic norms in the Koran had been written to address 7th century Arabia, they needed interpretation and adaption to address legal conflicts of the 19th century Africa. Islamic scholars served as legal advisers and mediators, even if the Islamic judge (qadi) was far from today’s Weberian notion of arbitrariness (Lydon 2009, p. 281 and 297-9).

Finally, the use of paper documents (contracts, waybills etc) facilitated trade and legal conflicts. The Koran places great emphasis on writing and recording contracts, even if the document itself is not considered a legal document but rather a transcript of witnessed oral agreements (Lydon 2009, p. 293-4).

Hence, trans-Saharan trade was shaped by informal institutions (kinship, family ties, reputation based enforcement) accompanied by more formal institutions (written agreements, enforcement before the law based on religion). Powerful as informal institutions are in terms

⁵⁵ In this context see also Avner Greif’s study on contract enforceability among Maghribi traders in the 11th century (Greif 1993)

of legitimacy, their effectiveness is constrained to a limited social group (the family, the household, other Kanuri, Moslems). The more distant the social group the weaker the effect of informal institutions which are not uniformly shared by everyone.

3.4.5 Social factors influencing institutional development

Apart from discussing the development trajectories of selected institutions themselves, this study undertakes a limited attempt to follow the development of social factors deemed influential factors for socio-economic development by anthropologists and economists alike. Among those urbanisation, population density and education seem closely connected with institutional effectiveness (Platteau 2000, Grier 1997, see Gennaioli and Rainer 2005, p.3 for more factors).

The perception of time, however, constitutes an institution itself (Pirker 1997). It has the ability to influence transaction costs and outcome of market exchanges. It is listed here because of its highly social character.

3.4.5.1 Urbanisation

Although exact figures are scarce, we can assume that urbanisation and population density were low even for African standards. Pre-colonial Kanuri lived spread out over the savannah with the majority living in smaller villages and hamlets to make use of the available land. In the 1870s the German traveller Gustav Nachtigal estimated that the capital Kukawa had a number of 50.000 to 60.000 inhabitants (Nachtigal 1879, p. 627). Realistic estimates of the number and population distribution of the Kanuri are extremely difficult. Mockler-Ferryman reported a population of roughly 5 million in pre-colonial Bornu-Kanem at around 1900 (Mockler-Ferryman 1902, p. 138). 20 years later, British officials estimated that Bornu Province (geographically much smaller than pre-colonial Bornu Empire) had 700.000 inhabitants (Temple 1919, p. 432) of which 450.000 were Kanuri (Temple 1919, p. 219). The 1952 census counted roughly one million people in the Bornu Province of which only one quarter lived in towns of 10.000 citizens or above (Cohen 1967, p. 5)

3.4.5.2 Organisation of Time

Not much different from the Tswana, the pre-colonial Kanuri economy was determined by a traditional concept of working time. The major part of pre-colonial Kanuri lived in smaller settlements and villages averaging a few hundred inhabitants. As traditional farmers, cattle herders or craftsmen everyday duties such as caring for crops and sometimes small herds structured the daily working time (e.g. a time specific to go to the local market) but also the seasonal life (e.g. harvesting season, producing crafts during the dry season) (Malone 2011).

3.5 INSTITUTIONS IN THE COLONIAL PERIOD

3.5.1 How colonial rule was established

British control over today's Nigeria was a piecemeal process of five successive stages. The settlement of Lagos became a colony in 1861. From 1886 to 1900 the Royal Niger Company controlled central Nigeria. After that its territories were amalgamated into the new Protectorate of Southern Nigeria. In 1906 the Protectorate of Southern Nigeria merged with the Lagos Protectorate (Coleman 1963, p. 41-44). Finally, the Southern Protectorates amalgamated with Northern Nigeria in 1914, although a certain degree of administrative distinction between the Southern and Northern Nigeria was maintained⁵⁶ (Crowder 1978a, p. 191). See also Figure 16 below.

Even after 1914, the colonial administration of the newly created "Colony and Protectorate of Nigeria" was by no means uniform but highly decentralised. This reflected the enormous cultural difference of the ethnic groups which had been artificially united in one territory⁵⁷. Only the treasury, railways, judiciary, military and post and telegraphs were managed centrally by Frederick Lugard who was appointed the first Governor-General⁵⁸. Most other things and day-to-day business was effectively regionalised in the hands of Lugard's two Lieutenant-Generals (one for the North and one for the South). Even working languages differed. The Northern administration used widely common Hausa whereas the South used English.

⁵⁶ There were primarily financial reasons for this union. The Northern Protectorate was running a deficit which was hoped to be met by a surplus of the South. Furthermore the railway policies in the various colonial entities were in need of alignment (Crowder 1978a, p. 196).

⁵⁷ Artificial as its boundaries was the new colony's name. After some name searching including "Nigrita", "Niger Soudan" or the "Niger Empire" the term "Nigeria" was allegedly coined by the London Times in 1897. The first official use of "Nigeria" was in a parliamentary debate in July, 1899 (Coleman 1963, p. 44)

⁵⁸ Frederick Lugard was High Commissioner for Northern Nigeria from 1900 to 1906. He became the first Governor-General of the new colony in 1914 and held the office until 1919.

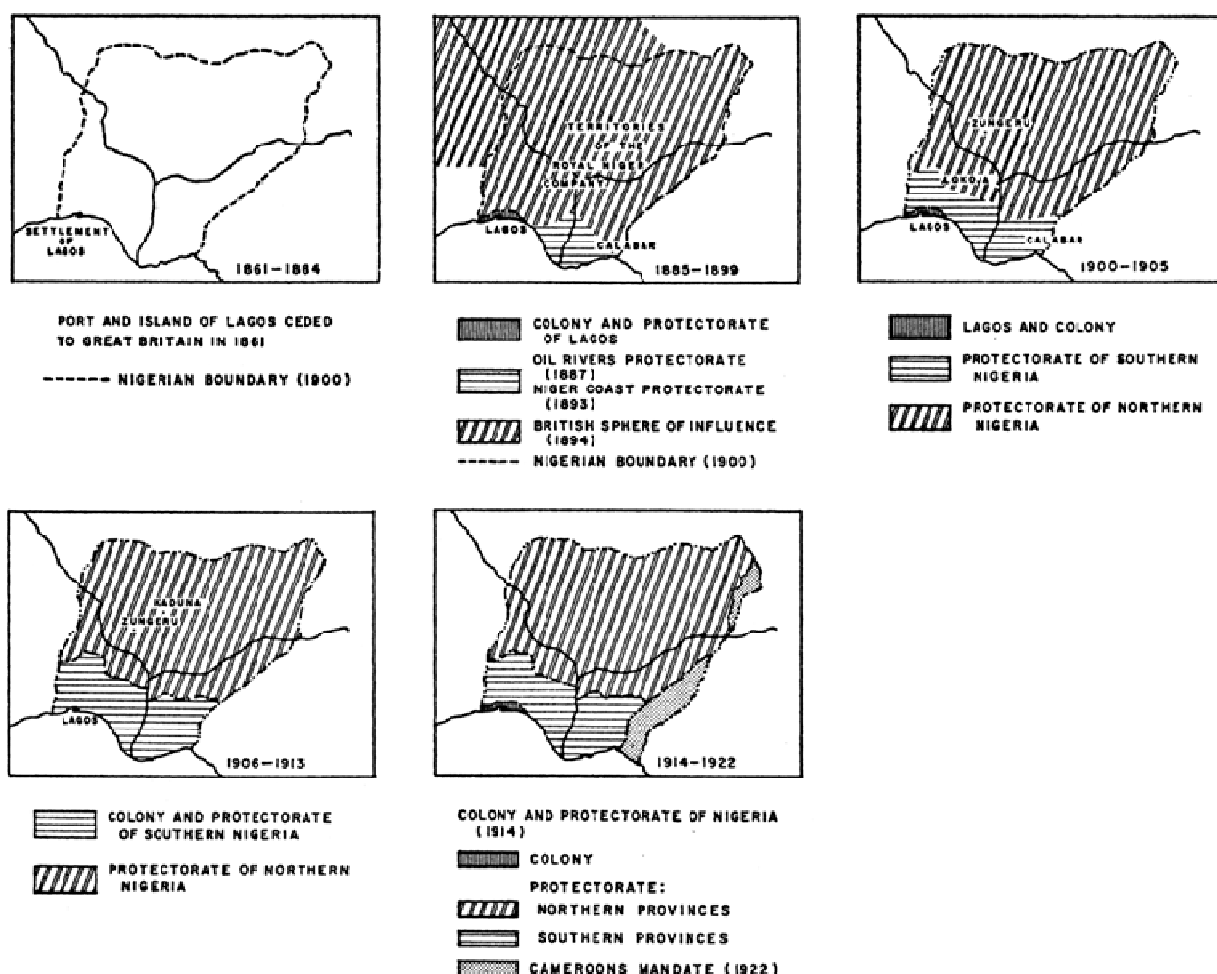


Figure 16: Five Stages of colonial control

Source: Coleman 1963, p. 43

The Northern and Southern provinces of Nigeria retained the status of a British Protectorate whereas Lagos, the capital, was a British colony and its inhabitants had the rights of British citizens (Coleman 1963, p. 46-7). A Nigerian Council was established in 1913 to serve as an advisory body to the Governor, but was abandoned again in 1922 due to lack of interest and real power. After that there was no nation-wide body until 1947 (Coleman 1963, p. 50).

Regarding Bornu, the Berlin Conference had assigned the major part of the Bornu Empire to the British⁵⁹. At this point the rulers in Bornu had not even been informed. In 1902, the British took possession of the assigned territories and incorporated them into the Northern

⁵⁹ Zinder, Kanem and territories east of Lake Chad were assigned French and the remaining territories had to join the newly claimed German Cameroon.

Province. In 1906, after some reshuffling of British and Kanuri administration, Maiduguri was made the new capital of Bornu hosting both the office of the Shehu and the British garrison (Crowder 1978a, p. 181-182). Indirect rule was only effectively implemented from 1912 onwards. After World War I, the Kanuri dominated territories of former German Cameroon were integrated into colonial Bornu (Kirscht 2001, p. 43-6).

3.5.2 Indirect rule

The policy of indirect rule famously formulated by Frederick Lugard as High Commissioner of Northern Nigeria eventually became a goal for the administration of whole Nigeria⁶⁰. Indirect rule had been created out of the necessity to rule a large population with a minimum of resources. In 1900, when the British set on to take control of Northern Nigeria, Frederick Lugard was confronted with the difficult task to establish British control and administration over 15 million people. His budget was a mere 135.000 Pounds (Crowder 1978a, p. 179). Indirect rule had initially been designed to fit the highly centralised emirates in the north. Therefore the degree of its successful implementation varied considerably throughout Nigeria. From a British point of view it worked most effectively in the Muslim dominated Northern Provinces (Crowder 1978b, p.138).

Indirect rule basically meant that existing political hierarchies were remodelled into units of local self-government that fitted into the British colonial administration. Existing traditional political leaders (Emirs, Shehus, chiefs etc.) were to govern their people, not as independent but as dependent rulers. At least in theory, the attitude of the British officials was that of a watchful adviser not as interfering ruler (Crowder 1978b, p. 221-222 and Crowder 1978a, p. 199-200).

In Northern Nigeria Emirs, local suzerains, and the Shehu of Bornu ruled as “sole native authorities” with most of their pre-colonial powers largely unchanged. Here the British successfully pursued their policy of minimal interference. Colonial officers acted as advisers

⁶⁰ Indirect rule was not invented by Lugard. It had already been used in Fiji and India (Crowder 1978a, p. 179).

rather than supervisors. Only two objectives of British colonial rule broke with this policy of low involvement: Revenues and Budgeting (Crowder 1978b, p. 199).

In Bornu, the British installed Shehu Garbai in 1902 and initially allowed him to rule in a pre-colonial manner. In the following years, the British forced some reforms to curb what the British considered the inefficiency of the traditional system. The Shehu was asked to move his court to Maiduguri, a settlement closer to the British headquarters. Fiefs (now called “districts”) were united to create fewer, larger and more consistent territories. The British also had a say in the nomination of local village leaders (called “land boards”) and how villages were delimited. Here again, larger and fewer village units emerged. Of course these changes had an impact on the social fabric of the political hierarchy. Personal client relationships between former village heads and fief-holders were ignored or at least severely perturbed by these reforms. Major unrest or revolts like in other parts of Nigeria were however avoided⁶¹ (Cohen 1971, p. 106-7).

These examples show that indirect rule in Nigeria was quite different from the “light” rule in Botswana. British administration in Mafeking never cared about size or number of Tswana villages. They also did not have a say in who would represent the Tswana chiefs on local levels. Finally, Tswana chiefs were financially independent. They kept only 10% of the tax revenues. Nigerian suzerains instead, were de facto salaried functionaries of the British administration (see below section 3.5.4.2 for taxation).

From an institutional point of view it seems clear that indirect rule and the changes of political institutions it entailed were closer to the existing informal institutions of the Muslim

⁶¹ Indirect rule, which had been designed to work in politically centralized states of Nigeria's north, caused riots among non-Muslim ethnic groups in the south of Nigeria. There, political power was traditionally less centralised and taxation partly unknown. Two examples stand out: Due to a lack of actual chiefs among the Ibo in Eastern Nigeria, the British had to appoint “warrant chiefs” whose legitimacy was utterly dependent on the colonial administration. The lack of traditional authority and the abuse of powers of these warrant chiefs led to a revolt in 1929. Finally, the British had to abandon the warrant chiefs and replace them wherever possible with traditional political leaders (Crowder 1978b, p. 140). In Western Nigeria, riots such as the one that led to the Ijemo massacre had to be quelled with military power. A British led inquiry, which investigated the causes for the Ijemo massacre, laid the blame on the unwise application of colonial policies (Crowder 1978a, p. 202-203).

population in Northern Nigeria⁶². This was the best argument in favour of indirect rule. As the new political framework rested on core institutions of the population, it enjoyed higher legitimacy and – as will be shown – would prove very persistent after independence. For the colonial masters this meant lower enforcement costs: From the British point of view the main advantage of the indirect rule.

It is not surprising then that British supported rulers in the North enjoyed higher legitimacy than in the south, where Native Chiefs depended on British military power to exert political power. Although this study will focus on the institutional development of the Kanuri, it is important to note that the Kanuri are not exemplary for the multitude of other Nigerian ethnic groups. In particular their case differs from many in the non-Muslim south.

3.5.3 Important changes under colonial rule

British rule brought a range of changes. Among those the most important for the aim of this study were:

First, slavery was abolished in Bornu and the whole of Nigeria, but – not to upset the social structure – only those who ran away from the former masters were deemed free (Crowder 1978a, p. 186). The economic effects of slavery are outside this study's scope⁶³, but the end of this cruel and inhumane trade can be credited to the more positive effects of British rule.

Second, British control of all Nigeria created a free trade area. Security along the trading routes was enhanced and reduced transaction costs. As a result the volume of internal trade increased. Investments in infrastructure (roads and railways) promoted trade. A common currency was introduced, although it took until the mid 20th century to replace the traditional money units (Crowder 1978a, p. 190). In 1922 more than 40 per cent of the revenue of the country was spent on construction and maintenance of infrastructure. In 1950 there were more

⁶² The northern societies including the Kanuri in Bornu shared similar political institutions with centralised political power structures and taxation (Coleman 1963, p. 39).

⁶³ See for example Nathan Nunn 2008 on the long term effects of African slave trades (Nunn 2008).

than 28.000 miles of road (Coleman 1963, p. 55-6). Exports of the main four products (palm products, groundnuts, cocoa and cotton) increased impressively. In 1953 their total value reached 125 million pounds sterling from practical nothing a hundred years before (Coleman 1963, p. 67). Better transport infrastructure, free trade and currency unit sound economically great, but they mainly served the overall goal of providing resources for British manufacturers and markets for British goods. Hence, colonial economic policies aimed to maximise exports and imports. Internal markets seemed to have been neglected. International trade was almost exclusively in the hands of a few European firms (e.g. the United Africa Company UAC) (Coleman 1963, p. 80-81). Off the main exporting routes, internal markets had hardly been developed during colonial rule. Again Wolfgang Stolper's diaries provide rich evidence. Fishing and wheat production around Lake Chad suffered from low technology and little access to local markets. In the early 1960s it took a full day of travelling to cover the distance of roughly 150 km between Maiduguri (the capital) from the fishing villages at Lake Chad (Stolper 2003, p.185-9).

Third, the British created a class of educated local bureaucrats needed to perform routine tasks of administration. To avoid corruption this group were liable to serve in areas different from those of their birth. This group of roughly 50.000 would form the base of centrally minded nationalist movement upon independence (Coleman 1963, p. 50).

Finally, until the arrival of the British, northern Nigeria (including the Bornu Empire) was economically orientated toward Tripoli and Northern Africa. British occupation ended this historic orientation of trade. The diversion of export products to the Nigerian coast was a result of the imposition of an artificial frontier in the North and the establishment of a modern transportation system within some parts of Nigeria (Coleman 1963, p. 36-7).

3.5.4 Changes in Kanuri political institutions

Indirect rule established a parallel administration down to district level. The Kanuri traditional administration itself was left largely unchanged (see Figure 17: Indirect rule in Bornu).

However a few modifications were introduced. The traditional second hierarchy based on ethnic affiliation in the pre-colonial structure was dropped (see Figure 14 and Figure 17).

For reasons of efficiency the British aimed to consolidate the scattered fief holdings and generate larger and fewer districts. Within the first years of British rule the Shehu had to dismiss the existing Big Lords and Junior Lords and replace them by 27 new leaders who were to live in the districts (Cohen 1971, p.106). After 1914, nobles and big men that remained in the capital could become member of the gradually expanding Shehu's Council. Slowly the council gained competence and influence under British guidance. By 1940 it had developed into an early form of provincial administration with each member fulfilling the functions as heads of civil service departments (Kirscht 2001, p. 49).

In a similar manner British attempts to raise efficiency in the administration affected the village level. Inefficiently small villages had to be merged and corrupt village heads were replaced – often reluctantly – by the Shehu. The British expended some effort to create lists of agnatic candidates for village heads (Cohen 1971, p.106).

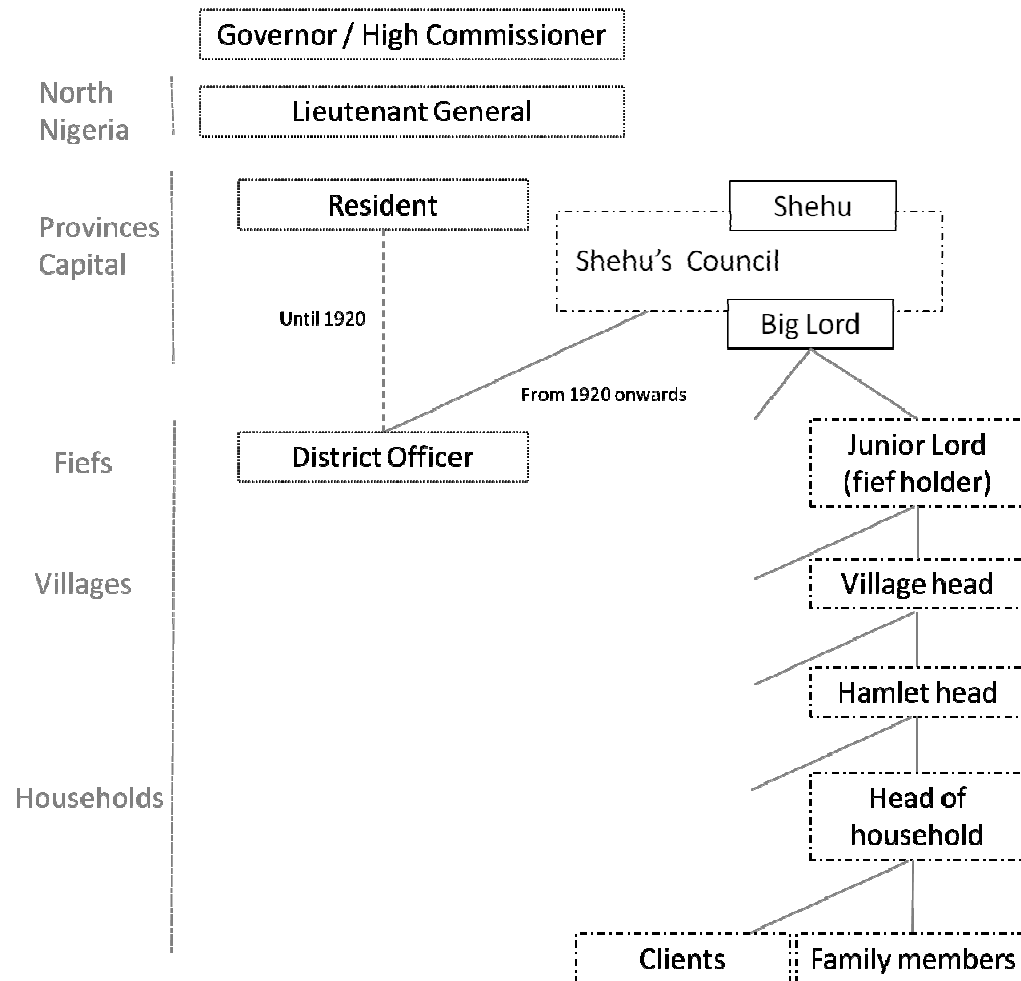


Figure 17: Indirect rule in Bornu

Source: Own based on Cohen 1971 and Crowder 1978a and 1978b

3.5.4.1 Effects of British rule on political institutions

The process of British involvement in personnel decisions conflicted with traditional claims a family or a “big man” held on specific political offices (e.g. village head). Old ties based on patron-client relations were perturbed by fresh men, who the Shehu had brought in on British request as replacement for the traditional village heads. Not being part of the traditional patron-client system in the village, these men lacked legitimacy. They had to quickly win the loyalty of the fief holder (now “district head”) above them and of the hamlet heads below them (Kirscht 2001, p. 51). In most cases this involved trying to depose of uncooperative hamlet heads by complaint to the fief holder. In other cases new men brought in their own

clients and used them as loyal - and sometimes violent - henchmen to establish authority in the villages. In 1906 a man in northern Bornu was flogged to death for expressing his wish to complain to the British officials (Cohen 1971, p. 108). Similar problems arose at district levels and when the British refused to acknowledge traditional taxing rights and exemptions⁶⁴ (Cohen 1971, p. 109).

The examples show how little legitimacy a newly appointed official had, if he could not rely on the traditional system of patron-client relationships. Client-relationship which had governed political transactions in pre-colonial times proved very persistent institution.

3.5.4.2 Taxation

The British colonial administration set out to simplify the existing tax system. Its aim was to “... consolidate the multiplicity of taxes into a single ‘general’ tax, payable on a single demand after the harvest, and whenever possible in currency instead of in kind” (Lugard 1922, p. 236). The other aim was to finance the costs of British administration. Usually 50 per cent of the revenue was kept by the British. The second half reverted to the native treasury⁶⁵. A second feature of indirect rule in Nigeria was the regularisation of expenditures out of the native treasuries in accordance with a budget, which was subject to scrutiny by colonial officers. In Bornu the Shehu and his political leaders thus became salaried officials their salaries being part of their own budget (Crowder 1978b, p.139). The colonial district officer together with the head of village annually assessed the income of a village based on its livestock and harvest, number of traders, proximity to markets etc. Taxes were levied on calculated profits in four income categories ranging from farmers to craftsmen. Annual tax per head varied from 6d to 3s⁶⁶ (Lugard 1922, p. 247). Taxation was partly revised after 1920. From this time on, the Shehu and his council annually assigned tax duties to each village area.

⁶⁴ Religious practitioners had been exempted from taxation under the previous regime. In other cases former head of ethnic groups still raised taxes from ethnic kinsmen on a completely non-territorial basis (Cohen 1971, p. 109).

⁶⁵ 25 per cent belonged to the Shehu, 20 per cent to the district head, 5 per cent for the village head and the Junior Lord (Kirscht 2001, p. 54).

⁶⁶ Equivalent to 4 to 20 USD in 2006 (Berger 2009, p. 10).

British officials had only advisory function. The tax collection was then left in the responsibility – and to the arbitrariness - of the head of village. The latter system prevailed until independence (Kirscht 2001, p. 59). Furthermore, an additional cattle tax was levied among nomadic cattle owners (Temple 1919, p. 437). Local taxes had to be paid by British currency wherever possible to encourage its use among the population. Furthermore systematic taxation forced many Nigerians to produce more than necessarily needed to maintain the household thus effectively breaking up subsistence economies (Coleman 1963, p. 57). This second effect was fully intended by the British (Lugard 1922, p. 237-238).

Streamlining of the taxation system entailed that the Shehu and his officials lost their private sources of income. It also deprived them of the possibilities to hand out gifts to clients and followers, which finally undermined their legitimacy as rulers. The Shehu's attempts to raise money "at the side" were condemned as corruption or abuse of office by the British (Kirscht 2001, p. 52). Institutionally speaking an informal institution (i.e. the patron-client relationship) had been weakened. From the perspective of the Shehu and his men the new formal institution (i.e. the administration introduced by the British) must have been a poor substitute for the old ways.

3.5.5 Judiciary institutions: The dual system

In the Northern Protectorate, the native court system and a British supreme court existed side by side. However, it is doubtful that this British court heard more than one case in the period from 1900-1914 (Berger 2009, p. 11). In 1947, it annulled a death sentence by the Emir of Gwando on grounds of incompatibility with British common law (Harnischfeger 2008, p. 61-62)

We learn from the anthropologist Ronald Cohen that the British installed district judges in the fiefs, but that in real life most cases were dealt with on village level. British involvement seemed to have been negligible (Cohen 1971, p.111). Obviously the role of the district judge was to merely supervise native law system and engage only in manifestly faulty cases. The British silently accepted that Kanuri native law was based on Islamic norms and thus far from

their understanding of a fair trial. Even so they preferred not to overhaul the Kanuri way of administering justice⁶⁷ (Crowder 1978a, p. 199- 200).

3.5.6 Property rights of land

In the whole colony, British rule had a dissimilar impact on traditional land rights. Whereas the administration in the north prohibited anyone (European, Nigerian – whether from the south or the north) from acquiring a freehold title, the urban and semi urban areas in the South, which had been under British influence much longer, developed early forms of individual land tenure. (Coleman 1963, p. 60)

In Bornu, the traditional institutions that regulated property of land were de facto left unchanged. A Land and Native Rights Proclamation was passed in 1910 and revised in 1916. It declared “... all native lands and all rights over the same.... to be under the control and subject to the disposition of the Governor and [that it] shall be held and administered for the use and common benefit of the natives;...” However, this claim was never enforced (Wale-Kuteyi 1990, p.132-133).

British colonial reports show that the head of a village assigned unoccupied land to local villagers, for which he received a small fee or gift (Temple 1919, p. 221). This institutional framework of property rights proved rather incompatible with British intentions to promote economic growth. It made it very hard for anyone who was not part of the particular ethnic group (e.g. non Kanuri) to gain access to land.

Institutions of property rights under the colonial regime can be regarded causal for at least three observations about colonial period.

Customary land laws proved a bulwark against fast economic integration with the European economy. Nigeria stands here in stark difference with Ghana (formerly Gold Coast) where

⁶⁷Paul Bohannon provides a vivid description of administering of justice among the Tiv in 1957. The Tiv are an ethnic group in the east of Nigeria (Bohannon 1957).

many owners of cocoa farms were individuals belonging to the educated classes living in the coastal towns (Coleman 1963, p. 68).

Land rights inhibited internal migration of Nigerians. Ethnic groups from overpopulated land (such as for example was the case of Ibo territory in the South) were not allowed to settle in other areas in Nigeria (Crowder 1978a, p. 191 and Coleman 1963, p. 58-59).

European migration or land purchases by Europeans remained minimal. Out of all colonial possessions in Africa, Nigeria had the lowest proportion of Europeans to Africans. In 1931 there were 2.695 British and 4.582 other Europeans registered in the colony. Most of them lived in the coastal towns in the south (Coleman 1963, p. 33-4).

3.5.7 Market institutions

British control over Nigeria created a de facto economic and later a monetary union. Trade routes within Nigeria became safer because of the end of inter-ethnic wars. All this clearly reduced transaction costs for national (formerly inter-regional) trade (Crowder 1978a, p. 190-191). Direct taxation fostered the use of money.

For several reasons the impact of British rule on market institutions and on the economic growth in general was stronger in the south than in the north of Nigeria.

- a. Bornu and the Emirates in the north had already arrived at a fairly straightforward money system because of their integration in trans-Saharan trade.
- b. Taxation was not new to Bornu and the Muslim North, but it had to be introduced to many societies in the South.
- c. The South was ethnically and culturally more diverse and had formerly consisted of more and smaller states and societies. The initial trade-off peace and safe trading routes was therefore higher.

3.5.7.1 Money

In 1825 the British Home Government claimed that “...the shilling was to circulate wherever the British drum was heard.” (Chalmers 1893, p. 23) At least in Nigeria their success was limited. British money needed some time to penetrate Nigerian markets. In 1904 colonial administration banned the import of Maria Theresia Thalers. Thereafter circulation of the shilling increased considerably in Lagos and the south. It still took until after World War II to crowd out non-currency units such the cowries (Wale-Kuteyi 1971, p.137-8).

Even with the shilling in circulation, cash based transfers remained a minority. In 1948, only 43% of the adult male population could be considered as being involved in economic transactions using money at all. Most of Nigeria’s money economy was located in the towns on the coast and in urbanised areas. In the north the most economic activities continued to take place within the household and most likely involved a form of barter (Coleman 1963, p. 66 and 69).

3.5.7.2 Institutions of trans-Saharan trade

By the mid 20th century, trans-Saharan trade over centuries gradually succumbed to European dominated trading routes towards the south. Two reasons stand out: First the British administration took measures to divert trade routes south towards the ports on the Gold Coast. Railways connected the Northern Provinces via Kano and Bukuru. The railway to Kano opened 1911 and effectively changed trade structures (Crowder 1978a, p. 190).

A second reason may have been of global nature. By the 19th century international banking and international trade had become dominated by Europeans whose joint stock companies (e.g. English Levant Company, East India Company) managed to pool financial resources more effectively than their Arabian and Middle East counterparts. Among others, institutional reasons can help explain this shift in global trade. Islamic inheritance laws and the practice of polygamy did not encourage the accumulation of considerable financial assets in the hands of a few. Instead, wealth was dispersed among numerous claimants. Europe had followed a

tradition of primogeniture which led to the development of powerful companies with limited liability (Kuran 2003).

3.5.7.3 Social factors influencing institutional development

European institutions of social life hardly reached the Kanuri. In Bornu there was low urbanisation, no European immigration, very little waged employment, almost no missionaries or European education. Hence, there were limited possibilities of contact with Europeans or European institutions. This is quite a distinct development from southern Nigeria and other colonies in Africa (e.g. Botswana, German Cameroon)

Colonial administration in Northern Nigeria showed little enthusiasm in promoting education of the African population. Indeed many colonial officers openly expressed their contempt for the “savvy boy” or “trouserred” African (Crowder 1978b, p.206). The 1939 census in Northern Nigeria counted only 25,067 pupils in primary schools out of a population of 11.5 million. In the South 267,788 attended school out of a population of 8.6 million (Crowder 1978b, p.124). According to the few figures available the Kanuri rated low even among the population of the Muslim north. In 1952 eight years before independence, literacy in Bornu in roman script was 0.9 per cent and in Arabic script a mere 2.1 per cent (Coleman 1963, p. 135). Only in 1959, the education department opened one school in Maiduguri the capital (Coleman 1963, p. 113).

Another reason for low school attendance may have been the absence of missionaries, who ran more than 90 per cent of schools in southern Nigeria. Missionaries were largely excluded from the Muslim north by agreement with the British⁶⁸ (Crowder 1978a, p. 192). By the 1950s Christianity had reached less than 1 per cent. This was in stark difference with the

⁶⁸ In 1900 when Frederick Lugard became High Commissioner of the Northern Provinces, he promised - on behalf of his Queen Victoria – to maintain all pledges which had been assumed by the Royal Niger Company. This included not supporting Christian missions in the Muslim north. Missionaries (and thus European education) could only operate upon invitation by the traditional ruler of a province. This was not the case in Bornu (Coleman 1963, p. 133-6). Another reason may be the swift conquest of Bornu by the British. In south eastern Nigeria the Igbo suffered serious hardship by British occupation. Christian villages were treated with some measure of respect by the British and school attendance protected to some extent from forced labour. Hence there was a “run” to the Church and to primary schools (Ekechi 1971).

south, where Christian missionaries converted around 50% of the population (Coleman 1963, p. 94).

Employment in non-agricultural sectors showed a similar pattern. In the whole of Nigeria only railways, the plantations (in the south) and mining offered wage labour. The wage earning class remained tiny in comparison with the masses of subsistence farmers. We are lacking figures for the north, but in 1936 the colony counted only 227.451 wage-earners out of a population of roughly 20 million (Crowder 1978b, p.123-124). In 1954, only 257.000 out of 30 million received wages (Coleman 1963 p. 69). Salaried employment concentrated on government, transport services and construction and repair. It was undoubtedly more prevalent in the south and in towns⁶⁹. We can imagine towns as the engine of institutional development and transformation during colonial times. Only there, European institutions such as language, money system, education, and linear time management brought about by salaried jobs were introduced to a very thin class of Nigerians. Taking again the number of wage earners their number cannot have been more than a mere one per cent of the population in 1954. In Bornu, the only town of relevance was its new capital Maiduguri, which counted 16.274 inhabitants in 1921 and 54.646 inhabitants in 1952 (Coleman 1963, p. 70-79).

All in all the Kanuri in Bornu were largely left to themselves and there was only little transfer of British non-market institutions (e.g. language, religion) to the population. It might be possible that the common Kanuri farmer probably never saw a British or European face. The situation was quite different in other British colonies such as Botswana, where close contact with European missionaries and job contractors imported English language, money and way of life (Schapera 1933). In neighbouring German Cameroon indigenously owned land was alienated and the local population was forced to work in European plantations. Here traditional corporate lifestyle was undermined to a greater extent (Crowder 1978a, p. 191). Even in southern Nigeria the situation was quite different. 1906, when the Lagos Protectorate was merged with the Protectorate of Southern Nigeria, may be seen as the beginning of effective British influence in Southern Nigeria. Missionaries, traders, plantation owners and

⁶⁹ In 1952 nine of ten towns above 40.000 were located in Yorubaland, in the south-west of Nigeria. The Yoruba have a culture of urbanisation that dates back to pre-colonial times (Coleman 1963, p. 73).

British administrators introduced European language and way of life. Urban centres such as Lagos attracted an educated work force with aspiration to work in the colonial administration. European education and Christian faith weakened traditional institutions of kinship (Coleman 1963, p.72-79).

3.6 POST-COLONIAL INSTITUTIONAL DEVELOPMENT

The remainder of the study sets out to investigate the political, economic institutions discussed so far. It does so on two levels.

- I. On national level the study shows that the current formal institutional framework suffers from ineffectiveness. Nigeria's federal institutional framework contains centrifugal tendencies which make very hard govern the country in an effective way.
- II. On state level, the Kanuri in the Borno State serves as a showcase model of how important informal institutions persist over time and dominate local political and economic transactions. The conflict with super-imposed formal rules is the result.

This section is structured as follows. An overview of Nigeria's turbulent post-colonial period is followed by a brief discussion of the current political and economic institutional framework. The second part of this section analyses the institutional development of the Kanuri in modern Borno.

3.6.1 Post-colonial institutional development on national level

3.6.1.1 Independent Nigeria's political record

The diaries of Wolfgang Stolper, economic adviser to the Ministry of Economic Development of Nigeria from 1960-1962, provides evidence that upon independence the hopes of for continued economic growth were prevalent among Western economists (Stolper 2003). Regrettably, after very few years only, political stability was lost. Several military coups and constitutional amendments have changed Nigeria's constitution since its independence. Table 9 gives an overview over the main events since independence.

Year	Political event
1960	Independence on October 1 st . Constitution of 1954 (with amendments in 1955) gives a country a federal structure.
1963	Nigeria declares itself a republic.
1964	First election in independent Nigeria lead to an enduring and violent crisis.
1966	Military coup and counter-coup. Discord between Nigeria's Muslim north and the better educated Christian-animistic south. Finally pro-north Lieutenant-Colonel Yakubu Gowon seizes power.
1967	Eastern region secedes and proclaims itself the Republic of Biafra. A brutal civil war kills an estimated number of one million people.
1970	Biafra surrenders. The former eastern region is fully re-integrated into Nigeria. Corruption and abuses of power increase in the country.
1974	Yakubu Gowon is deposed by General Murtala Mohammed.
1976	General Mohammed is killed during an attempted coup. General Olusegun Obasanjo seizes power.
1979	Nigeria returns to civilian government rule. Shehu Shagari is elected president of the Second Republic. Nigeria's public debt rises from 10 billion to 100 billion Naira.
1983-4	Military coup brings General Muhammada Buhari into power.
1985	A second coup ushers in a military regime under General Ibrahim Babangida.
1991	The Yobe State is carved out of Borno State on grounds of administrative efficiency.
1993	Various coups end 82 days of civilian government rule. General Sani Abacha seizes power in November.
1998	General Abacha dies and is replaced by Major-General Abdulsalam Abubakar.
1999	Successful elections make former General Obasanjo president of Nigeria.
2000-2	Re-adoption of shari'ah criminal codec by twelve northern states (including Borno).
2003	President Obasanjo and his party win the general and presidential elections. EU observers find "serious irregularities".
2007	Umaru Yar'Adua wins presidential elections and is sworn in. EU observers condemn elections as "severely flawed".
2010	President Yar'Adua dies and vice-president Jonathan Goodluck is sworn in. Nigeria has enjoyed its longest civilian rule since independence.

Table 9: Overview of Nigeria's post-independence history

Sources: Bach 2006, p. 85, Kirscht 2001, p. 64-70.

3.6.1.2 Institutional weakness of the post-colonial state

Nigeria's constitutional foundation had been built in colonial times. The so-called "Richards Constitution" had been set up in 1946 under British guidance and had resembled many other constitutional drafts in the British Empire. It foresaw a common legislative for the north and south. In addition, it divided Nigeria in three regions (Northern, Eastern and Western Region) each of them with a House of Assembly and a House of Chiefs. It was unpopular from the start and politically contested in particular in the south. Consequently a new constitution entered into force in 1954 and devolved more political power to the regions (Kirscht 2001, p. 63-4).

Today – after years of military rule and constitutional revisions - Nigeria is a federal republic. The president holds extensive powers similar to the system in France or in the United States. Traditional political institutions are not provided on federal level, but the states are granted permission to work with traditional leaders, which are to hold advisory functions only and are explicitly barred from any executive, legislative or judiciary powers (Kirscht 2001, p. 74).

However, Nigerian state institutions broadly fail to provide a framework for basic political and economic institutions on a nation-wide scale. It seems that the only effect it achieves is keeping dissolution of the country at bay. But Nigerian unity comes at great costs. Oil revenues are used to create political dependency of the states and local governments towards the federal government (Bach 2006, p.75).

Some scholars doubt if the price of unity is justified and question the objective of keeping the country together. They claim that Nigeria as a nation and its boundaries are the product of colonial diplomacy. Keeping the unity has cost one million lives in the Biafra war and may be one reason for Nigeria's many institutional shortcomings (Englebert 2009).

At this point, three institutional failures will be discussed by way of illustration

- I. Institutions which provide a minimum of personal security to the citizens
- II. Institutions which protect property rights
- III. Institutions which provide jurisprudence

In 2004, the World Health Organization (WHO) recorded 17.7 homicides per 10,000 population in Nigeria ranking it among the 40 most violent places on the planet⁷⁰ (UNDATA 2011). Police performance suffers from low salaries, insufficient numbers, lack of accommodation etc. Police officers are not simply viewed as ineffective but as a source of insecurity themselves. Failure to provide personal security to citizens has undermined the legitimacy of the federal government. This has led to a privatisation of security on a local level. Vigilante groups (e.g. the Bakassi boys), ethnic militias (e.g. yan banga) legally co-exist or are at least untroubled by the police force. Criminalisation of politics is another problem. Numerous assassinations or assassination attempts were recorded during local elections in 2004 (Bach 2006, p. 77). Key players in domestic politics appear to be backed by ethnic militias or groups of vigilantes such as Arewa Consultative Forum in the north, the Afenifere in the south west or Ohanze Ndigbo in the south (Bach 2006, p. 86).

Federal Land Use Decree from 1978 states that all land without legitimate title of ownership belongs to that federal state (Kirscht 2001, p. 74). The federal decree has not substantially improved the situation. Before 1978, the lack of clear property rights impeded economic use of Nigeria's resources (Stolper 2003, p.133). Today, federal law may conflict with informal institutions governing land rights. Examples from Borno (section 3.6.2.2 below) will provide evidence of such conflicts. In the Niger Delta land property conflicts fuel the rampant violence and the appropriation of crude oil by its inhabitants (Bach 2006, p. 70-1). On a national scale Nigeria's potential to attract Foreign Direct Investments (FDI) is rather disappointing - given the country's wealth in natural resources – even if the rate of FDI has

⁷⁰ This number only comprises officially reported cases by the Nigerian police forces.

stabilised somewhat over the last decade. In 2008, Nigeria ranked 86th of 144 on the UNCTAD Inward FDI Potential Index⁷¹ (UNCTAD 2010).

The weakness of Nigeria's state institutions is maybe best displayed by the marginalisation of federal law and jurisprudence. Military rule undermined the rule of law in Nigeria. In 1991, the Civil Liberties Organisation inspected 65 prisons and reported that at least half of the 60,000 inmates had never been seen by a judge. Official sources confirmed that many of those awaiting trial had been imprisoned for up to ten years (Bach 2006, p. 76). On a regional level, unrest in the Delta states has reduced chances of having a fair trial in the Delta states. The re-introduction of the shari'ah has weakened federal law and legislation in the north⁷². Instead shari'ah seems to have had a discriminating effect on the non-Muslim population in the twelve states (Bach 2006, p. 82).

3.6.1.3 Lacking legitimacy: Federalism and neo-patrimonial rule

Apart from a weak institutional framework Nigeria's political development seemed to have been driven by two unspoken directives.

- I. Federalism to maintain the national unity of the country
- II. Neo-patrimonial governing style to balance lack of legitimacy of political institutions

Today, Nigeria consists of 36 states and one capital territory. The fragmentation into an increasing number of dependent states and local governments may have prevented the country from dissolution, but this has not been without costs. Financial rewards associated with the creation of new territorial units have triggered a stream of demands of Nigeria's many ethnic groups. The example of the Niger delta shows that these demands can take violent forms. This fissiparous trend has manifested in the son of soil syndrome, which differentiates between

⁷¹ Of course many other factors also affect FDI. Among others, Nigeria's business sector suffers from erratic energy supply and overall poor infrastructure (Bach 2006, p. 70).

⁷² The application of shari'ah law has been highly popular among the population who expected shorter and less costly trials. Furthermore the shari'ah's harsh punishments were seen as an effective deterrence against corruption. These hopes have not been fulfilled so far.

Nigerians indigenous to a specific state (blood ties) as opposed to mere Nigerian residents in the same state. The latter (non-indigenous) are discriminated against in their access to land⁷³, access to education, health facilities and public services. Consequently, economic impacts (mobility of workforce, protection of property rights etc) are disastrous. Together with the progressive fragmentation of Nigeria's territories and states this means that the territorial space within which a Nigerian can claim full rights as a citizen (i.e. the state of his blood ties) is far smaller than 50 years ago, when Nigeria was divided into only three regions (Bach 2006, p.79-80).

The process of ethnic identification, which is rewarded with a state and bigger shares of (oil-) revenues by the federal government, is self-reinforcing and thus very persistent. Federal formal institutions need oil revenues or risk being ignored. The dissolution of the Nigerian state would be the consequence. In this institutional framework it is only rational by all actors to create ever more ethnic states and governments (Greif and Laitin 2004, p. 646-7).

Given the weakness and low legitimacy of formal federal institutions, Nigerian civilian or military rulers alike have resorted to a traditional informal institution with arguably high legitimacy all over Nigeria: The patron-client relationship. This has resulted in a form of neo-patrimonialism which again is very resistant to modernisation. Dispensation of patronage through office allocation – a modern form of patron-client relationship – has so far survived the country's macro economic adjustment programs. About 600 parastatals are directly dependent on the federal government. An estimated 900 belong to states and local governments. Together the parastatals employ about 65 per cent of the total workforce of the formal sector (Bach 2006, p. 84). Nigeria Royalties from oil and natural gas, which are federal controlled revenues, have helped to nurture dependencies. Under the current revenue allocation formula the country's 36 states and 774 local governments statutorily receive about half of the oil revenue (Bach 2006, p. 71).

The connection between weak formal institutions (i.e. Nigeria's federal government) and neo-patrimonial rule (i.e. governing by oil revenues) is quite common in African post-colonial

⁷³ Compare with colonial Bornu's limited access to land for foreigners and other Nigerians.

history. It follows a typical chain of events: After the first years of independence, when either the euphoria or the leaders' charisma has ended, formal new state institutions begin to lack legitimacy in the eyes of the population. People prefer to follow local informal institutions. African leaders therefore soon discover how little power they have really inherited. In many cases such as Nigeria, ethnic heterogeneity based on arbitrarily drawn boundaries adds to the lack of legitimacy. To stay in power, civilian and military leaders alike resort to a neo-patrimonial ruling strategy, which is more in line with traditional institutions based on patron-client relations. The results are widespread distortion in market mechanisms. Resources are allocated according to political interests and cause clientelism and corruption (Englebert 2000b, p. 1823-1825).

How can the lack of legitimacy of federal institutions be explained? According to the simple theoretic model discussed in section 1.4.2 above, the legitimacy of any formal institution is a function of its embeddedness in existing informal institutions most of which are institutional arrangements locked-in or based on path-dependence. From an institutional point of view, the performance of Nigeria's federal institutions has been disappointing. Different from some other former British colonies (e.g. Botswana, Australia) effective state institutions had either not been imported or had failed to be embedded in existing institutions in a coherent way.

Of course colonial rule is not the only factor in institutional development. To cater the needs of over 250 ethnic groups with - each with their own institutional development path - seems impossible for one single national institutional framework. The following will focus on the post-colonial institutional framework of the Kanuri in Borno State.

3.6.2 Post-colonial institutional development of the Kanuri of Borno State

To understand Nigeria's weak institutions the study has geographically focused on the Kanuri in today's Borno State. As has been shown, institutional transfer during colonial rule was minimal. This is not necessarily detrimental to institutional development. The Botswana study has shown that important political and economic institutional reform took place in the first decade after independence (see section 2.5.2).

In Borno, institutions did not change much until the mid 1970s. In the late 1990s the rapid urbanisation together with the re-introduction of shari'ah law has triggered a hastened and sometimes violent phase of institutional development particularly in urban areas.

3.6.2.1 Post-colonial Bornu political institutions

In 1976 the Local Government Reform was passed which aimed to break the influence of traditional rulers in the Muslim north. Until 1976 the political hierarchy had not changed much from colonial times. Interviews with farmers attest that common Kanuris hardly remember independence or any changes it brought upon them (Kirscht 2001, p. 65).

The 1976 reforms created several elected Local Governments Areas (LGAs) inside Borno State. Maybe more importantly the local governments which administered them were also endowed funds derived from oil revenues. This affected a shift of power. In Borno the effect was strongest on district level. Every day political business moved from the district head (i.e. traditional body) to the local governments and their chairmen (i.e. elected bodies). The result can be seen in Figure 18.

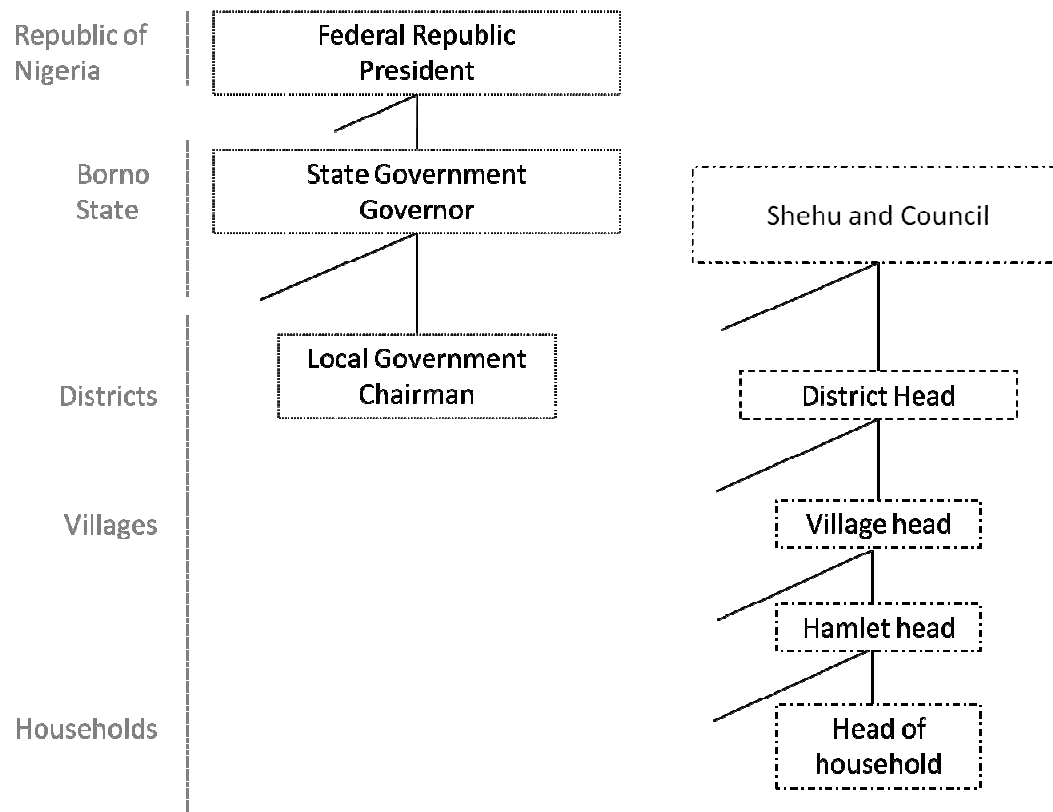


Figure 18: Political Structure in Borno State after 1976

Source: Own based on Kirscht 2001, p.75

District heads had initially been introduced by the British. After independence this title merged with the traditional office of a fief holder together with its traditional functions although without official executive powers. Today district heads are still invested by the Shehu and assist in cases of conflicts. More importantly they collect taxes from the population on behalf of the Shehu (Kirscht 2001, p.78).

District heads provide important links between common Kanuris or village leaders and the state authorities (Kirscht 2001, p. 87-8). Interviews with Kanuri farmers give evidence that heads of hamlets or villages are the first reference persons for all problems. If necessary the traditional leader will go to local governments on their behalf. Only “big men” ought to go directly to the local government (Kirscht 2001, p. 73).

Despite these changes on district level, traditional political institutions remain important for several reasons

- a. On village level and below the pre-colonial structure has practically not changed.
- b. The newly elected offices are to some extent filled with former traditional leaders and men loyal to the Shehu.
- c. The Shehu himself has kept important powers such as the right to staff traditional offices, the right to administer justice and his function as religious leader for his people. He continues to rule by patron-client relations and gift exchange - nowadays mostly traditional clothes (Kirscht 2001, p. 77-80).

Similar to colonial times, the dual hierarchy, which evolved after the 1976 reforms, forces traditional leaders and representatives of the federal government structure to cooperate. According to field research the institutional conflict between formal state authority and traditional leaders is still ongoing. Alliances and conflicts are solved on a case to case basis and examples of these conflicts are plentiful. One example has been recorded by Kirscht (2001): A district head that had been called to solve a violent conflict between Fulani cattle herders and Kanuri farmers. The traditional leader ordered a squadron of police to take a pick-up truck and assist him in settling the conflict. The police (federal agents) obeyed. Formally district heads hold no executive powers, but they are responsible for solving conflicts between farmers and cattle herders. On other occasions conflicts between the Local Governments and the Shehu about dismissal of unwanted village heads or over the appointment of village heads, who are loyal to the Local Government, have been reported (Kirscht 2001, p. 79 and 90-96).

These institutional inconsistencies remind of diplomatic tug-of-war between British officials and traditional rulers in colonial times. Some of these conflicts have impeded the private investments and agricultural projects with detrimental economic effects (Kirscht 2001, p. 90-96).

Here the example of the modern day Kanuri almost perfectly matches the thesis's theoretical model of institutional hierarchy and legitimacy introduced in section 1.4.2. According to our

model this conflict, which started in the 1970s with the introduction of the LGA, can last for generations to come.

Although State and Local Governments can and do raise their own revenue, they mostly rely on Federal Government allocation. In contrast, the traditional administration under the Shehu continues to raise most of its revenues at a local level predominately by taxing the rural population (Sarch 2000, p. 4). Here again a parallel institutional structure has evolved. Conflicts are inevitable as an example in the next section shows.

3.6.2.2 Institutions of property rights

On paper, the Land Use Decree of 1978 nationalized all land and vested its management to the Local Governments (Sarch 2000, p. 5). Although this federal law applies to all unoccupied and non-urban land belongs to the state, the heads of villages or hamlets keep practising their rights of land allocation within their village areas. This has been silently accepted by state authorities (Kirscht 2001, p 86). This practice of conflicting institutions of property rights has led to numerous cases of problems and inefficiencies:

- a. In the 1980s the South Chad Irrigation Project – a big state led initiative to modernise agriculture – ran into massive problems and confusion with land rights. In the end the project failed for various reasons. One of them was that the government had to acknowledge traditional land rights on project territories (Kirscht 2001, p. 268-311).
- b. In the 1970s and 1980s new and fertile land became available which was freed by Lake Chad's receding shoreline. Its allocation followed very much pre-colonial institutional rules. The head of the geographically closest village nominated a hamlet head among the new settlers, who was given the right to allocate lands to the families in his settlement. In return the head of the hamlet was responsible for collecting annual taxes and settle conflicts on behalf of the village head. Disputes over the right to allocate farmland were settled in the favour of the Kanuri community, where this was an option, and in the favour of those able to deliver the largest tax payment to the

hamlet head. Members of distinct ethnic groups were discriminated against (Sarch 2000, p. 6).

- c. Another interesting example of the persistence of informal institutions of property rights are the fishing rights on the shores of Lake Chad. The Inland Fishing Decree of 1992 (federal law) authorises state authorities and officers of the Local Governments to issue fishing permits for the local population. In addition, it bans the use of obstructing fishing traps such as the highly effective “dumba”⁷⁴. Both rules (fishing permits and ban of dumba) caused some confusion and eventually failed to prevail against an arrangement based on traditional institutions⁷⁵.

These examples provide evidence of the prevalence of traditional institutional arrangements based on pre-colonial institutions which have been strengthened rather than modernised by British colonial rule (Kohli 2004, p. 301).

The last example highlights the competition between those that see themselves as the true “indigenes” of an area (here: local Kanuri) and those that are considered to be more recent “settlers” (here: those who had to pay) who are members of different ethnic groups. This practice can be found all over Nigeria and is an effective institutional arrangement for allocation of land rights, but it is economically and politically clearly sub-optimal to an institutional solution based on more equal access. Furthermore the distinction between settler and indigenes is very often the reason for Nigeria’s many violent riots (BBC 2011)

⁷⁴ A dumba obstructs small rivers of receding water as the lake surface contracts during the dry season. Fish which want to swim back to the main lake are conveniently and effortlessly trapped. However, its use is problematic, because its high effectiveness prevents any other fisherman living downstream to catch any fish at all.

⁷⁵ Up until 1993, dumbas had been a source of conflict between dumba fishers and those downstream of them. In 1993, the conflict was resolved by a wealthy head of village, who agreed to issue a written license that could be checked and (the exclusive rights of the licensee) enforced by the Army patrols on the lake. Army officials obviously also financially benefitted from the arrangement. Then in 1994, Local Government officials – obviously unaware of the 1992 Inland Fishing Decree - attempted to license and tax dumba and confusion developed over who had the right to license them. This was resolved when, in early 1995, Federal fisheries officers visited the Local Government to explain the regulations of the 1992 decree. These prohibit dumba and thus prevent officials from taxing them. Nonetheless, the use of dumba persists and in the case study villages, the traditional administration again filled the void created by the withdrawal of Local Governments and expanded its authority over fishing, in particular over the allocation of dumba (Sarch 2000, p.7).

The last example is not only evidence of the persistence of informal institutional arrangement over formal state law. It is also a case of the “tragedy of the commons” which has become a metaphor for allocation problems related to common-pool resources (CPRs)⁷⁶.

CPRs are natural or human-made resources that share two attributes:

- I. It is difficult (but not impossible) to devise ways to exclude individuals from benefiting from these resources and
- II. units consumed by one individual subtract from those available to others.

In this sense CPRs are a mix of public and private goods. They share the first attribute with public goods and the second attribute with private goods (Ostrom 1997, p. 1).

Usually an institutional arrangement of property rights evolves or is created to regulate access to CPRs. According to Douglass North’s notion of path dependence the institutional solution does not have to be the most efficient possible in an economic sense. Instead it is likely that historic institutional evolution determines the institutional outcome (North 1990). Once an institutional arrangement has been locked-in – often under unique historic conditions - this institution is very persistent to change (Boettke 2008, p. 332).

The Kanuri institution of the use of dumba fishing nets provides evidence of path-dependent institutional lock in. The institutional arrangement is effective, but economically inefficient. The fee resembles arbitrary taxation and is not an optimal solution to the CPR problem of the Lake Chad fishermen, yet it prevailed against admittedly weak efforts by officials of the Local Government.

⁷⁶ Common pool resources were first discussed by Garrett Hardin (Hardin 1968).

3.6.2.3 Legal institutions and judiciary

In Nigeria today four different systems of law are applicable: the received English common law, Nigerian legislation, customary law and including shari'ah law, and modern case law. The result is an institutional mess (ADB 2009, p. 18-20). Nigeria's troubles with its law system can easily fill a thesis of its own. The following section takes a focus on shari'ah law.

The end of the shari'ah law – at least of its penal code – had been one of the conditions the Muslim north had to accept as the price of independence. From October 1st 1960 on the jurisdiction of Islamic courts was limited to civil proceedings involving questions of Islamic personal law (e.g. family status, marriage and divorce). A new secular civil law was quickly drafted for the northern states only. It drew heavily on the British criminal code but incorporated Islamic elements (e.g. ban of alcohol, adultery), which were only binding for the Muslim population (Harnischfeger 2008, p. 61-2).

The re-establishment of Islamic courts has had political, economic and institutional effects. The re-introduction of the shari'ah law in 2002 has arguably strengthened traditional political institutions and the position of the Shehu as religious leader and thus highest authority in traditional justice. At least in Bornu, research has shown that the Local Governments and other state authorities have so far accepted the outcome of law cases, even if they were in contradiction with existing federal law (Kirscht 2001, p. 90).

In some Northern Muslim states (e.g. Kano) so-called hisba groups, which are Muslim youth enforcing the jurisdiction of the Shari'ah, have developed local law enforcing force in clear contradiction with federal law and the police. Again the conflicts with state institutions have either been settled in case-by-case solutions or have led to serious clashes and unrest (Adamu 2008).

Whereas the hisba has caused problems for the jurisdiction among Muslims, the re-introduction of shari'ah law in the 12 Muslim states of Nigeria has led to violent religious

clashes mainly between Christians and Muslims. Furthermore, the sentences have been highly controversial within and outside Nigeria (Harnischfeger 2008, p. 16).

Shari'ah law is another example of a pre-colonial institution which has prevailed and literally re-emerged today. Islamic jurisdiction had been centuries old when the British conquered Nigeria's north. Colonial rule rather strengthened it by integrating it into colonial administration. Seen from this perspective the four decades of secularisation (1960-2000) is just a short interlude in an otherwise perfect example of institutional path-dependence.

The effect of shari'ah law on long-term economic growth is beyond this study's scope. However, from an institutional point of view, the shari'ah law undermines the legitimacy of Nigeria's federal law system by placing the will of God above all man-made decisions. It also threatens the authority of the president who is a Christian and it is likely to add to the persistence of traditional authority of pre-colonial political institutions (Harnischfeger 2008, p.14).

3.6.2.4 Social factors influencing institutional development

Although precise figures are missing we can assume that social and economic life in rural areas has not changed since colonial and maybe pre-colonial times. Schooling initiatives from the government in the 1970s had limited success in Bornu (Kirscht 2001, p. 269).

In particular remote rural settlements have maintained their life-style from pre-colonial times. Reports from villages on the Nigerian shores of Lake Chad have seen negligible support from the government. Wells are hand-dug and roads and electricity are absent. Education is restricted to Islamic schooling for boys (Sarch 2000, p. 5).

Perception of time - an important institution regulating working hours – has likewise not evolved in rural areas since the 19th century. Daily life is dominated by agriculture and the annual cycle of rainfall and harvesting determines economic use of working hours.

A good example is the use of traditional calendar among Kanuri farmers. According to recent anthropological research near the Lake Chad, three different calendar types are in use. The Islamic calendar (Hijri Calendar), a calendar based on the position of stars (Sellewu Calendar) and the European version (Christian Era) in particular among the younger and literate farmers. Interviewed farmers had problems transferring dates from one calendar system to another (Kirscht 2001, p. 186-9).

The application of the various calendars (and their implicit imprecision) has agricultural and economic impacts. Only the Sellewu and the Christian calendar can be used to determine agricultural seasons. The latter has to be used when dealing with state authorities. Knowledge of only one or only the other may have individual economic impediments. Knowledge of the Islamic calendar which seems to enjoy broadest diffusion shows an individual's religious faith.

Social factors like education are arguable different in major towns such as in Maiduguri, Bornu's capital and economic centre. Bornu's population has risen together with its rate of urbanisation. Borno state now counts six towns with over 20,000 inhabitants. Together these towns are home to some 1,350,000 inhabitants out of Borno's population of 4,986,233⁷⁷. That is still rather low with 27 per cent. Urban population has grown rapidly. Maiduguri's population has risen from 618, 278 in 1991 to an estimated 1,155,317 in 2011. Education is only available in towns and figures are among the worst in Nigeria. Only 7 per cent continue education after primary school (World Gazetteer 2011a and World Gazetteer 2011b).

⁷⁷ Borno's total population is an estimated projection for 2011 (source UNFPA 2011). Borno State government classifies as urban all towns with a projected population of over 20,000 inhabitants.

3.7 SUMMARY

Today traditional, informal and modern, formal institutions co-exist side by side in everyday Kanuri life. The institutional framework they add up to can hardly be expected to provide an economically efficient framework for economic development and long-term economic growth. Instead the examples reported in this study provide evidence of a dysfunctional institutional framework albeit on a micro-level of analysis (e.g. village level). Yet the cases show that the conflict-laden relation between formal and informal institution is to some extent the result of Borno's pre-colonial and colonial past.

Although very contextual in regards to the events of Kanuri history, the study has aimed to provide evidence of the persistence of pre-colonial institutional arrangements. It has stressed the prevalence of informal institutions against later imposed formal institutions. In doing so the study has worked within a simple theoretical model based on Boettke et al., North and Williamson to explain the persistence of informal institutions.

The case of the Kanuri fishermen on the shores of Lake Chad is a good example of the quality of the institutional framework the Kanuri society has established. The institutional outcome is effective in the sense that local fishermen comply, but it is economically inefficient. It does not permit a rational exploitation of the fishing resources and thus deters investment and economic development. The institutional arrangement in place (arbitrary licensing regime by village heads) can only be understood as the result of unique historic events that have shaped the Kanuri society and economy.

Likewise, economic development projects of bigger scale have failed in Borno. The institutional framework in place did not support the – envisaged – more efficient use of land. Again centuries of institutional evolution of property rights and political institutions, in which they are embedded, can explain this failure.

Finally, the study has researched the impact of some non-economic factors on institutional development. This may become relevant for the broader research on the colonial influence on

institutional development. Within the historic context of the Kanuri in Borno the study has shown the lack of Western schooling and the low level of urbanisation are possible factors which impeded the adoption of modern institutions.

The study aimed to contribute to the question why Nigeria ended up with weak institutions. Although this question is very hard to answer, the Kanuri example provides evidence of how little federal state institutions were adapted to local institutional arrangement. It may be reasonable to assume that many of Nigeria's over 250 ethnic groups have been confronted with an equally conflict-laden institutional framework analogous to the Kanuri case.

Again the colonial past plays a role. The implementation of British indirect rule affected local traditional institutions to a varying degree in Nigeria. In the south and in the former capital Lagos, British rule brought more European education, Christianity and Western work ethics. In the Muslim north (including Borno) British indirect rule largely strengthened and petrified existing institutional arrangements. Given these distinct institutional development paths, it is hard to imagine a framework of state institutions that suits all of Nigeria's ethnic groups. Although more research is necessary, Nigeria's case indicates a causal connection between weak formal state institutions on one side and neo-patrimonial rule and strong secessionist tendencies on the other.

Exogenous variable	Endogenous variable	Outcome
<p>Indirect rule in whole Nigeria with very distinct forms of implementation in particular between the north and the south.</p> <p>Indirect rule in Borno meant no missionaries, no European settlers, no European education and no involvement in justice and law.</p> <p>Indirect rule in Borno had its strongest impact in streamlining existing feudal structure (fewer and larger fiefs and village units) and minor changes in taxation.</p>	<p>In Borno, colonial rule did not introduce European institutions or facilitated any institutional transformation.</p>	<p>Nigeria has one of the weakest institutional frameworks in the world. Federal institutions conflict with local informal institutions. Neo-patrimonial rule and an economic waste of oil-revenues are the result.</p> <p>Borno has developed a weak institutional framework which suffers from</p> <p>a) the contradiction of formal federal institutions and local traditional institutions and</p> <p>b) the persistence of traditional informal institutions which shape political and economic life and are sub-optimal for economic development.</p>
<p>In Borno pre-existing political institutions constrained promoted clientelism, patrimonial rule and a tendency for political instability. Constraints on political power were low.</p> <p>In Borno existing economic institutions were relatively well developed because of Islamification in the 11th century.</p> <p>Kanuri have no preference of urbanisation, rather tend to “hive off” or migrate within their territory.</p>		
<p>Islam may have acted as a conservative factor impeding the introduction of European institutions (e.g. ban of missionaries and European schools).</p> <p>No ethnical tensions among Kanuri and non-Kanuri reported or investigated in the study.</p>		

Table 10: Exogenous and endogenous variables of the working hypothesis

Source: Own

4 CONCLUSIONS

The structure of the cases along chronological phases facilitated the identification of processes of institutional transformation. This section follows the chronological structure and concludes the findings of the two studies.

Pre-colonial institutions of Kanuri and Tswana were different in many ways. The Kanuri had a tradition as long-distance traders. Hence their institutions in this respect were fairly developed. Islam had brought a common language of traders and writing. Political institutions were weak in the sense that they could not provide stability or able leaders over a longer period of time. The Tswana had limited economic institutions, but efficient political institutions. Their record of able and pragmatic leaders helped them under colonial rule and kept British (in particular South African) involvement low. It is remarkable that the British (driven by Cecil Rhodes) expanded their colonial influence over South Africa and Rhodesia and omitted Bechuanaland in its geographic mid.

The colonial phases in Botswana and Nigeria yielded differences in adoption of European institutions. In Botswana's case, roughly 80 years of domination facilitated the gradual takeover of mostly informal European institutions. Various factors such as education, taxation, urbanisation and labour migration favoured this process, but its slowness may have been the main factor for its success. Schapera described the generational conflicts in the settlements close to South Africa, where new institutions were adopted first by the youth. The Kanuri in Borno did not undergo a slow adoption of informal European institutions. Only money was introduced to them. They also lacked the promoting factors like urbanisation or European education with an exception of taxation. Within Nigeria, the situation may have been quite different at the coast, where exposure to Europeans was greater.

British administration of the two countries differed considerably. Despite its name indirect rule in Nigeria meant involvement of British officials down to district level. Local suzerains were de facto salaried functionaries of the British administration. They were paid a fixed income out of the tax revenues they collected for the British. In Botswana, the British hardly

entered the country. The two recorded occasions of more direct British involvement in the succession of Tswana chiefs resulted in considerably lower institutional efficiency in these two tribes. Although neither Botswana nor Nigeria experienced forceful imposition of foreign institutions the effects of colonial rule were quite different in the two countries. In Botswana the vicinity to European institutions (language, organisation of time, money and missionaries) started a process of institutional development which was very consciously steered by Tswana chiefs. From this perspective the situation reminds rather of Japan during the Meiji period. In Nigeria colonial rule strengthened and petrified existing institutions. Questions of village size and who would be village head did not challenge the existing institutional framework as such.

Upon independence, there were no institutional changes in Bornu for 16 years. Most Kanuri hardly remembered independence at all. This again is greatly different from the political grass root movements unleashed by Seretse Khama and the BDP. The Tswana used their “window of opportunity” (Williamson 2000, 598) and started a busy period of institutional transformation. Political parties were founded and democracy was built on a formalised form of the existing institutions of chiefs and kgotlas. Only later in a gradual process were the powers of the chiefs eroded and replaced by a more ceremonial role. Remarkable is also long cooperation with expatriate bureaucrats – a very pragmatic move in an imaginable emotional time. The success of the Tswana was not complete. The persistence of communal ownership right of land can again be explained by the pervasiveness of informal institutions based on Tswana culture. Modern institutions of property rights were not introduced and the “window of opportunity” closed without ever being used. Subsequent attempts at institutional development have come with higher costs.

The Bornu Empire, on the other side, had existed before British rule and it continued in the same way thereafter. No British institution but the Pound Sterling was left behind⁷⁸. Rather, new formal institutions were imposed by the federal government decades later. These new institutions were ill-adapted and because the British had left no central administration behind on which to build them. The whole arbitrariness of the Nigerian state became obvious once

⁷⁸ Here at least the claim that “...the shilling was to circulate wherever the British drum was heard...” became reality (Chalmers 1893, p. 23).

the British had left. Civil wars tried to enforce central political institutions. Today, they have given way to a system of sharing the oil revenues to buy political acceptance and unity. It is not surprising that local political and economic institutions have been locked-in since pre-colonial times. Being informal and close to the core, they are simple more effective. This finding is in line with Kohli's analysis of Nigeria, who argues the post-colonial state was a state without central authority unable to perform such an elementary function as systematic nationwide taxation (Kohli 2004, p. 327) or to promote economic development (Kohli 2004, p. 363-6).

Lange has pointed out that the nature of Botswana's and Nigeria's natural resources are more similar than one might assume. Both, diamonds and oil reserves require large infrastructure, technology and investment⁷⁹. When the deposits were discovered the Botswana had established state institutions efficient enough to avoid a resource curse. Nigeria lacked central state institutions upon independence and failed to establish them in the crucial first years which would have helped in exploiting its wealth in oil resources (Lange 2009a, p. 172).

Finally, Nigeria's post-colonial institutional development path may be regarded exemplary for many other African states. Indirect rule and arbitrary state boundaries resulted in weak central state institutions which lacked legitimacy compared to local informal institutions (which may even have been strengthened by indirect rule). Englebert rightly points out that in Africa the gap between the post-colonial state and informal local institutions may have been most severe. It caused a typical chain of events: after the first years of independence, when either the euphoria or the leaders' charisma had ended, formal new state institutions began to lack legitimacy in the eyes of the population. People preferred to follow local informal institutions. African leaders therefore soon discovered how little power they had really inherited. In many cases, ethnic heterogeneity based on arbitrarily drawn boundaries added to the lack of legitimacy. To stay in power, the leaders resorted to a neo-patrimonial ruling strategy, which was more in line with prevailing local institutions. Handing out oil revenues to create dependencies is just another form of the patron-client relationship which is well known all

⁷⁹ Sierra Leone's alluvial diamond deposits on the other hand are located along river beds and can be mined by individuals with rudimentary equipment.

over Nigeria. Today, the results of neo-patrimonial rule are clearly visible. Inefficient institutions foster corruption and cause widespread distortion in market mechanisms (Englebert 2000b, p. 1823-1825).

Even if the studies' findings support the working hypothesis so far (i.e. institutional conflict, a result of institutional transfer under colonial rule, can help explain institutional quality and economic performance today), two studies do not make a theory yet. The situation in other former colonies may have differed considerably. In Australia and the Americas local populations had been entirely wiped out or assimilated by intermarriage. In some Asian countries, the colonizers had subjected states that had already been established and which simply recovered their sovereignty after the end of their colonial occupation. There is thus an interest for more case studies following the conceptual framework similar to the one drafted out in this thesis. As more cases collect, a theory may be built that could contribute to questions why some post-colonial states have better institutional frameworks than others. Then, maybe economists would be better equipped to judge the possibilities of economic development that leads to long-term economic growth.

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Annex 1: Former European Colonies and Values of INSTGOV VIII

Country	Code	Mother	Rank N95	Rank world	INSTGOV VIII	Voice & Accountability*	Political Stability & Absence of Violence/Terrorism*	Government Effectiveness*	Regulator Quality*	Rule of Law*	Control of Corruption*
Algeria	DZA	Fran	67	167	-0.77	-1.05	-1.07	-0.98	-0.94	-0.43	-0.50
Angola	AGO	Port	76	183	-0.99	-1.07	-0.94	-0.43	-0.50	-0.94	-0.70
Argentina	ARG	Spa	32	117	-0.27	0.32	-0.04	-0.18	-0.65	-0.61	-0.44
Australia	AUS	Ent	2	9	1.65	1.36	1.08	1.50	1.78	1.76	2.03
Bahamas	BHS	Ent	9	29	1.09	1.14	0.74	1.10	0.99	1.20	1.38
Bangladesh	BGD	Ent	75	179	-0.92	-0.61	-1.54	-0.77	-0.82	-0.70	-1.10
Barbados	BRB	Ent	7	26	1.18	1.16	1.09	1.48	0.77	1.28	1.30
Belize	BLZ	Ent	23	99	-0.05	0.74	-0.40	-0.42	-0.40	-0.20	-0.28
Benin	BEN	Fran	30	110	-0.21	0.34	0.35	-0.52	-0.46	-0.54	-0.42
Bolivia	BOL	Spa	65	164	-0.74	-0.01	-1.02	-0.81	-1.02	-1.12	-0.47
Botswana	BWA	Ent	11	53	0.72	0.55	0.96	0.67	0.52	0.64	1.00
Brazil	BRA	Port	21	96	0.04	0.51	-0.12	-0.01	0.19	-0.30	-0.03
Burkina Faso	BFA	Fran	42	132	-0.36	-0.33	-0.11	-0.67	-0.32	-0.37	-0.36
Burma (Myanmar)	MMR	Ent	94	211	-1.82	-2.24	-1.56	-1.68	-2.24	-1.48	-1.69
Burundi	BDI	German, Belg	81	191	-1.09	-0.66	-1.43	-1.21	-1.18	-1.07	-0.97
Cambodia	KHM	Fran	68	168	-0.78	-0.94	-0.27	-0.81	-0.47	-1.08	-1.14
Cameroun	CMR	Fran	70	172	-0.82	-1.02	-0.53	-0.80	-0.66	-0.99	-0.90
Canada	CAN	Ent	3	10	1.65	1.43	1.03	1.53	1.66	1.81	2.03
Cape Verde	CPV	Port	14	68	0.52	0.95	0.85	0.05	-0.02	0.51	0.75
Central African Republic	CAF	Fran	87	200	-1.31	-1.00	-1.77	-1.45	-1.26	-1.44	-0.90
Chad	TCD	Fran	90	205	-1.52	-1.45	-1.92	-1.48	-1.26	-1.57	-1.45
Chile	CHL	Spa	8	27	1.15	0.98	0.56	1.24	1.58	1.25	1.31
Colombia	COL	Spa	44	134	-0.38	-0.26	-1.66	0.13	0.24	-0.50	-0.25
Comoros	COM	Fran	82	192	-1.10	-0.43	-1.01	-1.88	-1.51	-1.03	-0.75
Congo	COG	Fran	83	193	-1.10	-1.16	-0.61	-1.34	-1.19	-1.16	-1.16
Congo (former Zaïre)	ZAR	Belg	93	209	-1.69	-1.48	-2.34	-1.89	-1.43	-1.68	-1.31
Costa Rica	CRI	Spa	13	66	0.56	0.98	0.56	0.39	0.47	0.44	0.48
Cote d'Ivoire	CIV	Fran	88	201	-1.36	-1.24	-1.91	-1.39	-0.93	-1.52	-1.17
Cuba	CUB	Spa	69	171	-0.80	-1.85	0.04	-0.51	-0.59	-0.85	-0.06
Djibouti	DJI	Fran	60	157	-0.64	-1.12	-0.13	-0.98	-0.75	-0.54	-0.33
Dominican Republic	DOM	Spa	33	118	-0.27	0.14	-0.40	-0.40	-0.24	-0.60	-0.62
East Timor	TMP	Port	73	177	-0.90	0.15	-1.13	-1.00	-1.40	-1.15	-0.89
Ecuador	ECU	Spa	71	173	-0.86	-0.22	-0.97	-0.97	-1.14	-1.23	-0.79
Egypt	EGY	Ent	52	148	-0.53	-1.19	-0.67	-0.37	-0.17	-0.09	-0.67
El Salvador	SLV	Spa	26	104	-0.09	0.06	0.09	-0.15	0.31	-0.63	-0.22
Equatorial Guinea	GNQ	Spa	86	199	-1.29	-1.89	-0.09	-1.43	-1.37	-1.31	-1.62
Fiji	FJI	Ent	51	147	-0.53	-0.65	-0.05	-0.95	-0.68	-0.52	-0.31
Gabon	GAB	Fran	59	156	-0.61	-0.84	0.23	-0.70	-0.65	-0.62	-1.07
Gambia	GMB	Ent	49	144	-0.51	-0.97	0.14	-0.77	-0.44	-0.25	-0.78
Ghana	GHA	Ent	20	95	0.06	0.48	0.06	-0.08	0.08	-0.10	-0.06
Guatemala	GTM	Spa	56	152	-0.55	-0.26	-0.58	-0.49	-0.12	-1.10	-0.72
Guinea	GIN	Fran	89	203	-1.45	-1.32	-1.91	-1.39	-1.15	-1.60	-1.35
Guinea-Bissau	GNB	Port	78	186	-1.04	-0.79	-0.38	-1.26	-1.22	-1.43	-1.16
Guyana	GUY	Holl, Ent	43	133	-0.38	0.17	-0.56	-0.17	-0.55	-0.70	-0.47
Haiti	HTI	Spa, Fran	84	194	-1.14	-0.71	-1.39	-1.29	-0.89	-1.35	-1.21
Honduras	HND	Spa	53	149	-0.53	-0.29	-0.36	-0.57	-0.27	-0.89	-0.82
Hong Kong	HKG	Ent	5	17	1.47	0.49	1.09	1.83	2.00	1.56	1.88
India	IND	Ent	28	106	-0.17	0.45	-0.99	-0.03	-0.21	0.12	-0.37
Indonesia	IDN	Holl	48	143	-0.50	-0.14	-1.00	-0.29	-0.27	-0.66	-0.64

* Kaufmann D., Kraay A. and M. Mastruzzi (2009): Governance Matters VIII: Aggregate and Individual Governance Indicators 1996-2008, World Bank.

** Own calculation (average of six Governance Matters VIII indicators)

Country	Code	Mother	Rank NPS	Rank world	INSTGOV VIII	Voice & Accountability*	Political Stability & Absence of Violence/Terrorism*	Government Effectiveness*	Regulator Quality*	Rule of Law*	Control of Corruption*
Jamaica	JAM	Brit	22	98	-0.04	0.61	-0.27	0.09	0.36	-0.49	-0.53
Kenya	KEN	Brit	62	159	-0.68	-0.16	-1.25	-0.60	-0.07	-0.98	-1.01
Laos	LAO	Fran	77	184	-0.99	-1.71	-0.01	-0.84	-1.25	-0.90	-1.23
Lesotho	LSO	Brit	29	109	-0.20	0.04	-0.03	-0.31	-0.63	-0.30	0.04
Madagascar	MDG	Fran	41	130	-0.34	-0.16	-0.42	-0.59	-0.33	-0.46	-0.10
Malawi	MWI	Brit	40	129	-0.34	-0.18	-0.05	-0.65	-0.39	-0.29	-0.59
Malaysia	MYS	Brit	17	79	0.26	-0.58	0.13	1.13	0.27	0.49	0.14
Mali	MLI	Fran	39	126	-0.31	-0.28	-0.21	-0.78	-0.33	-0.35	-0.47
Mauritania	MRT	Fran	72	174	-0.87	-0.92	-0.93	-0.97	-0.59	-1.01	-0.80
Mauritius	MUS	Port., Holl., Fran., Brit	10	48	0.78	0.88	0.84	0.60	0.95	0.88	0.53
Mexico	MEX	Spa	27	105	-0.14	0.08	-0.62	0.18	0.45	-0.64	-0.26
Morocco	MAR	Fran	34	120	-0.28	-0.70	-0.47	-0.09	-0.03	-0.11	-0.26
Mozambique	MOZ	Port	37	123	-0.30	-0.02	0.29	-0.38	-0.47	-0.66	-0.55
Namibia	NAM	German	15	72	0.49	0.57	0.96	0.31	0.13	0.36	0.59
New Zealand	NZL	Brit	1	5	1.72	1.48	1.16	1.76	1.72	1.85	2.32
Nicaragua	NIC	Spa	58	155	-0.59	-0.14	-0.39	-0.96	-0.36	-0.86	-0.81
Niger	NER	Fran	63	160	-0.68	-0.41	-0.75	-0.79	-0.52	-0.80	-0.82
Nigeria	NGA	Brit	79	187	-1.04	-0.60	-2.01	-0.98	-0.62	-1.12	-0.92
Pakistan	PAK	Brit	80	190	-1.09	-1.01	-2.61	-0.73	-0.47	-0.92	-0.77
Panama	PAN	Spa	18	86	0.19	0.59	0.11	0.16	0.63	-0.20	-0.15
Papua New Guinea	PNG	German, Brit	61	158	-0.65	0.09	-0.55	-0.80	-0.59	-0.94	-1.13
Paraguay	PRY	Spa	64	161	-0.70	-0.33	-0.63	-0.78	-0.49	-1.03	-0.93
Peru	PER	Spa	38	125	-0.30	0.02	-0.84	-0.30	0.33	-0.74	-0.26
Philippines	PHL	Spa	46	139	-0.48	-0.20	-1.41	0.00	-0.05	-0.49	-0.75
Rwanda	RWA	Belg	45	136	-0.42	-1.24	-0.14	-0.20	-0.49	-0.50	0.03
Senegal	SEN	Fran	31	114	-0.25	-0.16	-0.16	-0.12	-0.29	-0.31	-0.45
Sierra Leone	SLE	Brit	66	165	-0.77	-0.28	-0.23	-1.13	-0.86	-1.03	-1.07
Singapore	SGP	Brit	4	14	1.57	-0.41	1.33	2.53	1.92	1.73	2.34
Solomon Islands	SLB	Brit	47	142	-0.50	0.19	0.12	-0.79	-1.31	-0.78	-0.41
Somalia	SOM	Ital	95	212	-2.50	-1.85	-3.28	-2.51	-2.77	-2.69	-1.90
South Africa	ZAF	Brit	16	74	-0.41	0.68	-0.04	0.75	0.63	0.12	0.30
Sri Lanka	LKA	Port., Holl., Brit	54	150	-0.54	-0.44	-2.04	-0.29	-0.28	-0.01	-0.15
Sudan	SDN	Brit	91	207	-1.66	-1.77	-2.44	-1.41	-1.36	-1.50	-0.09
Suriname	SUR	Holl	25	102	-0.06	0.57	0.15	0.00	-0.67	-0.33	-0.09
Swaziland	SWZ	Brit	50	146	-0.52	-1.20	0.22	-0.66	-0.57	-0.51	-0.38
Tanzania	TZA	German	35	121	-0.29	-0.09	0.01	-0.45	-0.39	-0.28	-0.51
Togo	TGO	Fran	74	178	-0.92	-1.13	-0.10	-1.43	-1.05	-0.80	-0.98
Trinidad and Tobago	TTO	Brit	19	86	0.19	0.53	0.08	0.30	0.62	-0.25	-0.17
Tunisia	TUN	Fran	24	101	-0.05	-1.26	0.29	0.35	0.11	0.24	-0.04
Uganda	UGA	Brit	55	151	-0.54	-0.47	-0.88	-0.51	-0.08	-0.51	-0.79
Uruguay	URY	Spa	12	59	0.67	1.02	0.83	0.48	0.08	0.50	1.12
USA	USA	Brit	6	21	1.36	1.12	0.59	1.65	1.58	1.65	1.55
Venezuela	VEN	Span	85	196	-1.15	-0.62	-1.23	-0.85	-1.44	-1.59	-1.13
Vietnam	VNM	Fran	57	153	-0.56	-1.62	0.32	-0.31	-0.53	-0.43	-0.76
Zambia	ZMB	Brit	36	122	-0.30	-0.09	0.29	-0.66	-0.33	-0.50	-0.48
Zimbabwe	ZWE	Brit	92	208	-1.67	-1.52	-1.56	-1.56	-2.18	-1.81	-1.37

* Kaufmann D., Kraay A. and M. Mastruzzi (2009): Governance Matters VIII: Aggregate and Individual Governance Indicators 1996-2008, World Bank.

** Own calculation (average of six Governance Matters VIII indicators)