

Evans, Peter

**Working Paper**

## Extending the institutional turn: Property, politics and development trajectories

WIDER Research Paper, No. 2006/113

**Provided in Cooperation with:**

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

*Suggested Citation:* Evans, Peter (2006) : Extending the institutional turn: Property, politics and development trajectories, WIDER Research Paper, No. 2006/113, ISBN 9291908975, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

This Version is available at:

<https://hdl.handle.net/10419/63549>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



UNITED NATIONS  
UNIVERSITY

**UNU-WIDER**

World Institute for Development  
Economics Research

Research Paper No. 2006/113

## **Extending the ‘Institutional’ Turn**

Property, Politics and Development  
Trajectories

Peter Evans<sup>\*</sup>

October 2006

### **Abstract**

As institutional approaches have come to dominate the mainstream of development economics, they have outgrown earlier and simpler analyses of ‘property rights’. This paper focuses on the work of Acemoglu, Johnson, and Robinson, which suggests that the distribution of property rights to a ‘broad cross-section of the population’ is the key to growth and that property rights protection that privileges elites undermines development. The paper also uses the disastrous developmental effects of AIDS in Africa to raise the issue of how institutional approaches to development will need to be modified if GDP per capita were replaced as the predominant indicator of development by broader ‘capability-centered’ definitions.

Keywords: development, institutions, comparative political economy

JEL classification: O43, B52, P14, P51

Copyright © UNU-WIDER 2006

\* University of California, Berkeley; pevans@berkeley.edu

This study has been prepared within the UNU-WIDER project on Institutions for Economic Development: Theory, History and Contemporary Experiences, directed by Ha-Joon Chang.

UNU-WIDER acknowledges with thanks the financial contributions to the research programme by the governments of Denmark (Royal Ministry of Foreign Affairs), Finland (Ministry for Foreign Affairs), Norway (Royal Ministry of Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

ISSN 1810-2611

ISBN 92-9190-897-5 (internet version)

*The World Institute for Development Economics Research (WIDER) was established by the United Nations University (UNU) as its first research and training centre and started work in Helsinki, Finland in 1985. The Institute undertakes applied research and policy analysis on structural changes affecting the developing and transitional economies, provides a forum for the advocacy of policies leading to robust, equitable and environmentally sustainable growth, and promotes capacity strengthening and training in the field of economic and social policy making. Work is carried out by staff researchers and visiting scholars in Helsinki and through networks of collaborating scholars and institutions around the world.*

*[www.wider.unu.edu](http://www.wider.unu.edu)*

*[publications@wider.unu.edu](mailto:publications@wider.unu.edu)*

UNU World Institute for Development Economics Research (UNU-WIDER)  
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Camera-ready typescript prepared by Adam Swallow at UNU-WIDER

The views expressed in this publication are those of the author. Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

Institutional approaches to the study of development now dominate the mainstream of development economics. In other social science disciplines they have long predominated. No one denies the centrality of traditional determinants of growth, such as investment or technological progress, but institutional analysis is considered fundamental to understanding the levels and effects of these traditional variables. Variations in institutional context are theorized as underlying variations in both levels of investment and the incorporation of technological progress. Likewise, the extent to which a given level of investment or a particular innovation actually results in a sustained increase in output is viewed as depending on the institutional context.

In their contribution to the *Handbook of Economic Growth*, Acemoglu, Johnson, and Robinson (AJR 2004: 1) pull no punches: ‘differences in economic institutions are the fundamental cause of differences in economic development’. Dani Rodrik, in a co-authored paper (Rodrik et al. 2004)<sup>1</sup> called ‘Institutions Rule’ is equally straightforward: ‘the quality of institutions “trumps” everything else’. Easterly and Levine (2003) and Bardhan (2005), among many others, offer further support for the primacy of institutions.

Dissenters continue resist the rise of the institutional perspective. Jeff Sachs and his collaborators continue to push geography and disease as fundamental causes of differences in national wealth and incomes (Gallup et al. 1998; Sachs 2001). Engerman and Sokoloff (1997; 2002) are more restrained, but argue that current explanatory frameworks have gone overboard in neglecting the way in which institutions are themselves shaped by natural factor endowments.

There is merit in these dissenting points of view, but the ‘institutional turn’ (Evans 2004; 2005) is not likely to be reversed. Even if endowments, geography and disease would to gain purchase at the level of cross-national analysis, which they do not seem to be doing, these approaches would still be at a disadvantage. The logic of institutional analysis can be replicated at different levels of analysis, ranging from the very powerful district level comparisons recently executed by Banerjee and Iyer (2002) using Indian data to the carefully designed micro-level research of new generation of empirically oriented development economists (see, for example, Miguel 2004).

Institutional approaches also offer more fruitful forms of engagement with policy debates than natural endowment-based theories. Institutions can be constructed and reconstructed; natural endowments and geography must be lived with. Even if initial disadvantages are created by endowments (including ‘negative endowments’ like disease burden), ameliorating such disadvantages still requires institutional transformation. Future debates over the dynamics of development, both theoretical and empirical, will take place on the terrain of institutional analysis.

How will the institutional turn evolve? In its early ‘Northian’ manifestations institutional analysis was under theorized. ‘Property rights’ was forced to carry far too heavy an explanatory burden. More recent work, by economists and other social scientists, has extended the institutional turn in ways that show promise of substantially

---

<sup>1</sup> Citations to this and most other recent papers are based on the versions available on authors Websites. Pages numbers do not therefore necessarily conform to those in later published versions and quotations may vary from published version.

enhancing our understanding of development with more sophisticated theorizing and consideration of a broader range of historical and contemporary data.

In this paper, I will look briefly at the problems of an under theorized, property rights version of the institutional turn. Then I will turn to the way in which the property rights perspective becomes transformed in practice. I will focus particularly on the paradigmatic work of Acemoglu, Johnson and Robinson (AJR). To show how the institutional turn has been further extended, I will use the interaction of the work of a political scientist/sociologist, James Mahoney with the work of Robinson (of AJR) in the specific historical context of nineteenth century Central America. Finally, I will use ARJ's analysis of the case of Botswana, especially in contrast to the sociological analysis of Ann Swidler, to make the case for the necessity of additional extensions.

### **Institutions, property rights and development**

Definitions of institutions are notoriously unspecific. The one offered by Douglass North (1994: 360), in his Nobel Prize lecture – ‘the rules of the game: the humanly devised constraints that structure human interaction’ – is a good example.<sup>2</sup> In practice, cross-national institutional analyses of development use a ‘double-finesse’ to surmount this lack of conceptual specificity. On the one hand, they tend to use simple, concrete empirical proxies to stand for complex combinations of institutions. Perhaps most popular are the various measures put out by commercial ‘Political Risk’ services such as those embodied in the ratings of the International Country Risk Guides. Exactly what ‘institutions’ are reflected in these measures is difficult, indeed often impossible, to figure out, but they are available for a full range of countries at varying points in time. This element of the finesse is the key to empirical feasibility.

The second element of the finesse is on the theoretical side. The specific concrete measures used are assumed to reflect ‘institutions’ at an abstract level reflecting the aggregate character of a whole complex of institutions – usually defined as ‘property rights institutions’. It is a generically plausible finesse and an essential one given the low face validity of the empirical measures used. The theoretical finesse rests on a simple and very plausible logic in which propensities to make productive investments depend on the predictability of future rights to claim the returns from those assets. If people cannot count on maintaining future control of assets that they consider theirs, then investing in productive assets whose benefits are only accrued in the future makes less sense. Income consumed is hard to take away and hoarded assets are easier to defend than productive ones (which must be exposed to public view to reap their benefits). A combination of consumption and hoarding makes more sense than investment when assets are insecure.

The idea that people need predictable societal rules and equally predictable public enforcement if they are to engage in productive investments makes sense. The idea that historically specific property rights arrangements can be arrayed along a simple ordinal scale is anything but plausible. Any initial allocation of rights to different kinds of property – ranging from land to the broadcast spectrum to the human genome – is

---

<sup>2</sup> For an equally broad variant definition see Chang and Evans (2005).

disputable and somewhat arbitrary. Enforcement of rights once they have been allocated is equally so. Sending the National Guard to evict peasants growing crops on a landlord's otherwise unused land is enforcing property rights. So is shutting down a factory whose pollution is making the surrounding neighborhood unlivable. Development almost certainly depends on how property rights are allocated and what kind of property rights are enforced for what segments of the population. Exactly how these complex patterns of allocation and enforcement are related, positively or negatively, to development can hardly be taken for granted.

Neither the empirical proxies for institutions that have been used in most cross-national institutional analyses of development nor reliance on a simple ordinal notion of 'effective property rights' would seem propitious starting points for understanding developmental success or failure. Nonetheless, broad quantitative cross-national institutional analyses, stimulated theoretically by thinking about property rights, have generated intellectually exciting debates that belie the apparent foundational weaknesses of the approach. Some of the best examples have been generated by the collaboration of Daron Acemoglu, Simon Johnson, and James Robinson.

### **A paradigmatic example of extending the institutional turn**

Acemoglu, Johnson and Robinson (hereafter AJR) have produced a prolific set of institutional analyses of development (e.g., 2001, 2002, 2003, and 2005). Here, I will use their already classic 2001 article in the *American Economic Review* as a starting point, in part because it conforms to the general 'double finesse' model that I have just laid out, but more important because it demonstrates the tendency for high quality analysis that begins from the double finesse to transcend it.

In their 2001 article AJR start with a traditional measure of 'good institutions' that has been used before. It is called 'Average Expropriation Risk 1985-95', was originally put forward by a consulting firm call 'Political Risk Services' and subsequently used by Steve Knack and Phil Keefer (1995) in a frequently cited article. The theoretical proposition that accompanies these results is a classic abstract Northian property rights argument:

Countries with better '*institutions*', more secure property rights, and less distortionary policies will invest more in physical and human capital, and will use these factors more efficiently to achieve a greater level of income (e.g., Douglas North and Robert Thomas 1973, North 1981, ...).  
(AJR 2001: 1)

What makes AJR's analysis more interesting than so many in this ilk is that they are so thoroughly aware of both the gap between their measure and their theory and the extent to which the concept of 'property rights institutions is underspecified. In the conclusion to their paper they say:

There are many questions that our analysis does not address. Institutions are treated largely as a 'black-box'... Institutional features, such as expropriation risk, property rights enforcement or rule of law, should probably be interpreted as an equilibrium outcome, related to some more

fundamental ‘institutions’, e.g., presidential vs. parliamentary system, which can be changed directly. (AJR 2001: 27)

Despite their skepticism, AJR do an impeccable job at executing the empirical analysis. Their measure gives them good regression results and they do a thorough job of checking the robustness of the results in the face of the full gamut of possible statistical controls. In order to drive a stake into the heart of the endogeneity problem they use ‘settler mortality rates’ at the time of colonization as an instrument for early institutions. This turns out to be a statistically effective instrument. Perhaps more important, it leads them to undertake a much more historically oriented analysis than would have been the case had they focused simply on the contemporary relationship reflected by their primary measure.

By adding an historical dimension to their cross-sectional regression analysis, AJR have gotten themselves into some trouble with social scientists from other disciplines who question the accuracy of their comparisons of colonial institutions (see Mahoney 2003; Lange et al. forthcoming). At the same time, AJR have been stimulated by their historical instrumental variable to open up the institutional ‘black box’ in interesting and potentially fruitful ways.

AJR’s basic argument is that where there were large amounts of resources (mineral deposits or land suitable to crops in high demand on world markets) and large indigenous populations to exploit, colonialists created ‘extractive institutions’. Where settlers had to survive largely on the basis of their own efforts, ‘institutions of private property’ emerged. AJR clarify what they mean by ‘extractive institutions’ and ‘institutions of private property’ by using a set of concrete historical examples.

Australia and New Zealand are used as archetypes of positive institutional development: In the case of Australia, AJR note that the main goal of the settlers was ‘legal protection against the arbitrary power of landowners’. They go on to say, ‘The settlers wanted institutions and political rights like those prevailing in England at the time. They demanded jury trials, freedom from arbitrary arrest, and electoral representation’ (AJR 2001: 8). In the case of New Zealand, AJR focus on the effort to build up public infrastructure as represented by what they call an ‘enormous boom in public investment’ (AJR 2001: 8).

Neither the idea that broad democratic rights are a key aspect of ‘institutions of private property, nor the key developmental role of state investment in infrastructure’, is reflected in AJR’s statistical modeling of institutions and growth, but these are reoccurring themes in AJR’s subsequent work. For example, in their next paper (AJR 2002: 17) ‘institutions of private property’ are defined as ‘a cluster of (political, economic and social) institutions ensuring that *a broad cross-section of society* has effective property rights’ [emphasis added]. In a 2003 paper they explicitly divide the requirements for effective property rights into two components. The first is the traditional Northian general provision of secure property rights. The second is the requirement that such rights are extended to a ‘broad cross-section of the society’. Thus, they argue, a society in which a ‘small fraction of the population’ monopolizes control of property does not fully qualify as having ‘institutions of private property’, ‘even if the property rights of this elite are secure’ (AJR 2003: 5).

Specification of the institutions that encourage investment in human capital and other kinds of productive assets is further elaborated when members of the AJR team turn their analytical lenses on regional and country case studies. Robinson's work on Central American, a set of cases that also happen to be the focus of the work of James Mahoney, one of AJR's most prominent critics, is a good example.

### **A regional laboratory for comparative institutional analysis**

Central America offers a fascinating comparative microcosm for examining questions of institutions and growth. Five countries share a similar colonial heritage, history of commodity exports and geo-political position.<sup>3</sup> Yet, once cut loose from the formal control of the Spanish empire at the beginning of the nineteenth century, they have strikingly different institutional histories and levels of economic success.

Robinson's analysis of Central America (done jointly with Jeffrey Nugent) focuses on a paired comparison of four coffee producers: Costa Rica and Columbia on the one hand and Guatemala and El Salvador on the other.<sup>4</sup> Coffee became the major export crop for all four countries during the latter part of the nineteenth century. Yet, the first two ended up with roughly double the incomes, and much higher levels of human development than the other two. Nugent and Robinson's argument is straightforward. In the former pair of countries (Costa Rica and Columbia), small holders play a major or even dominant role, while in the latter pair (Guatemala and El Salvador) coffee production is dominated by large landholders. In short, in Guatemala and El Salvador AJR's second requirement for institutions of private property, the 'broad cross-section requirement', is violated.

This difference in the structure of landholdings grew out of the institutions that re-shaped property rights in the mid to late nineteenth century. Land that was formerly communal, public or owned by the church was privatized in all four countries, but privatization took a different form in the two pairs. In Guatemala and El Salvador, new laws fostered a 'land grab' by elites. In Colombia and Costa Rica, smallholders were allowed to retain a share of the newly privatized lands. Since, according to Nugent and Robinson (2001: 4), smallholder coffee production is more economically efficient and associated with higher levels of investment, especially in human capital, the political-legal institutions of nineteenth Guatemala and El Salvador resulted in depressed rates of investment and growth over the course of the next 100 years.

How do Nugent and Robinson explain why Guatemalan and El Salvadorian elites chose the less efficient option? Because large plantations gave these elites control of labour as well as land and allowed them to extract monopsony rents from labor as well as returns from the land. Why didn't elites in Colombia and Costa Rica make the same choices?

---

<sup>3</sup> Panama and Belize are usually excluded from comparative analyses despite being geographically in Central America because they don't share to the same degree the historical features that unite the other five.

<sup>4</sup> Colombia is, of course, not technically speaking part of Central America, but its geographical proximity, shared colonial history and reliance on coffee exports make it a reasonable addition.



Because they were less unified, facing a greater level of political competition and, therefore, less able to turn legal and administrative institutions to exclusionary ends.

In Nugent and Robinson we see the evolution of the AJR perspective both toward a firmer focus on the distributional aspects of property rights as the key to their developmental efficacy and toward an emphasis on forms of political competition as the underlying determinants of distributional rules.<sup>5</sup> In outlining the political dynamics of elite strategies in nineteenth century Central America, Nugent and Robinson rely heavily on James Mahoney's 2001 book *Legacies of Liberalism*. It is, therefore, interesting to examine the way in which Mahoney's political science training results in a different reading of the process, based on essentially the same historical evidence.

Mahoney's interpretation of the institutional dynamics separating Costa Rica's development from that of El Salvador and Guatemala parallels Nugent and Robinson's paired comparison, but also differs in key respects.<sup>6</sup> Nugent and Robinson see legal and political institutions as reflecting a vector of elite economic interests which is summed through a process of political competition. It might even be argued that, for Nugent and Robinson, institutions are not real 'causes' at all but simply 'transmission belts' which instantiate the effects of pre-existing economic and political interests. Mahoney has a different view of how institutional change works, one which emphasizes both political agency, especially during what he calls 'critical junctures', and the subsequent effects of the institutional legacies generated by choices made during these 'critical junctures'.

Like Nugent and Robinson, Mahoney emphasizes the role of political competition, but he evaluates both its relative intensity in different countries and its effects differently. Like Nugent and Robinson, he sees elites in Guatemala and El Salvador as 'radical liberals', promoting the legal right of large landowners to control both land and labor much more aggressively than the 'reformist' liberal elites of Costa Rica. But, in contrast to Nugent and Robinson, Mahoney sees the motivation of elite choices as not simply, or even primarily, the promotion of the interests of large landholders. He argues that, while these elites did generally promote the interests of large landholders, the primary attraction of radical strategies was that such strategies appeared to be the most effective way of gaining and consolidating political control in the face of staunch opposition from conservative forces, such as the church and its traditionalist allies.

Mahoney also emphasizes the crucial role of building new institutions to enforce the radical new definitions of property rights. The construction of new national state apparatuses with vastly expanded powers of coercion was the heart of the institutional agenda of radical liberalism in Guatemala and El Salvador. Radical liberalism not only polarized rural class structures but also brought forth powerful military-coercive state apparatuses.

---

<sup>5</sup> Baland and Robinson (forthcoming) provide a concrete confirmation and extension of the Nugent and Robinson perspective. Their analysis demonstrates that in the Chilean case, it was not just an initial allocation of land rights that was key to the economic returns of landlords but also the persistence of specific political institutions (i.e. the absence of the secret ballot) that reinforced landlords' control over those who worked the land.

<sup>6</sup> Mahoney focuses on Central America per se and therefore does not include Colombia. Mahoney also includes Honduras and Nicaragua. I will leave them out here in order to maximize the parallels between his analysis and Nugent and Robinson's.

This is not to say that Mahoney sees state building in general as having a negative effect on development. State-building was an essential element for the export-led growth projects of both radical and reformist liberalizing regimes. In the same way that the state in the settler colonies discussed by AJR invested heavily in infrastructure, both radical and reformist regimes in Central America built powerful interventionist state apparatuses in order to help coffee producers take advantage of export market opportunities. There was, however, a fundamental difference between radical and reformist strategies. Just as Costa Rica's political leadership saw exclusionary transformation of property rights as creating more political risks than benefits, they were wary of the political risks involved in expansion of the military-coercive side of the state apparatus, and therefore refrained from expanding this facet of the state.

For Mahoney, the contrasting property rights institutions and state apparatuses that emerged in nineteenth century Central America cannot be read as transmission belts for previously defined interests in the way that Robinson and Nugent suggest. While antecedent conditions in Guatemala and El Salvador created an affinity for radical liberalism, reformist liberal strategies were still available to nineteenth century political leaderships in these countries. Furthermore, it is apparent in hindsight that the reformist option could have resulted in greater long-term economic gains even for local elites in Guatemala and El Salvador, say nothing of non-elites. Conversely, while antecedent conditions in Costa Rica created an affinity for reformist liberalism, its nineteenth century political leaders could still have seen the more radical option as the best strategy for remaining in power.

Once these political choices were made, institutions that resulted took on a causal life of their own. Once in place, military coercive apparatuses developed a set of preferences that went beyond those of economic elites, preferences that focused particularly on the preservation of the military's own power and privilege. The effects of the military's preferences and capacity persisted even after the agrarian export operations they had been created to defend fell into decay. When reform efforts generated political conflicts in mid-twentieth century Guatemala, the coercive apparatus played the determinative role in initiating a half century of state terror in order to prevent reform. When a similar set of reform efforts led to political conflict that deteriorated into civil war in Costa Rica in 1948, there was no military coercive apparatus capable of playing the deciding role. An evolution in the direction of real democratic elections and a long period of social reform was the result.

Both the points of consensus between Mahoney's perspective that of AJR and their points of difference provide useful signposts for the extension of the institutional turn. There are two key points of consensus. The first is on the developmental disadvantages of radically inegalitarian distributions of property rights. Mahoney's analysis firmly supports AJR's 'broad cross-section' requirement. The second is on the necessity of building a state apparatus whose capacities are focused on providing sufficient investment in infrastructure.

The two perspectives are, however, quite different in their analysis of the causes and consequences of political choices. In the model of AJR and Nugent and Robinson, once colonial rulers have set the institutional matrix in place, the enduring effects of constellations of endowments and interests generate institutional persistence. In Mahoney's 'critical juncture – legacy' model institutions emerge out of uncertain, politically motivated choices, made primarily during 'critical junctures' when

developmental possibilities are in flux. These choices become embodied in new organizations and sets of social actors, with new interests and capacities, which become causal factors in their own right. Particularly important in this respect are the perverse consequences of the hypertrophy of the coercive side of the state apparatus.

The contrast between AJR and Mahoney may not, however, be as great as it appears in the Central American context. If we turn our attention to another case that has been the focus of AJR's work – the surprising economic success of Botswana, AJR sound much more like Mahoney. Political choices made during critical junctures, state-building and the avoidance of the over-investment in the coercive side of the state apparatus all play a key role in the emergence of an institutional context favorable to developmental success.

### **Successful 'institutions of private property' in Africa**

Like many other analysts of Botswana, AJR call it an 'African Success Story'. The data certainly support this view. From the seventies through the end of the twentieth century, Botswana's GDP per capita grew at a rate that made it look as though it was part of East Asia. By the end of the century, Botswana's PPP GDP was roughly four times the average for Southern Africa.

Sceptics of the institutional turn might try to reduce Botswana's success to a story of endowments: diamond reserves sufficient to sustain a couple of billion dollars worth of exports a year and a population of only one and a half million. This facile explanation does not hold up to comparative scrutiny. As the sad case of Sierra Leone illustrates, diamond mines can as easily turn into a 'resource curse' as a resource bonanza. If we rephrase the question from 'Why did Botswana grow so fast?' to 'How did Botswana avoid the resource curse and take such exemplary advantage of its resources?', then 'good institutions' seems a reasonable answer.

What do we mean by 'good institutions' in this case? While AJR stick to the label 'institutions of private property', their actual historical analysis focuses on political institutions, political choices and the state apparatus in a way that is reminiscent of Mahoney's analysis of Central America. Providing appropriate incentives to local private investors seems to have had little to do with Botswana's success. Development seems instead to have depended on the ability of Botswana's leadership to build a state apparatus that avoided the coercive concentration of property rights and focused on building the capacity to provide effective infrastructure. Despite dramatically different endowments and historical circumstances, Botswana's strategy looks eerily similar to 'reformist liberalism' in nineteenth century Central America.

As in nineteenth century Central America, political choices in the immediate post-colonial period were crucial. AJR (2003: 1) emphasize the importance of 'a number of critical decisions made by the post independence leaders'. The essence of these choices was to focus on the construction of a relatively non-coercive, resource-based, mini-developmental state (see Leith 2002). Botswana's political leaders were able, early on, to secure a contract with a transnational diamond mining company that gave the government 50 per cent of all export revenues. This, in turn, allowed the government to maintain a reasonably well paid, meritocratic bureaucracy in which 'probity, relative

autonomy and competency have been nurtured and sustained' (Parsons 1984, quoted in AJR). About 40 per cent of all formal sector jobs are in public service, and the government invests a larger share of public expenditures in education than either the US or Canada.

Post-independence political elites made no effort to replicate the equivalent of the nineteenth century Central American land grab by looting the eminently lootable resources at their disposal, choosing instead to construct state institutions whose capacity to invest in infrastructure would mitigate the effect of existing inequalities. They also constructed a system of stable, relatively democratic, rule (i.e. a multi-party system with regular elections and a real possibility – though one never realized in practice – that the ruling party could lose). Post-hoc it is clear that their political instincts were correct, but prescience is a suspicious explanation of political choice. A more plausible explanation, and the one favored by AJR, is that pre-colonial political models created an affinity for less coercive choices. These post-independence political choices, while certainly not determined by earlier political models, were consistent with them.

Fortunately for the Batswana, the extent of Botswana's resource wealth was not apparent during the period when colonial institutions were constructed. Botswana was more or less ignored during the colonial period, escaping the imposition of rapacious set of 'extractive institutions'. The traditional, pre-colonial leadership of the Batswana had managed to convince a population characterized by considerable diversity of ethnic origins that they were all part of a single socio-culturally grounded political entity.<sup>7</sup> At the same time, traditional Tswana political culture was characterized by a set of practices (*kgotla* assemblies) that gave adult males considerable leverage over the chiefs that ruled this unified political entity.

In short, exceptional resource endowments and a legacy of stable political institutions gave post-independence leaders the option of tolerating political constraints in return for continued adherence to the existing 'rules of the game' on the part of political competitors, instead of opting for maximizing their share of the wealth and investing in the means of violence necessary to keep political competitors from doing the same. They made the most of this option.

The Botswana case reinforces Central American lessons. Like nineteenth century Costa Rican elites, Botswana's political leadership calculated that the possible economic rewards from trying to amass an even larger share of the national wealth and constructing the coercive apparatus necessary to enforce such a negative redistribution were not worth the political risks involved in expanding the means of violence. In twentieth century Africa as in nineteenth century Central America, the political institutions that support this kind of choice appear to generate substantial economic returns.

A conundrum remains. Traditional property rights (primarily ownership of cattle) were highly unequally distributed in pre-independence Botswana and Botswana today is more unequal than either Guatemala or El Salvador. Does Botswana suggest that AJR's

---

<sup>7</sup> The analogies to Miguel's (2004) analysis of post-colonial nation-building in Tanzania are provocative.

'broad cross-section requirement' is not really a requirement? Public investment in human capital and the possibility of upward mobility via the public sector obviate the importance of the 'broad cross-section requirement'. Is there no developmental disadvantage to leaving the 'broad cross-section' relatively deprived of property rights as long as this deprivation takes the form of the maintenance of a long established, culturally validated traditional social hierarchy?

AJR do not comment the implications of Botswana for their 'broad cross section requirement', but the reversal of fortune which Botswana has suffered in the last ten years as a result of HIV AIDS, suggests that violating the broad cross-section requirement had a price, even in Botswana. Even with rapid growth and democratic rule, quietly maintained hierarchies may result in a state apparatus unable to effectively engage a sufficiently broad cross-section of the population in developmentally essential projects when this becomes necessary.

### **Redefining good institutions: Botswana and the challenge of AIDS**

Throughout the 1990s there was the puzzle about Botswana's inability to deal with AIDS. It was not just that Botswana did poorly; it did worse than other African countries that seem to be much less well endowed – either in terms of material resources, or in terms of effective institutions. A common point of comparison is Uganda, which was devastated by dictatorship and civil war and ravaged by AIDS in the 1980s, but is now recorded as having a higher life expectancy than Botswana.

AJR (2003: 2) comment, 'Not everything in Botswana is rosy. Though the statistics are not fully reliable, Botswana has one of the highest adult incidences of AIDS in the world'. They add that this 'probably represents, above all else, a serious public policy failure', but this failure does not figure in their evaluation of Botswana's institutions. To fill this lacuna we are forced to move beyond economics and political science to Ann Swidler (2004), a sociologist who provides a provocative, even though preliminary, new perspective.

Swidler takes AJR's analysis of Botswana's successful institutions as her starting point. Like others (e.g. Allen and Heald 2004), she begins by noting that the public policy response in Botswana has been precisely what one would expect on the basis of AJR's institutional analysis – modern, competent, and thorough. Yet, the impact of the government's effort on people's behavior appears to have been minimal, or even perverse. Allen and Heald (2004: 1144) note that following the government's educational campaign on the radio, AIDS became known as the 'radio disease' and a traditional Tswana interpretation of AIDS developed in which condoms were 'an agent, not in the control of the disease, but rather in its very origin and spread' and in which the disease was due to 'disrespect for the mores of traditional culture'. For too many Botswana, avoiding the stigma of the disease still appears to be a more compelling motivation than engaging in treatment that requires publicly acknowledging having the disease. And the devastation continues.

What went wrong? Swidler's tentative answer (2004: 15-16) is that the government of Botswana lacks the ability to spark 'the activation of social solidarities, the sense of community and the mobilization of collective identities' necessary to break through the

stigma and denial that are natural responses to AIDS and generate real behaviour change. Mobilizational capacity, rather than regulatory or administrative, was what was needed. Mobilization was a task for which the Botswana political institutions had not been equipped by prior developmental successes. Nor had Botswana's political leaders had to figure out how to create the political and social space in which NGO and community groups, which must play a key role in changing behaviour and values on the ground, could flourish.

Whether or not Swidler's analysis of the Botswana is eventually confirmed, it represents an important conceptual extension of the institutional turn. Swidler takes us beyond the classic 'instrumental' vision of the relationship between institutions and individual motivations, in which institutions enable individuals to pursue their own exogenous and taken for granted aims.<sup>8</sup> In Swidler's vision, an even more important role of institutions is enabling people to re-shape their preferences and motivations, creating new definitions of desirable, culturally-valued behaviour, in response to changing circumstance.

At this point, we have left property rights behind, but perhaps not the political institutions that are associated with sustaining the 'broad cross-section' requirement. From AJR's initial settle colony examples to Mahoney's description of 'reformist' liberal regimes in Central America, one of the central requirements of maintaining the property rights of the 'broad cross-section' is that the broad cross-section be mobilized and active. In Swidler's view of Botswana, what is needed is mobilization focused on changing goals and values rather than a more instrumental sort of mobilization, but in both cases broad-based mobilizational capacity is the key.

### **Extending the institutional turn**

When we follow the trail of AJR and juxtapose their analysis with that of others working on the same cases, the heuristic potential of the institutional turn becomes apparent. No less apparent is the extent to which 'institutions of private property' is a conceptual procrustean bed, even for AJR themselves. As soon as cases are examined in detail, contestation over the distribution of political rights and power and the institutions that shape this contestation comes to the fore.<sup>9</sup>

From the work of both AJR and Mahoney it would seem to follow that political institutions which discourage elites from grabbing a disproportionate share of national assets for themselves are the first key to developmentally effective private property rights. This proposition in turn suggests five important foci: What determines the collective rationalities shared political preferences of elites themselves? What determines the balance between the state's exercise of its role as coercive apparatus and its role as essential source of investment in crucial collective goods? What possibilities

---

<sup>8</sup> AJR (2001: 7) epitomize the 'instrumental' version of institutions in their description of settler colonies as having 'representative institutions which promoted what the settlers wanted and that what they wanted was freedom and the ability to get rich by engaging in trade'.

<sup>9</sup> This observation is, of course, fully consistent with AJR's own admonition (2001: quoted above) that the institutional turn should shift its focus toward institutions that are 'more fundamental'.

for mobilization and access state power do political institutions affords non-elites? What kinds of historical circumstances turn these options into available political choices and what kinds of circumstances increase the determinative weight of prior institutional legacies? And, finally, as Swidler's analysis reminds us, none of this can be analyzed simply in terms of the instrumental realization of a taken for granted goals and interests. Institutions enable individuals and societies to constitute new goals as well as enabling the satisfaction of goals and values already in place.

Quests for answers to the first three questions must be tightly intertwined. Elite propensities to grab assets depend on shared perceptions that doing so is both feasible in terms of the relative political strength of both competitors and non-elites and necessary in order to maintain their dominant political status. The choices that elites make with regard to asset grabs have, in turn, strong implications for the character of the state. Grabbing assets and privileging the coercive side of the state apparatus are likely to go together. If the construction of state institutions focused on the provision of infrastructure rather than amassing coercive capacity is an essential element of developmental success, then elite asset-grab strategies will undercut development both directly through their distortion of the distribution of property and indirectly through their effect on the state.

The political focus of the extended institutional turn gives non-elite mobilization a valence quite different from the one assumed in the old property rights version. Rather than property rights being threatened by the potential redistributive consequences of non-elite mobilization, the potential strength of non-elite mobilization becomes a key check on both elite asset grabs and elites' tendencies to hyper-develop the coercive side of the state apparatus.

For most of the global south all of this takes place under circumstances in which success requires escaping institutional nightmares imposed by history, with AJR's colonially-imposed 'extractive institutions' being the primary case in point. It is, however, a central premise of the extended institutional turn that such escape is indeed possible. Denying the possibility of political choice would negate the very historical narratives on which the extension of the institutional turn is predicated.

At the same time, the extension of the institutional turn requires accepting the idea that exogenous challenges may turn what seem to be institutional dreams into nightmares. Botswana offers a heartrending example of how institutions that appeared for decades to epitomize effectiveness can suddenly be revealed as incapable of dealing with the challenge at hand, creating a critical juncture forged from failure rather than opportunity.

And this brings us back to Swidler's fundamental proposition. An institutional analysis that takes goals and interests for granted would be intellectually impoverished. The better part human needs and desires are culturally constructed. Enabling people to construct and reconstruct their aims is as basic a task of institutions as enabling people to satisfy the needs and desires that have been constructed. Just because this complicates linear explanatory logics does not give us an excuse for ignoring it.

The extension of the institutional turn has a long way to go before it succeeds in providing consistently compelling explanations of developmental outcomes to replace the deceptively parsimonious proofs offered by the old double finesse version of

institutional analysis. Nonetheless, it has come a long way from its Northian origins. It continues to generate exciting debates across disciplines as well as within them. It is an agenda of both heuristic and practical value, well worth pursuing.

## References

- Acemoglu, Daron and James Robinson (2000). 'Why Did the West Extend the Franchise? Growth, Inequality and Democracy in Historical Perspective', *Quarterly Journal of Economics* CXV: 1167-99.
- (2001). 'A Theory of Political Transitions', *American Economic Review* 91: 938-63.
- Acemoglu, Daron, Simon Johnson and James Robinson (AJR) (2001). 'The Colonial Origins of Comparative Development: An Empirical Investigation', *American Economic Review* 91: 1369-1401.
- (2002). 'Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution', *Quarterly Journal of Economics* 117: 1231-94.
- (2003). 'An African Success Story: Botswana', in Dani Rodrik (ed.), *In Search of Prosperity: Analytic Narratives on Economic Growth*, Princeton: Princeton University Press, pp. 80-122.
- (forthcoming). 'Institutions as the Fundamental Cause of Long-Run Growth', in Philippe Aghion and Steve Durlauf (eds), *Handbook of Economic Growth*.
- Allen, Tim and Suzette Heald (2004). 'HIV/AIDS Policy in Africa: What has worked in Uganda and what has failed in Botswana?', *Journal of International Development* 16: 1141-54.
- Baland, Jean-Marie and James A. Robinson (forthcoming) 'Land and Power: Theory and Evidence from Chile', *American Economic Review* [currently available as CEPR Discussion Paper 3800].
- Banerjee, Abhijit and Lakshmi Iyer (2002). *History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India*, manuscript, Cambridge MA: Department of Economics, MIT.
- Bardhan, Pranab (1989). 'The New Institutional Economics and Development Theory: A Brief Critical Assessment', *World Development* 17(9): 1389-95.
- (2005). *Scarcity, Conflicts and Cooperation: Essays in the Political and Institutional Economics of Development*, Cambridge MA: MIT Press.
- Chang, Ha-Joon and Peter Evans (2005). 'The Role of Institutions in Economic Change', in Gary Dymski and Silvana de Paula (eds), *Reimagining Growth: Institutions, Development, and Society*, New York: Edward Elgar.
- Easterly, William and Ross Levine (2003). 'Tropics, Germs, and Crops: How Endowments Influence Economic Development', *Journal of Monetary Economics* 50: 3-39.



- Engerman, Stanley L. and Kenneth L. Sokoloff (1997). 'Factor Endowments, Institutions, and Differential Growth Paths among New World Economies', in Stephen Haber (ed.), *How Latin America Fell Behind*, Stanford CA: Stanford University Press.
- (2002). 'Factor Endowments, Inequality, and Paths of Development among New World Economies', *Economia* 3: 41-88.
- Evans, Peter (2004). 'Development as Institutional Change: The Pitfalls of Monocropping and Potentials of Deliberation', *Studies in Comparative International Development* 38(4): 30-53.
- (2005). 'The Challenges of the 'Institutional Turn': New Interdisciplinary Opportunities in Development Theory', in Victor Nee and Richard Sweberg (eds), *The Economic Sociology of Capitalist Institutions*. Princeton: Princeton University Press, pp. 90-116
- Gallup, John Luke, Jeffrey D. Sachs and Andrew D. Mellinger (1998). 'Geography and Economic Development', NBER Working Paper 6849 (December), Cambridge MA: NBER.
- Hoff, Karla and Joseph Stiglitz (2001). 'Modern Economic Theory and Development' in Gerald Meier and Joseph Stiglitz (eds), *Frontiers of Development Economics*, New York: Oxford University Press for the World Bank, pp. 389-460.
- Knack, Stephen and Philip Keefer (1995). 'Institutions and Economic Performance: Cross-country tests using Alternative Institutional Measures', *Economics and Politics* 7(3): 207-27.
- Lange, Matthew, James Mahoney and Matthias vom Hau (forthcoming). 'Colonialism and Development: A Comparative Analysis of Spanish and British Colonies', *American Journal of Sociology*.
- Leith, J. Clark (2002). *Why Botswana Prospered*, manuscript. University of Western Ontario.
- Mahoney, James (2001). *Legacies of Liberalism: Path Dependence and Political Regimes in Central America*, Baltimore MD: Johns Hopkins University Press.
- (2003). 'Long-Run Development and the Legacy of Colonialism in Spanish America', *American Journal of Sociology* 109: 50-106.
- Meier, Gerald and Joseph Stiglitz (eds) (2001) *Frontiers of Development Economics*, New York: Oxford University Press for the World Bank.
- Miguel, Edward (2004) 'Tribe or Nation? Nation-Building and Public Goods in Kenya versus Tanzania', *World Politics* 56(3): 327-62.
- North, Douglass C. (1981). *Structure and Change in Economic History*. New York: Norton.
- (1994). 'Economic Performance through Time', *American Economic Review* 84(3): 359-68 (Nobel Prize lecture given on 19 December 1993).
- North, Douglass C. and Robert P. Thomas (1973). *The Rise of the Western World: A New Economic History*, Cambridge: Cambridge University Press.

- Nugent, Jeffrey B. and James A. Robinson (2001). 'Are Endowments Fate? On the Political Economy of Comparative Institutional Development', CEPR Discussion Paper 3206, London: Centre for Economic Policy Research.
- Rodrik, Dani, Arvind Subramanian and Francesco Trebbi (2004). 'Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development', *Journal of Economic Growth* 9(2): 131-165.
- Sachs, Jeffrey D. (2001) 'Tropical Underdevelopment', NBER Working Paper 8119, Cambridge MA: NBER.
- Swidler, Ann (2004). *The Politics of AIDS in Sub-Saharan Africa*, manuscript. Department of Sociology, University of California, Berkeley.