# WHY IS AFRICA POOR?[1]

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## ABSTRACT

In this paper we take for granted that the poverty of Sub-Saharan Africa is to a large part explained by its political and economic institutions. As citizens Africans do not have the incentives to save and invest, as politicians they do not have the incentive to provide public goods. We focus on the issue of how Africa developed such institutions. Historically, no society had the types of institutions required for modern economic growth, though a few had elements of them for quite long periods. Growth arose when institutional transitions took place. We argue that the historical dynamics of institutions in Africa have been different. Processes of state formation seem to have been delayed relative to Eurasia, and state institutions appear to have been intensely absolutist and patrimonial. These initial institutions interacted in a perverse way with a series of shocks that hit Africa, in particular the slave trade in the early modern period, and colonialism in the 19th and 20th centuries. Africa countries emerged at independence with a complex path dependent set of institutions that were probably even worse than those which they had at the time of colonization. It was these that precipitated authoritarianism, sustained economic decline and reinforced the poverty we see in Africa today.

**Key words:** institutions, politics, path dependence

**JEL classification:** N17, N47, O43, O55



## 1 INTRODUCTION

Today Sub-Saharan Africa, henceforth Africa, is the poorest part of the planet. For the first time in World history, due to the sustained economic growth which China and India have experienced over the past 20 years, the majority of the world's poor (living on $1 a day or less) are in Africa. The income per-capita of the poorest countries such as Ethiopia or Sierra Leone differ from those of prosperous OECD countries by a factor

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of about 40. These income differences come along with huge differences in welfare, health, economic opportunities and life chances.

In this essay we provide an interpretation of why Africa is poor. Our basic approach is, institutional. We argue that the main reasons that African nations are poor today is that their citizens have very bad interlocking economic and political incentives. Property rights are insecure and very inefficiently organized, markets do not function well, states are weak and political systems to not provide public goods. The empirical evidence on the primacy of economic institutions in explaining comparative economic development is overwhelming (Acemoglu, Johnson and Robinson, 2001, 2002, 2005b). In contrast other potential approaches to African poverty which emphasize geographical factors such as intrinsically low agricultural productivity, the climate or the disease environment (Sachs and Warner, 1997) have so far not withstood close empirical scrutiny. For instance, more careful attempts to investigate whether poor health outcomes are responsible for poor economic development (rather than a consequence of it) find little effect (Acemoglu and Johnson, 2007) and other studies have shown that the estimated aggregate effects of health on development are completely inconsistent with the much more credible micro evidence (Weil, 2007, Weil, Ashraf and Lester, 2008). More plausible may be cultural explanations of African development. Platteau (2000) for instance argues that social norms which force sharing reduce economic incentives in Africa. So far we have little systematic evidence on such ideas, though as we discuss below in the context of the Ghana cocoa boom and the response of Africans in the Transkei in the 19th century to economic incentives, there are plenty of signs of dynamic indigenous capitalism and entrepreneurship in Africa (see Illife, 1982, for a broad discussion). Our view is that this has been held in check by the institutional environment. Even if one allows for a greater role for geography and culture than we think the evidence can sustain, it seems undeniable that institutions must play a very significant role.

Instead of rehearsing this well known debate and evidence in this essay we undertake a different and more speculative task. We provide one set of arguments about why African institutions have developed in the way they have done. This is necessarily a historical question and in answering this we also attempt to address the question of whether Africa has always been poor relative to other parts of the world.

The basic conclusions of the paper are as follows. Though there are parts of Africa, such as northern Ethiopia during the height of Aksum in 400 or in the Sahel during the Medieval period where societies flourished which were probably as developed as their contemporaries anywhere in the world, we believe that the evidence suggests that historically Africa has been relatively poor (see Thornton, 1992, for a different argument for 1500). Aksum, Ghana, Songhay, Mali or Great Zimbabwe were the exception, not the rule. Though we know little of historical incomes or even population, we do know that Africa lagged the rest of the world in terms of technology. The wheel was not used south of the Sahara and outside of Ethiopia African societies did not innovate such basic technologies as writing or the plow (Austen and Headrick, 1987). In addition prior to the early modern period the dynamics of state formation and institution creation, outside of a few pockets and transitory epochs, appear to have lagged those in Eurasia, if not the Americas. We argue that this was because, as today, most African societies were caught in a set of economic and political institutions which was not conducive to economic progress. This was in two senses, centralized polities emerged later and less frequently in Africa than elsewhere. Second, when they did, they were highly absolutist and patrimonial polities which could not create the circumstances necessary for economic development. We illustrate this first issue by examining the formation of the Kuba state in the Congo in the 17th century. We illustrate the latter via the longue durée in Ethiopia, the African society we know most about prior to the modern period.

To generate sustained economic development requires not just the formation of centralized polities, but also the removal of the absolutist and patrimonial tendencies of such polities. This was a process that played out in Western Europe, particularly Britain in the early modern period culminating in the Glorious Revolution of 1688. The fact that this process happened in Europe and not Africa can be explained by differences in the shocks which hit these different continents and differences in the way societies reacted to these shocks something which depended on their initial institutions. This became particularly important after 1500. Not only did the relative backwardness of Africa in 1500 mean that missed out on directly participating in the economic opportunities created by the discovery of the Americas, but the form of their institutions meant that they got indirectly involved through exporting slaves. This created a very perverse institutional dynamic which further precluded many societies in West and Central Africa from taking advantage of all the innovations in economic institutions and technology then taking place.

These dysfunctional dynamics were then further reinforced by colonialism which not only threw into reverse nascent economic modernization in the 19th century in parts of Southern Africa, but also cut off any possibility of endogenous institutional reform. This meant that even outside of the areas, like the Congo where there was a great deal of plundering, or Madagascar, Namibia and Tanzania, where there was mass disruption and murder, there was little chance for Africa to change its institutional path. Even worse, the structures of colonial rule from the creation of 'dual economies' (Palmer and Parsons, 1977, Bundy, 1979), 'gate-keeper' states (Cooper, 2002), through indirect rule (Mamdani, 1996), to the ad hoc construction of independent polities (Engelbert, 2000), left Africa with a more complex institutional legacy in the 1960s than it had had at the start of the colonial period. The political incentives these structures created led to a style of politics which reproduced the historical patterns of insecure and inefficient property rights and absolutist weak states with little ability or interest in providing public goods. Economic incentives in Africa were terrible and in consequence there was widespread decline. Only Botswana escaped this general pattern and it fits very well into the model. What is distinct about the country is the process of institutional modernization in the 19th century and the fact that post colonial leaders were able to continue this project. This was because the country escaped the worst effects of colonialism and the country at independence had a coherence that most others did not.

## 2 POLITICAL CENTRALIZATION AND STATE FORMATION

Though Africa suffers from a relative dearth of archaeological studies and an absence of literary sources outside a few areas prior to the Early Modern period, what we do know suggests that in general political centralization evolved much later in Africa than elsewhere and in a more fragmented way. The creation of centralized states is a political process of institution building. This process and its impact on the economy can be vividly illustrated by the comparison made by Douglas in the 1940s between the Bushong, the dominant group in the Kuba state, and the Lele, effectively a stateless society. These two peoples faced each other across the Kasai River in what is now the Democratic Republic of the Congo. As Douglas (1962, p. 211) herself put it:

> "The Lele and the Bushong are separated only by the Kasai River. The two tribes recognize a common origin, their houses, clothes and crafts are similar in style, their languages are closely related. Yet the Lele are poor, while the Bushong are rich ... Everything that the Lele have or can do, the Bushong have more and can do better."



Some of the reasons for this relative poverty were obvious to Douglas. For example, the Lele used inferior technology, they did not use nets for hunting and Douglas noted "the absence of nets is consistent with a general Lele tendency not to invest time and labor in long-term equipment" (1962, p. 216). However, she also argued (1962, p. 216) that "Their eager purchase of  rearms ... Shows their culture does not restrict them to inferior techniques when these do not require long-term collaboration and effort." In comparison agricultural productivity in the Kuba state was much higher (1962, p. 219)

> "The Bushong plant  five crops in succession in a system of rotation that covers two years. They grow yams, sweet potatoes, manioc, beans, and gather two and sometimes three maize harvests a year. The Lele practice no rotation and reap only one annual maize harvest."

Douglas argued that "If we wish to understand why the Lele work less, we need to consider whether any social factors inhibit them from exploiting their resources to the utmost" (1962, p. 224). Indeed, she claimed that the Lele were trapped into an inefficient social equilibrium. There was no process of political centralization ("each village is completely independent" 1962, p. 229) and "Those who have anything to do with the Lele must have noticed the absence of anyone who could give orders with a reasonable hope of being obeyed ... This lack of authority goes a long way to explaining their poverty" (Douglas, 1963, p. 1). Society was based on a self-reproducing system of dominance of young men by old men. "Old men monopolized economic activities and resources to extract rents" while young men were diverted into raiding and abducting and "such insecurity is obviously inimical to trade" (1962, p. 227).

The question of why two such closely related societies should develop such different institutions was addressed by Vansina (1978). He concluded that for the Bushong (1978, p. 175)

> "A starting point for economic development appears with the reign of Shyaam ... Technological innovations, especially in agriculture, began to spread throughout the country ... The staple

> crops were replaced by American crops, which had higher yields ... The main innovation was the introduction of a double ... even a triple ... annual harvest of maize."

During this period, which Vansina dubbed the "Age of Kings", agricultural output per-head also doubled. To achieve this "the whole agricultural calendar had to be reorganized, including the division of labor by sex" (1978, p. 177) and

> "The first step in raising productivity was for the men to work more in the fields ... Second, the age of marriage was lowered, bringing young men ... Into the agricultural labor force. Young men did not work in the fields at all until marriage ... By the nineteenth century the result was that boys married young, at less than twenty years of age rather than at twenty five or seven, as among the Lele, thirty five, thus adding a sizable portion to the labor available for agriculture" (Vansina, 1978, p. 180)

What led to this reorganization of society and increase in agricultural productivity? Vansina notes (1978, p. 184) "The call for a surplus came from above, from the political authorities. It was imposed on the people." (p. 184) It was around the year 1620 that Shyaam initiated a political revolution and created the Kuba kingdom with himself as King. The differences between the Bushong and the Lele emerged as a consequence of the way Shyaam reorganized the society. He built a state and a pyramid of political institutions where officials were elected as well as appointed and leaders were checked by councils who they had to consult with to make decisions. Shyaam and his successors created a bureaucracy to raise taxes and a legal system and police force to administer the law. They even introduced trial by jury, an apparently unique event in Africa prior to European colonialism. The connection between the political and economic revolution was simple. King Shyaam and those that supported him wanted taxes and wealth, and this had to be provided by the Kuba producing a surplus above what they consumed themselves.

We do not know what allowed Shyaam to create this political revolution or why previous rulers had not been able or had not wanted to achieve a similar outcome. The move from a stateless society to one with a state and political centralization is a key process which is required to generate modern economic growth. Without a state it is impossible for a society to create the public goods, such as law and order, a legal system, and education which are needed. What is remarkable about this incident is that it happened only around 1620, which is greatly delayed compared to Eurasia, and the situation was similar elsewhere in Central Africa (see Vansina, 1965, for an overview). In addition, the state that Shyaam constructed, though it generated a significant increase in the level of income, could not have generated sustained economic growth because it was still absolutist.[4]



4 Vansina (2010) extends the story of the Kuba into the colonial period.

## 3 ENDURING ABSOLUTISMS

The word 'absolutism' is used by historians to refer to a type of European state where the power of the ruler is absolute and is unconstrained by institutions or countervailing forces. In European economic history the significance of the term is that the set of economic institutions which absolutism created were designed to increase the wealth and power of the ruler and this usually came at the expense of society more generally. There was nothing to stop absolutist rulers predating on property rights, or structuring them in ways which created rents. The strategy of rule of absolutist rulers is also significant. This was described by Weber as 'patrimonial' or in the extreme 'sultanistic' (a term which never caught on amongst social scientists) which is a situation where the state is associated with the person of the ruler so that there is no distinction between what is the ruler's and what is the state's (see Weber, 1978, pp. 231–232, for his definition of patrimonialism). A patrimonial state is also one where there are few institutionalized rules and universalistic criteria are not employed. Rights and responsibility are determined by the ruler who endows them conditionally on people in exchange for support.

When political centralization took place historically, though it was associated with economic gains, power tended to be exercised in absolutist and patrimonial ways which blocked further economic change. A key factor behind the transition to sustained economic growth in Early Modern Europe was the reform of the state in a non-absolutist non-patrimonial direction. This transition has never happened in large parts of Africa and the evidence suggests that while the transition was taking place in Western Europe, absolutism and patrimonialism were persisting in Africa and maybe even intensifying.

An example of this comes from the history of Ethiopia. Ethiopian economic and political history is particularly interesting since the state developed from the kingdom of Aksum which was founded in the north of the country around 400BC (Phillipson, 1998, for an overview). Aksum was a relatively developed kingdom for its time and engaged in international trade with India, Arabia, Greece and the Roman Empire. Just as Rome declined, so did Aksum, and the historical decline of Aksum followed a pattern close to that of the Western Roman Empire. The role played by the Huns and Vandals in the decline of Rome was taken on by the expansion of the Arabs in the 7th century into the Red Sea and down the Arabian peninsula. Aksum lost its colonies in Arabia and its trade routes. This precipitated economic decline, money stopped being coined, urban population fell and there was a re-focusing of the state into the interior of the country and up into the highlands of modern Ethiopia.

These processes are remarkably like those outlined by Pirenne (1935) for Europe and just as in Europe feudalism emerged following the collapse of central state authority in the Dark Ages, so it did in Ethiopia.[5] The main valuable resource was land. There were different ways in which land was held, but the main was a system called *gult* which

5 There is dispute amongst scholars about whether the word 'feudalism' really applied to African institutions (see Goody, 1971) but I agree with Crummey (1980) that if it is useful anywhere it is useful in Ethiopia.

involved a grant of land by the Emperor. The institution is mentioned in 13th century manuscripts, though it may have originated much earlier. The term *gult* is derived from an Amharic word which means 'he assigned a fief'and signified that in exchange for the land the *gult*-holder had to provide services to the Emperor – particularly military ones. In turn the *gult*-holder had the right to extract tribute from those who farmed the land. A variety of historical sources suggest that *gult*-holders extracted between one half and three quarters of the agricultural output of peasants. This system was probably even more 'extractive' than European feudalism. Postan (1966) famously calculated that in the 13th century, at the height of English feudalism, villeins had lost about one half of their output to lords in one form or another. Things were even worse for those at the bottom of the social scale in Ethiopia.

After King Ezana of Aksum converted to Christianity the Ethiopians stayed Christian and by the 14th century had become the focus of the myth of King Prester John. Prester John was a Christian king who had been cut off from Europe by the rise of Islam in the Middle East. The king of Ethiopia, since he was a Christian, then became a natural target for the myth. Ethiopian kings in fact tried hard to forge alliances with European monarchs against Arab invasions, sending diplomatic missions to Europe at least from 1300 onwards and even persuaded the Portuguese king to send them soldiers. These soldiers along with diplomats, Jesuits and travellers wishing to meet Prester John, left many accounts of Ethiopia. Some of the most interesting from an economic point of view are by Francisco Alvares, a chaplain who accompanied a Portuguese diplomatic mission 1520-1527, a Jesuit Manoel de Almeida, who lived in Ethiopia from 1624, and John Bruce, a traveler who was in the country between 1768 and 1773. The writings of these people give a rich account of political and economic institutions at the time in Ethiopia and they describe the political system as absolutist. There were no representative institutions of any kind or checks and constraints on the power of the emperor, who claimed the right to rule on the basis of supposed descent from the legendary Solomon and the Queen of Sheba.



The consequence of absolutism was great insecurity of property rights which was driven by the political strategy of the Emperor. The visitor John Bruce, for example, noted in the 18th century that

> "All the land is the King's; he gives it to whom he pleases during pleasure, and resumes it when it is his will. As soon as he dies the whole land in the kingdom is at the disposal of the Crown; and not only so, but, by death of the present owner, his possessions however long enjoyed, revert to the King, and do not fall to the eldest son" (quoted in Pankhurst, 1961, p. 131).

Alvares claimed there would be "much more fruit and tillage if the great men did not ill treat the people". Alameida's account of how the society worked is very consistent. He observed:

> "It is so usual for the Emperor to exchange, alter and take away the lands each man holds every two or three years, sometimes every year and even many times in the course of a year, that it causes no surprise. Often one man plows the soil, another sows it and another reaps. Hence it arises that there is no one who takes care of the land he enjoys; there is not even anyone to plant a tree because he knows that he who plants it very rarely gathers the fruit. For the King,

> however, it is useful that they should be so dependent upon him" (quoted in Pankhurst, 1961, pp. 123–4)

Other aspects of economic institutions also followed the European pattern of absolutism, for instance international trade, including the lucrative slave trade, was controlled by the monarch. Unlike European absolutism, however, that in Ethiopia reproduced itself remarkably over time. There was no Parliament in Ethiopia until 1931 and even then it had little power. The last Emperor of Ethiopia, Ras Tafari, was crowned Haile Selassie in 1930. Apart from the brief period of Italian colonization between 1937 and 1943 Haile Selassie ruled until he was overthrown in a 1974 coup by the Derg, 'the committee', a group of Marxist army officers. What is most notable for our purposes here is that the basic extractive economic institutions of the absolutist Ethiopian Empire, such as *gult*, lasted until they were abolished after the 1974 revolution.

The Ethiopian experience suggests a very interesting model of long-run under-development in Africa. 1,000 years ago neither Europe not Africa had political or economic institutions of a sort that could create prosperity. But Europe, led by the Netherlands and Britain, transitioned away from these institutions while Africa did not. As the 18th century historian of the Rise and Decline of the Roman Empire, Edward Gibbon, noted,

> "Encompassed on all sides by the enemies of their religion, the Aethiopians slept near a thousand years, forgetful of the world by whom they were forgotten."

The Ethiopian experience is telling, but not completely representative in the sense that the state arose early and managed to consolidate itself in a way which was rare in Africa. Elsewhere, states were much less stable. But this is entirely what you would expect with absolutist institutions. These create a lot of rents at the center for rulers and elites and this creates conflicts over these rents, conflicts which can destroy the state as has been brilliantly documented for the Kongo by Thornton (1983).



## 4 SLAVERY AND INSTITUTIONAL PERSISTENCE

Not only does Africa seem to have lagged in terms of state formation and once this had happened to have had far more enduring absolutist structures than Eurasia, in the Early Modern period it was hit by a very perverse shock in the take-off of the Atlantic slave trade. Slavery has been endemic in world history. In Ancient Athens possibly 25% of the adult population were slaves (Morris and Powell, 2009), in the late Roman Empire maybe 15% (Harris, 2007), and according to the Doomsday Book of 1086 around 10% of the adult population of England were slaves (Engerman, 2007). Yet as Engerman (2007) points out, after 1400 Europeans did not enslave each other. We do not have reliable data on the extent of slavery within Africa prior to the 19th century but we know that Africa was long the source of slaves and that there had been an active slave trade across the Sahara and to the Persian Gulf and Middle East for at least 1,000 years before the Atlantic slave trade took off. The Atlantic trade, however, swamped in intensity these other trades and this export trade seems to have greatly increased the importance of slavery within Africa itself. In the 16th century, probably about 300,000 slaves were traded in the Atlantic. These came mostly from Central Africa with heavy involvement of the Kongo and the Portuguese based further south in Luanda, now the capital of Angola. During this time, the trans-Saharan slave trade was still larger, with probably about 550,000 Africans moving north as slaves. In the 17th century the situation reversed. About 1,350,000 Africans were sold as slaves in the Atlantic trade, the majority now being shipped to the Americas. The numbers involved in the Saharan trade was relatively unchanged. The 18th century saw another dramatic increase with about 6,000,000 slaves being shipped across the Atlantic, and maybe 700,000 across the Sahara. Adding up over periods and parts of Africa well over 10,000,000 Africans were shipped out of the continent as slaves (see Lovejoy, 2000, Table 3.1).

The appearance of Europeans all around the coast of Western and Central Africa eager to buy slaves had a large impact on African societies. Most slaves that were shipped to the Americas were war captives subsequently transported to the coast. The huge amount of money to be made capturing and selling slaves led to an intensification of warfare across the continent fuelled by huge imports of guns and ammunition which the Europeans exchanged for slaves. Lovejoy (2000, p. 109) estimates that by 1730 probably 180,000 guns were being imported every year just along the West African coast, and Inikori (1977) calculated that between 1750 and the early 19th century the British alone sold between 283,000 and 394,000 guns a year. Between 1750 and 1807, the British sold an extraordinary 22,000 tons of gunpowder, making an average of about 384,000 kilograms annually along with 91,000 kilograms of lead per year (see Lovejoy, 2000, p. 109). Further to the south, the trade was just as vigorous. As the Dutch Director General of Elmina Castle on the coast of modern Ghana noted in 1730

> "The great quantity of guns and powder which the Europeans have brought have caused terrible wars between the Kings and Princes and Caboceers of these lands, who made their prisoners of war slaves; these slaves were immediately bought up by Europeans at steadily increasing prices, which in its turn, animates again and again these people to renew their hostilities, and their hope of big and easy profits makes them forget all labour, using all sorts of pretexts to attack each other or reviving old disputes." (quoted in Richards, 1980, p. 46)

All this warfare, conflict and slaving had a perverse effect on political and economic institutions in Africa (see Law, 1991, for a seminal study, the work of Lovejoy, brought together in his 2000 book and Inikori, 1992). With respect to economic institutions they obviously intensified slavery, which was already a massive source of inefficiency in the allocation of resources. They also increased the extent of sheer lawlessness. Apart from warfare, slaves were also kidnapped and captured by small-scale raiding. The law also became a tool of enslavement. No matter what crime you committed, the penalty was slavery. The English merchant Francis Moore observed the consequences of this along the Senegambia coast of West Africa in the 1730s

> "Since this slave trade has been us'd, all punishments are changed into slavery; there being an advantage on such condemnations, they strain for crimes very hard, in order to get the benefit of selling the criminal. Not only murder, theft and adultery, are punished by selling the criminal for slave, but every trifling case is punished in the same manner." (quoted in Lovejoy, 2000, p. 90)

Institutions became perverted by the desire to capture and sell slaves. This even extended to religious institutions (see the discussion by Lovejoy, 2000, pp. 184–5, of how the oracle at Aro Chukwa in eastern Nigeria was used to enslave people). Though the main impact of the slave trade was to distort institutional development of African societies, in some places it did lead to the rise of powerful states. But these were states whose main raison d'être was raiding and slaving. This was true of the Kingdom of the Kongo, which emerged in the 15th century and other slaving states arose most prominently in West Africa and included Oyo in Nigeria, Dahomey in Benin and subsequently Asante in Ghana. The expansion of the state of Oyo in the middle of the 17th century is certainly related to the increase of slave exports on the coast (see Law, 1991, on Oyo and Dahomey). In the period between 1690 and 1740 when Oyo established its monopoly in the interior of what came to be known as the 'Slave Coast' probably 80 to 90 percent of the slaves sold on the coast were the result of its conquests. A similar dramatic connection between warfare and slave supply came further west in the 18th century 'Gold Coast', the area that is now Ghana. After 1700 the state of Asante expanded from the interior, in much the same way as Oyo had done, 150 years previously. During the first half of the 18th century this expansion triggered the so-called Akan wars as Asante defeated one independent state after another, The last, Gyaman, was conquered in 1747. The preponderance of the 375,000 slaves exported from the Gold Coast between 1700 and 1750 were captives taken in these wars (Lovejoy, 2000, p. 84).

The most obvious impact of this massive extraction of human beings was demographic. It is difficult to know with any certitude what the population of Africa was before the modern period, but scholars have made various plausible estimates of the impact of the slave trade on the population. Manning (1990) estimates that the population of those areas of West and West-Central Africa that provided slaves for export was around 22–25 million in the early 18th century. On the conservative assumption that during the 18th and early 19th centuries these areas would experience a rate of population growth of about half a percent a year without the slave trade, Manning estimated that the population of this region ought to have been, at least, about 46 to 53 million in 1850. In fact, it was about one half of this. This massive difference is not only because about 8 million people were exported as slaves from this region between 1700 and 1850, but probably millions were likely killed by continuous internal warfare aimed at capturing slaves. Slavery and slave trade in Africa further disrupted family and marriage structures and may have also reduced fertility.

The ending of the slave trade by the British after 1807 reduced the external demand for slaves from Africa but this did not simply move Africa back to where it had been prior to the trade. States had specific investments in slaving and slavery had almost certainly become more prevalent in Africa. In the place of the slave trade came 'legitimate commerce', a phrase coined to the export from Africa of new commodities not tied to the slave trade. These goods included palm oil and kernels, peanuts, ivory, rubber and gum arabic. The Industrial Revolution in Europe created new commercial opportunities in Africa after 1807 and just as African societies had taken aggressive advantage of the economic opportunities presented by the slave trade, they did the same with the legitimate commerce. But they did so in a peculiar context where slavery had become a way of life but the external demand for slaves had suddenly dried up. Instead of selling the slaves to Europeans, many of them were now profitably put to work in Africa producing the new items of legitimate commerce.

One of the best documented examples of this is in Asante (Austin, 2002, 2005). Prior to 1807, the Asante Empire had been heavily involved in the capturing and export of slaves, bringing them down to the coast to be sold at the great slaving castles of Cape Coast and Elmina. After 1807, with this option closed off, the Asante political elite re-organized their economy. Slaving and slavery did not end. Rather slaves were settled in large plantations, initially around the capital city of Kumase, but later spread throughout the empire (corresponding to most of modern interior Ghana). They were employed in the production of gold and kola nuts for exports, but also grew large quantities of food and were intensively used as porters since Asante did not use wheeled transportation. Further east similar adaptations took place. In Dahomey, for example, the King had large palm oil plantations near the coastal ports of Whydah and Porto Novo, all based on slave labor.



Even if the trade outside of Africa finished, that did not alter many of the political institutions it had wrought in the previous two centuries and did not restore incentives to produce and invest in these societies. As a result of these developments, rather than contracting, the extent of slavery appears to have expanded in Africa throughout the 19th century. Though accurate figures are hard to come by, a number of existing accounts written by travellers and merchants during this time suggest that in the West African kingdoms of Asante or Dahomey and in the Yoruba city states well over half of the population were slaves (Lovejoy, 2000, p. 174). More accurate data exist from early French colonial records for the Western Sudan, a large swathe of Western Africa stretching from Senegal, via Mali and Burkina Faso, to Niger and Chad. In this region 30 percent of the population were slaves in 1900 (see Lovejoy, 2000, p. 192). Just as the emergence of legitimate commerce, the advent of formal colonization after the 'Scramble for Africa' failed to destroy slavery in Africa. Though a large amount of European penetration into Africa was justified on the grounds that slavery had to be combatted and abolished, the reality was different. In most parts of colonial Africa, slavery continued well into the 20th century. In Sierra Leone, for example, it was only in 1928 that slavery was finally abolished (Grace, 1977). The very late date is in spite of the fact that the capital city of Freetown had originally been established in the late 18th century as a haven for slaves repatriated from the Americas. It then became an important base for the British anti-slavery squadron and a new home for freed slaves rescued from slave ships captured by the British navy. Even with this symbolism and the presence of the anti-slavery squadron in Freetown, slavery lingered in Sierra Leone for 130 years. The country of Liberia, just south of Sierra Leone, was likewise founded for freed American slaves in the 1840s. Yet there too slavery lingered into the 20th century and as late as the 1960s it was estimated that one quarter of the labor force were coerced, living and working in conditions close to slavery (Dalton, 1965).

## 5 UNDERSTANDING TECHNOLOGICAL BACKWARDNESS

For large parts of Western and Central Africa the intensified slave trade both destroyed states and created others whose raison d'etre was slaving. Slaving led to distinct deterioration in economic institutions in Africa at precisely the time when it was falling very significantly behind rapidly industrializing Britain and Western Europe (see Nunn, 2008, for econometric evidence on the long-run adverse impact of the slave trade on Africa).

But even prior to the Atlantic slave trade technology was backward in Africa. Though wheeled transportation was not used it was certainly known about and understood. Law (1980) documents many cases where Europeans gave gifts of wheeled transportation to different African kings and wheeled carriages were in use in Dahomey from at least the 18th century and were even produced there. Nevertheless, wheeled vehicles did not spread out of ceremonial uses with the exception of a small amount of military use. The Kingdom of the Kongo at the mouth of the Congo River in the modern Democratic Republic of the Congo came into intense contact with the Portuguese from the late 15th century onwards. The Kongolese knew about the plow, and the Portuguese, with the blessing of the King of the Kongo, even encouraged their adoption with agricultural missions in 1491 and 1512. But all these initiatives failed. Why? Clearly, the Kongolese were far from averse to Western technologies. Like the Lele, they were very quick to adopt firearms which they used to capture slaves and sell them to the Europeans.

Existing very sparse historiography on these technological puzzles (see Austen and Headrick, 1983) emphasizes that the non-adoption of apparently highly productive technologies stems from the fact that these technologies were not really 'appropriate' to the African context (Acemoglu and Zilibotti, 2001, for a theoretical discussion of this issue). For the wheel this argument dates to McPhee (1926) who argued that the absence of draught animals in the tse-tse fly zone meant that wheeled transportation was uneconomical and this argument can be extended to the plow also. It is also argued that African soils are not suitable for the plow, though even advocates of this view argue that it only applies to West Africa and parts of the Sahel. Hopkins (1973) also argued in the West African case that it was not economical to build roads because of the forest and without roads wheeled transportation was not viable.

There are many problems with these arguments however. Existing estimates in the early colonial period, though they must be treated with caution, in fact suggest that wheeled transportation was much cheaper than human porterage. Gould (1959, p. 25) for instance uses various sources to make calculations about the cost per ton mile of different forms of transportation. Using a hand cart costs about one half of head porterage, and using a railway about ¼. (See also Lugard, 1922, pp. 461–476). The fact that human porterage was very costly is not very surprising given that it is the conventional wisdom that labor was very scarce in Africa and wages were high. The argument that it was too costly to cut down the forest also has problems. For one, as Wilks (1989) shows, the Asante Empire built an extensive system of roads of quite decent quality through the forest zone of Ghana. However, they did not use wheeled transportation. Also, as Gould's calculations and discussion show, one could use hand carts to transport goods for which only rudimentary roads would have been necessary.

Though we therefore lack satisfactory answers to these puzzles about technology adoption some hints can be drawn about why Kongolese farmers might have been reluctant to adopt better technology. The Kongo was governed by a King in São Salvador and an elite who played the roles of governors of different parts of the kingdom. The absolutist institutions of the Kongo were supported by the army, which kept this system in place. The King had a standing army of 5,000 troops in the mid 17th century with a core of 500 musketeers. The wealth of this elite was based on slave plantations around São Salvador and the extraction of taxes from the rest of the country. Central to the economy was slaving. This was practiced by the elite both to supply their own plantations and also to supply Europeans at the coast. Taxes were arbitrary and one was even collected every time the King's beret fell off (Thornton, 1983, p. 24). Instead of investing to increase their productivity and trying to access the market with their products, the Kongolese moved their villages as far away from the roads as possible in order to reduce the incidence of plunder and escape the reach of slave-traders (Thornton, 1983, p. 41). It is clear from existing historical accounts that property and human rights were highly insecure in the Kongo, thus completely undermining the incentive of anyone to adopt better technologies (except firearms). The problems of technology adoption in the Kongo of the 16th and 17th centuries therefore seem rather similar to those which faced the citizens of the Congo during the reign of King Leopold and the Belgian colonial state and indeed the citizens of Zaire during the long reign of Joseph Mobutu in the 20th century.



## 6 THE IMPACT OF EUROPEAN COLONIALISM

The colonization of Africa that took place in the 19th century further reinforced Africa's path of institutions. It did this in several ways. Even where European rule did not involve the type of plunder and loss of life that it did in the Congo, it blocked any possibility of endogenous institutional reforms along the lines that Japan implemented to change it's development path. An interesting comparison here is with Latin America. Though Latin America suffered a highly extractive form of colonization by the Spanish and Portuguese it was at least independent after 1820. This did allow it to implement many institutional reforms in the late 19th century (see Dye, 2006). Though this happened in a very path dependent way, guaranteeing that Latin America did not converge to the living standards of North America or Western Europe in the 20th century, it did ensure that Latin American countries are much more prosperous than Africa today. But the situation in Africa was worse than simply stifling change because in many cases it led to economic reorganization which made the potential for economic growth worse after independence than it had been before colonialism took place. This is particularly evident in Southern Africa where 'Dual Economies' were created (Palmer and Parsons, 1977, and Bundy, 1979, for seminal analyses). The dual economy example shows that just as important as the forces which influenced economic growth during colonization were the ones that shaped what happened after colonial rule.

## 6.1 Making a Dual Economy

The 'Dual Economy' paradigm, originally proposed by Lewis (1954) still shapes the way that many economists think about the economic problems of less-developed countries. According to Lewis, many less-developed or underdeveloped economies have a dual structure and are divided into a modern sector and a traditional sector. The modern sector, which corresponds to the more developed part of the economy, is associated with urban life, modern industry and the use of advanced technologies. The traditional sector is associated with rural life, agriculture and 'backward' institutions and technologies. Backward agricultural institutions include the communal ownership of land, which implies absence of private property rights on land. Low productivity in the traditional sector results because workers there are also used very inefficiently to such an extent that Lewis thought they might be completely unproductive. For generations of development economists building on Lewis's insights, the "problem of development' has come to mean moving people and resources out of the traditional sector, agriculture and the countryside, into the modern sector, industry and cities.

Lewis and the development economists building on his work were certainly right in identifying dual economies around them. South Africa was one of the clearest examples, separated between a traditional, backward and poor part, and a modern, vibrant and prosperous part. Even today the dual economy features of the sort Lewis identified are everywhere in South Africa. Take for example the contrast in South Africa between Natal and the Transkei, separated only by the Great Kei river. In Natal we have private property rights, functioning legal systems, markets, commercial agriculture and industry. The Transkei had communal property in land and all powerful traditional chiefs until recently. Looked at it through the lenses of Lewis's theory of dual economy, the contrast of the Transkei and Natal illustrate the problems of African development. Economic development is then just about ensuring that the Transkei eventually turns into Natal.

But the backwardness of the Transkei is not just a historic remnant of the natural backwardness of Africa. It was created by the South African white elites in order to create a reservoir of cheap labor for their businesses and reduce competition from black Africans. It is an example of underdevelopment created, not of underdevelopment as it naturally emerged and persisted over centuries (see Acemoglu and Robinson, 2010, Chapter 8 for more examples).

The development of the European economy in the interior of South Africa, particularly after the discovery of diamonds in Kimberly in 1867 and of gold in Johannesburg in 1886, created demand for food and other agricultural products and created new economic opportunities both in agriculture and trade for native Africans. The Xhosa, in the Ciskei and Transkei, reacted quickly.

The Civil Commissioner John Hemming's description of his visit to Fingoland in the Ciskei in 1876 is revealing. He wrote that he was

> "struck with the very great advancement made by the Fingoes in a few years ... Wherever I went I found substantial huts and brick or stone tenements. In many cases, substantial brick houses had been erected ... and fruit trees had been planted; wherever a stream of water could be made

> available it had been led out and the soil cultivated as far as it could be irrigated; the slopes of the hills and even the summits of the mountains were cultivated wherever a plough could be introduced. The extent of the land turned over surprised me; I have not seen such a large area of cultivated land for years" (quoted in Bundy, 1979, p. 72).

As in other parts of Sub-Saharan Africa, the use of the plow was new in agriculture, but when given the opportunity, African farmers seemed to have been quite ready to adopt the technology. They were also prepared to invest in wagons and irrigation works (see Bundy, 1979, p. 76).

As the agricultural economy developed, the rigid tribal institutions started to give way. There is a great deal of evidence that changes in property rights to land took place. In 1879 the magistrate in Umzimkulu of Griqualand East in the Transkei noted

> "the growing desire of the part of natives to become proprietors of land-they have purchased 38,000 acres" (quoted in Bundy, 1979, p. 89).

Three years later he recorded that around 8,000 African farmers in the district had bought and started to work on 90,000 acres of land.

Private property in land had weakened the chiefs and enabled new men to buy land and make their wealth. This new economic dynamism, not surprisingly, did not please the traditional chiefs, who saw this as eroding their wealth and power. Chiefs also resisted improvements made on the lands, such as the digging of irrigation ditches or the building of fences. They recognized that these improvements were just a prelude to individual property rights to the land, the beginning of the end for them. European observers even noted that chiefs and other traditional authorities, such as witch doctors, attempted to prohibit all 'European ways', which included new crops, tools such as plows, and items of trade (Bundy, 1979, p. 99). But the integration of the Ciskei and the Transkei into the British colonial state weakened the power of the traditional chiefs and authorities, and their resistance would not be enough to stop the new economic dynamism in South Africa. In Fingoland in 1884, a European observer noted that the people had

> "transferred their allegiance to us. Their chiefs have been changed to a sort of titled landowner ... without political power. No longer afraid of the jealousy of the chief or of the deadly weapon ... the witchdoctor, which strikes down the wealthy cattle owner, the able counsellor, the introduction of novel customs, the skilful agriculturalist, reducing them all to the uniform level of mediocrity – no longer apprehensive of this, the Fingo clansman ... is a progressive man. Still remaining a peasant farmer ... he owns wagons and ploughs; he opens water furroughs for irrigation; he is the owner of a flock of sheep." (quoted in Bundy, 1979, pp. 100–101).

Between 1890 and 1913 this African economic boom would come to an end and go into reverse. During this period two forces worked to destroy the rural prosperity and dynamism that Africans had created in the previous 50 years. The first was antagonism by Europeans farmers who were competing with Africans. Successful African farmers drove down the price of crops that Europeans also produced. The response of Europeans was to drive the Africans out of business. The second force was that the Europeans wanted a cheap labor force to employ in the burgeoning mining economy, and they could only ensure this cheap supply by impoverishing the Africans. This they did methodically in the next several decades.

The 1897 testimony of George Albu, the chairman of the Association of Mines, given to a Commission of Inquiry pithily describes the logic of impoverishing Africans so as to obtain cheap labor. He explained how he proposed to cheapen labor "by simply telling the boys that their wages are reduced." His testimony goes as follows:

> Commission: Suppose the kaffirs [black Africans] retire back to their kraal [cattle pen]? Would you be in favor of asking the Government to enforce labour?
>
> Albu: Certainly ... I would make it compulsory ... Why should a nigger be allowed to do nothing? I think a kaffir should be compelled to work in order to earn his living.
>
> Commission: If a man can live without work, how can you force him to work?
>
> Albu: Tax him, then ...
>
> Commission: Then you would not allow the kaffir to hold land in the country, but he must work for the white man to enrich him?
>
> Albu: He must do his part of the work of helping his neighbours.
> (quoted in Feinstein, 2005, p. 63)



Both of the goals of removing competition with white farmers and developing a large low wage labor force were simultaneously accomplished by the Native Land Act of 1913. The Act, anticipating Lewis's notion of dual economy, divided South Africa into two parts, a modern prosperous part and a traditional poor part. Except that the prosperity and poverty were actually being created by the Act itself. It stated that 87 percent of the land was to be given to the Europeans, who represented about 20 percent of the population. The remaining 13 percent was to go to the Africans. The Land Act had many predecessors of course because gradually Europeans had been confining Africans onto smaller and smaller reserves. But it was the Act of 1913 that definitively institutionalized the situation and set the stage for the formation of the South African Apartheid regime. The Act specified that several land reserves, including the Transkei and the Ciskei, were to become the African 'Homelands'. Later these would become known as the Bantustans, another part of the rhetoric of the Apartheid regime in South Africa, since it claimed that the African peoples of Southern Africa were not natives of the area but were descended from the Bantu people who had migrated out of Eastern Nigeria about 1,000 years ago. They thus had no more, and of course in practice less, entitlement to the land than the Afrikaner settlers.

The dual economy was not natural or inevitable. It was created by European colonialism. Yes the Homelands were poor and technologically backward and the people were uneducated. But all of this was an outcome of government policy, which had forcibly stamped out the African economic renaissance and created the reservoir of cheap uneducated African labor to be employed in European controlled mines and lands. It was not only the economic incentives that were destroyed. The political changes that had started to take place also went in reverse. The power of chiefs and traditional rulers, which had previously been in decline, was strengthened, because part of the project of creating a cheap labor force was to remove private property in land. So the chiefs' control over land was reaffirmed. The available evidence demonstrates the reversal in living standards in the Homelands after the Native Land Act of 1913. The Transkei and the Ciskei went into a prolonged economic decline. The employment records from the gold mining companies collected by the historian Francis Wilson show that this decline was widespread in the South African economy as a whole. Following the Native Land Act and other legislations, miners' wages fell by 30 percent between 1911 and 1921. In 1961, despite relatively steady growth in the South African economy, these wages were still 12 percent lower than they had been in 1911 (Wilson, 1972, p. 66). No wonder that over this period South Africa became the most unequal country in the world.

In Southern Africa where there was large scale European migration, the exploitative structure of the colonial economy was very evident. In the Apartheid regime of South Africa no African was allowed to own property or start a business in the European part of the economy – the 87 percent and the more prosperous part of the country. The Apartheid regime also realized that educated Africans competed with whites rather than supplying cheap labor to the mines and to white owned agriculture. As early as 1904 a system of job reservation for Europeans was introduced in the mining economy. No African was allowed to be an amalgamator, an assayer, a banksman, a blacksmith, a boiler-maker, a brass finisher, a brassmoulder, a bricklayer, and the list went on and on all the way to woodworking machinist (see van der Horst, 1942, p. 171). Africans were banned from occupying any skilled job in the mining sector. This was the first incarnation of the famous 'Colour Bar', one of the several racist inventions of the South Africa's regime. The Colour Bar was extended to the entire economy in 1926 and lasted until 1982. It is not surprising that black Africans were uneducated; the South African state not only removed the possibility of Africans benefitting economically from an education, but also refused to invest in black schools and discouraged black education. This policy reached its peak in the 1950s when under the leadership of Hendrik Verwoerd, one of the architects of the Apartheid regime that would then last until 1994, the government passed the Bantu Education Act. The philosophy behind this act was bluntly spelled out by Verwoerd himself in a speech in 1954:

> "The Bantu must be guided to serve his own community in all respects. There is no place for him in the European community above the level of certain forms of labour ... For that reason it is to no avail to him to receive a training which has as its aim absorbtion in the European community while he cannot and will not be absorbed there." (quoted in Feinstein, 2005, p. 159)

The type of dual economy articulated in Verwoerd's speech is rather different from Lewis's dual economy theory. In South Africa, there would not be a process of the unskilled workers from the traditional sector gradually becoming educated and skilled. In fact, the black workers were purposefully kept unskilled and barred from high-skill occupations so that skilled white workers would not face competition and could enjoy high wages. In South Africa, black Africans were indeed 'trapped' in the traditional economy, in the Homelands. But this was not the problem of development that economic growth would solve.

## 6.2 The Case of the Ghanaian Cocoa Farmers

In colonies which lacked large populations of white settlers, the type of highly extractive labor and land market institutions which got set up in Southern Africa or Kenya, were absent. Ghana's first prime minster, subsequently president, Kwame Nkrumah remarked in 1957 that after independence he was going to erect a statute of a mosquito in downtown Accra since it was the mosquito which had saved Ghana from European settlement. The absence of competition by Europeans gave Africans more scope for indigenous capitalism of which there are many examples. One of the best documented is the cocoa boom in Ghana.

In her brilliant book Hill (1963) studied the development and nature of the boom. The boom took place not only without the assistance of the colonial state or the help of institutions created by the colonial state. It did so in the face of active discouragement from the colonial state. Moreover, the British colonial state ultimately set up an institution, the Cocoa Marketing Board, that nearly obliterated the prosperity of the cocoa farmers.

The boom started when farmers from Akwapim saw the commercial prospects for cocoa and began to plant it on the Akwapim ridge. Hill shows that starting from nothing in 1890 by 1911 cocoa was dominating exports and investment in the Gold Coast colony. In 1896 or 1897 some of these farmers began buying forest lands to the west in Akim Abuakwa, an area with very sparse population. They combined to do this. Some were groups of unrelated people who pooled resources and bargaining power, what Hill calls 'Companies'. Once a Company had bought land it divided it between the members with each getting a share which depended on their investment. The other type of groups were all relatives who again pooled resources, Hill calls these groups 'Families'. Prior to British colonialism Akim Abuakwa was a small state which had paid tribute to the Asante Empire. The land was sold by local chiefs. This process was not new and pre-dated British colonialism. Written documents were not exchanged

> "it was one of the leader's functions to keep records relating to the monetary transactions etc. – usually in his head ... There is often a long delay ... before planting starts and it is a common complaint of company members that lands ... have been lost owing to the death of the leader and the consequent impossibility of establishing the purchasers identity." (Hill, 1963, p. 41)

There were no proper land surveys but this did not stop the sales taking place

> "The boundaries of the land to be purchased will be fixed; this will be done by 'pillars', bottles or other objects placed at corners and other strategic points, if there are insufficient natural features such as large trees or boulders. The point to note is that companies always buy a definate area of land, determined in advance and not in any degree dependent on the speed of clearing or planting." (Hill, 1963, pp. 41–42).

All this went on without any help from the colonial state. The purchase of land was not financed by British banks or indeed any type of financial institutions. The resources to buy the land came from income accumulated from the previous production and sale of palm oil, and people bought the land by promising in the future to use the returns from selling cocoa to pay back what was owed. How was this contract enforced? Not by the threat of legal sanctions but it seems rather the promise of more land in the future. People re-paid because they wanted to keep the chiefs happy and get them to sell them more land. There was no use of the colonial court system. Hill observes (p. 132)

> "The new circumstances resulting from the purchase of land on such a vast scale by individual migrant cocoa-farmers more than half a century ago have received little examination, for the very good reason that few disputes involving farmers each of whom owns a farm with a particular company or family land have reached the courts."

Hill argued that both the migration decision (after the initial phase people began to migrate here from all over southern Ghana) and the planting of cocoa trees which took a long time to mature, shows a real willingness to invest and real entrepreneurship.

Did the British colonial state facilitate the emergence of private property? Quite the opposite, the policy of 'indirect rule' whereby the colonial state ruled via the chiefs, led the British colonial state to actively discourage land sales. Perhaps instead the construction of infrastructure helped the coca farmers to export. Not true either. In fact the cocoa farmers raised money to build roads and bridges necessary to get the crop to market and they sold it to British merchants in Accra. When the farmers petitioned the colonial state to build feeder roads from the main highway from Accra to Kumase to help them they were turned down, apparently because the state wanted to force the farmers to use the government railway to keep its profits up.

The British government did little to induce or facilitate this boom, but they did a lot to kill it. In particular in 1947 they set up the cocoa marketing board to which farmers were forced to sell their cocoa (it was a monopsony). The cocoa marketing board was soon paying the farmers far below the world price for their cocoa. After independence in 1957 the government of Kwame Nkrumah took over the marketing board and just like the British used it to tax the farmers (Bates, 1981 for the seminal analysis).

## 7 AFRICA SINCE INDEPENDENCE

Many African countries are poorer now than they were at independence and have experienced severe economic decline, particularly after the 1970s. We have already seen some mechanisms that can account for this. Colonialism didn't just freeze Africa and remove the possibility for endogenous reform, it created structures which have subsequently inhibited economic growth. This is most obviously the case of the dual economy of southern Africa. But the colonial period created other legacies which may have greatly impeded African prosperity. First, the organization of colonial states, though it typically built on absolutist structures, often intensified these structures. This may have particularly been the case with the practice of 'indirect rule' in British colonies (Migdal, 1988, Lange, 2009) and more generally the authoritarian way the colonial state operated (Young, 1994). Arguments here also extend to the architecture of the colonial state, what Cooper (2002) has called the 'Gate-Keeper' state, which was designed for extraction and order but not for development or the provision of public goods. All of these ideas rest on some form of path dependence linking the institutional and political strategies of colonialism with those of post-colonial states. Second, the arbitrary way in which the European colonial powers put together very different ethnic groups into the same polities created countries which would be difficult to govern and very conflict prone after independence. Colonialism itself probably intensified notions of ethnicity and made them more rigid (see Anderson, von der Mehden and Young, 1974, pp. 31–33 for the famous invention of the 'Bangala' in the Congo and Ranger, 1985, for an analysis of how the incentives created by colonialism in Rhodesia shaped peoples ethnic identities).

Many of these different ideas are merged together in the literature on the political economy of Africa in the argument that the main reason why African economic performance has been so poor since independence is that African politics has been 'neopatrimonial', a modern version of Weber's term we met earlier. This phenomenon is well defined by Bratton and van der Walle (1997, p. 62)

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

The view that it is the neopatrimonial nature of the political equilibrium in Africa which is primarily responsible for the very poor economic performance is a very plausible one (among the many important works are Bates, 1981, Bayard, 1983, Sandbrook, 1985) and the mechanisms are closely linked to those I discussed earlier under absolutism and patrimonialism (Callaghy, 1984, for an explicit comparison between new and old absolutisms).

The history of Sierra Leone well illustrates many of the manifestations of neopatrimonial which have impoverished Africa since independence. Sierra Leone was finally incorporated into the British Empire in 1896, even though the capital city, Freetown, had been founded in the late 18th century as a home for repatriated and freed slaves and made a British colony in 1806. At that point the interior of Sierra Leone was still made up of many small independent African kingdoms. Gradually in the second half of the 19th century, the British extended their rule into the interior through a long series of treaties with African rulers. On 31 August, 1896 the British government declared a 'Protectorate' in the interior of Sierra Leone on the basis of these treaties. The British identified important kings and gave them a new title, 'Paramount Chief'. Though kings may have signed a treaty with a British administrator, they had not understood that it would be interpreted as a carte blanche to set up a colony. When the British tried to levy a 'hut tax' – a tax of 5 shillings to be raised from every house – in January 1898, the chiefs rose in a civil war that became known as the 'Hut Tax Rebellion'. Though this rebellion started in the North, it was strongest and lasted longer in the South, particularly in Mendeland, dominated by the Mende ethic group. The Hut Tax Rebellion was soon defeated, but it warned the British about the challenges of controlling the Sierra Leonean hinterland. The British had already started to build a railway from Freetown into the interior. Work began in March 1896, and the line reached Songo Town in December 1898, in the midst of the Hut Tax Rebellion. British Parliamentary Papers from 1904 recorded that:

> "In the case of the Sierra Leone Railways the Native Insurrection that broke out in February 1898 had the effect of completely stopping the works and disorganizing the staff for some time. The rebels descended upon the railway, with the result that the entire staff had to be withdrawn to Freetown ... Rotifunk, now situated upon the railways at 55 miles from Freetown, was at that time completely in the hands of the rebels."

In fact, Rotifunk was not on the planned railway line in 1894. The route was changed after the start of the rebellion, so that instead of going to the North East, it went South, via Rotifunk and on to Bo, into Mendeland. The British wanted quick access to Mendeland, the heart of the rebellion. The British colonial state was more interested in ruling Sierra Leone than it was in developing it, and this meant that they should be able to use the railways to reach the hinterland if other rebellions were to start there.

When Sierra Leone became independent in 1961 the British handed power to Sir Milton Margai and his Sierra Leone People's Party (SLPP), which attracted support primarily in the South, particularly Mendeland, and the East. Sir Milton was followed as Prime Minister by his brother, Sir Albert Margai in 1964. In 1967 the SLPP narrowly lost a hotly contested election to the opposition, the All Peoples Congress party (APC), led by Siaka Stevens. Even though Stevens's father was Nigerian, his mother was Limba, from the North, and the APC got most of their support from northern ethnic groups, the Limba, the Temne and the Loko. Before he could assume power, Stevens was arrested by a group of Mende officers who launched a coup. They formed a short lived military junta which was in turn overthrown one month later by a counter-coup by lower ranked soldiers, primarily northerners. They restored democracy and Stevens took power.

Though the railway to the south was initially designed by the British to rule Sierra Leone, by 1967 it had become the focus of most of the country's exports. Along the railway came coffee and cocoa exports and also diamonds. But the farmers who grew these crops were Mende and the railway was Mendeland's window to the world. Mendeland had voted hugely for Albert Margai in the 1967 election. Siaka Stevens was much more interested in holding onto power than Mendeland's exports so he decided to pull up the railway line to Mendeland. He then went ahead and sold off the track and rolling stock to make the change as irreversible as possible (the interpretation of this event is contested, but this is the salient one, see Abraham and Sesay, 1993, p. 120, Richards, 1996, pp. 42–43, Davies, 2007, pp. 684–685). Stevens's drastic action fatally damaged some of the most vibrant sectors of Sierra Leone's economy. But like many of Africa's post-independence leaders, when the choice was between consolidating power and encouraging economic growth. Violence and the coercion of political opponents, if not on the scale of Omar Al Bashir, Idi Amin, Samuel Doe, Mengistu Haile Miriam or

Charles Taylor, was a regular feature of life and criticism was not tolerated. A notorious example being the murder in 1980 by defenestration from a top floor office window of Sam Bangura, the governor of the central bank (Reno, 1995, pp. 137–141). This was 'politics of the belly' writ large (Bayart, 1993). The regime also featured the dominance of Freetown over the rest of the country and an urban bias (Lipton, 1979, Bates, 1981) which involved the reversal of decentralization and the abolition of district councils in 1972.

Casual empiricism suggests that barely any public goods were provided in the country in the 40 years prior to the end of the civil war and re-democratization in 2002. The roads fell to pieces and schools disintegrated. National television broadcasts stopped in 1987 when the transmitter was sold by the Minister of Information and in 1989 a radio tower which relayed radio signals outside Freetown fell down ending transmissions outside the capital (Reno, 2003, p. 48 for these stories). The Sierra Leone Produce Marketing Board, created by the British in 1949 and inherited by the independent nation, had a monopsony over all export crops, and paid farmers very low prices (Bates, 1981) as low as 10% of the world level by the 1980s (Davies, 2007, p. 680). The exchange rate was massively over-valued creating a black market and a scarce resource which Stevens' allocated through what Reno (1995) dubbed the 'shadow economy'. According to Maddison's data, GDP per-capita fell almost monotonically from the early 1970s onwards and declined to about 40% of the level recorded at independence by the end of the civil war.

The economic decline of Sierra Leone shares many features with economic decline elsewhere in Africa (Nkurunziza and Ngaruko, 2008, for a fascinating analysis of the Burundian case). Few nations were able to agree on a set of political institutions to peacefully resolve their disagreements. This may be because the heterogeneity of the countries made disagreements very intense. In addition to countries being composed of many different ethnic groups, many countries were also 'polarized' in the sense of Esteban and Ray (1994). For example, in Sierra Leone the Mende and the Temne, each with about 30% of the population, formed the basis of the two main political parties which may have been very conducive to conflict. The consequence was that political institutions were not stable and politics became a 'winner takes all' game. Early governments re-wrote the rules in their favor, suspending the constitution and democracy, concentrating political power at the center and moving from prime ministerial to presidential government (Robinson and Torvik, 2008). This process was very evident in Sierra Leone. These governments were neopatrimonial in the way they organized the state and consolidated their power. They maintained power by dispensing patronage for support, something which, as Bates (1981) first understood, biases policy against the provision of public goods. Public goods cannot be targeted to one's friends and they cannot be withheld from one's foes. Private goods, like jobs, are much more politically attractive. Employment in the public sector became a way of rewarding supporters and economic policy was used as a way of redistributing income and consolidating political power (Killick, 1976, for a brilliant analysis of the Ghanaian case). This strategy of rule was not conducive to the creation of good economic institutions. Indeed, distorting the economy, for instance by over-valuing the exchange rate, became a way of creating artificially scarce resources which could then be used as a way of distributing rents. In extreme cases, such as Mobutu's Zaire, or Amin's Uganda, this strategy culminated in severe insecurity of property rights. In the more common case inefficient property rights were created or facilitated. One of the most obvious is land in rural areas where the fact that access to land depends on local political power wielded by traditional authorities impedes investment and the efficient allocation of resources (Goldstein and Udry, 2008, for evidence on Ghana).

The concentration of power combined with patrimonialism didn't just impede the functioning of the state and the economy and the creation of good economic institutions. It also created political instability because it raised the stakes from politics. When the state creates private goods rather than public goods the difference between being in power and being out of power becomes larger. This naturally increases conflict and political instability, another source of poor economic performance. Much of these phenomena may have deep roots in African history. We have already argued that the delayed nature of state formation and the persistent absolutism and patrimonialism in most of the continent, reduced the possibilities for economic growth prior to the 19th century. Hence the neopatrimonialism of post independent Africa can be seen as a direct successor to this. Herbst (2000) makes this argument in particularly downplaying the importance of the colonial 'interlude'. We would argue, however, that the colonial system must have played a significant role in making African institutions worse and perverse political incentives more intense. The extent of continuity between colonial and independent Sierra Leone is remarkable. The British created the marketing boards and used them to tax farmers. Post-colonial governments did the same extracting at even higher rates. The British created the system of indirect rule through paramount chiefs. Independence governments didn't reject this colonial institution, rather they used it to govern the countryside as well.[6] The British set up a diamond monopoly and tried to keep African miners out. Independence governments did the same thing. It is true that the British thought building railways was a good way to rule Mendeland, while Siaka Stevens thought the opposite. But this was because the British could trust their army and knew that they could send them to Mendeland if a rebellion arose. Stevens, on the other hand, could not do so. Like in many other African nations, a strong army would become a threat to Stevens's rule, and Stevens knew this. He emasculated the army, cutting it down and privatizing violence through specially created paramilitary units loyal only to him. First came the Internal Security Unit, the ISU, which Sierra Leone's long-suffering people knew as 'I Shoot U'. Then came the Special Security Division, the SSD, which they knew as 'Siaka Steven's Dogs' (Jackson, 2004, p. 63, Keen, 2006, p. 17 on these acronyms). In the end, the absence of an army supporting the regime would also be its undoing. It was a group of only 30 soldiers led by Captain Valentine Strasser that pitched the APC regime from power on April 30, 1992.

In essence then the political economy of post-independence Africa was a combination of political institutions which lacked constraints on the exercise of power

6 Of course there is variation in this. In Ghana where the chiefs were too closely aligned with the opposition to Nkrumah, he tried to reduce their powers (see Rathbone, 2000).

and concentrated this power at the center. Those who exercised power created economic institutions and policies to perpetuate this power and this undermined economic development. Property rights have been insecure and very inefficiently organized, markets have not functioned well, states have been weak and political systems have not provided public goods. This vector of syndromes can be seen to be the result of the neopatrimonial political equilibrium.

## 7.1 The Case of Botswana

This characterization of African economic decline is made even more plausible by analyzing the one case of very rapid economic growth since independence, Botswana. As Acemoglu, Johnson and Robinson (2003) and Leith (2005) point out Botswana has not suffered from the symptoms of neopatrimonialism. There has been no centralization of political power and dismantling of democracy and checks and balances. The state has provided public goods and secure and efficient property rights. In consequence there has been sustained growth. Though much of this is due to diamonds, diamond wealth was not something that aided economic growth in Sierra Leone.

The right way to think about the economic success of Botswana is to see that it experienced a very different path of institutional development than has been the norm in Africa. This was true prior to the colonial period, during and colonial period and afterwards as well. Three complementary factors have been important in Botswana's success (see Robinson, 2008). The first is that the independent state benefited from a long process of state and institution formation inherited from the Tswana states (Schapera, 1970, is the seminal study, see also Parsons, 1977). This was crucial for developing checks and balances on politicians and dispute resolution and creating good governance (Schapera, 1940, for description). The integrative structure of Tswana states also limited regionalism and facilitated the emergence of a national identity. Decisions at the formation of the modern state in the 1960s built on this legacy. For example, the pre-independence negotiations of the 1960s stripped chiefs of many of their powers to determine the local allocation of resources, such as the right to all stray cattle and to unpaid labor services from their tribesmen.

The second is that by historical chance, the 8 Tswana states ended up controlling a single independent nation so that their institutions could help to determine national institutions without coming into conflict with other sets of institutions or interests, as happened in most other Sub-Saharan African countries. The comparative neglect of the colony by the British administration allowed these institutions not only to persist, but to develop further in marked contrast to other experiences with indirect rule. It is important to note how these first two points interact. It is not just that the institutions of the traditional state persisted but that they were different. There are other polities in Africa, such as Burundi, Lesotho or Rwanda which correspond quite closely to pre-colonial polities. But Burundi and Rwanda had very different state institutions than the Tswana did (see Vansina, 2004, for the Rwandan case) while those of Lesotho were heavily distorted by the need to mobilize workers for the mines in the Rand.

Finally, elite interests were powerfully represented in early independence governments. Since elites were heavily invested in ranching this led to a socially efficient development of the ranching industry and secure property rights which greatly facilitated the early growth of the economy. This last point is clearly driven home by the performance of the Botswana Meat Corporation, the cattle marketing board. This acted to develop the ranching economy, something which the elite were heavily invested in. This was a very different situation from Ghana, say, where the cocoa farmers, many in the Asante region, did not support the government of Nkrumah. We believe however that this effect is much less important than the historical evolution of institutions in Botswana. In the Côte d'Ivoire post-independence politics was controlled by southern elites with a large interest in the cocoa economy starting right at the top with Houphouët-Boigny (Widner, 1993). But while this created a period of initial stability and prosperity, it did not stop the society declining into neopatrimonilaism and civil war.

The impact of British colonialism in Botswana is very revealingly discussed by Masire (2006). In the 1950s, Masire, president of Botswana from 1980 to 1998, was an enterprising farmer who developed new cultivation techniques for sorghum and found a customer in Vryburg Milling, a company in South Africa. He went to the station master at Lobatse and asked to rent two rail trucks to move his crop to Vryburg. The station master refused. Then he got a white friend to intervene, the station master agreed at 4 times the rate for whites. He gave up.

> "It was the practice of the whites, not just the laws prohibiting Africans from owning freehold land or holding trading licenses that kept blacks from developing enterprises in Bechuanaland" Masire (2006, p. 43).

Luckily Botswana was saved the worst excesses of this.

It appears to be the historical evolution of political institutions which can explain why Botswana has not regressed into the type of patrimonial political equilibrium which has been so prevalent and resilient elsewhere in Africa. The Botswana path indicates what could have happened in the absence of colonial rule and had African polities been able to organize themselves into more coherent territories.

## 8 CONCLUSIONS

In this paper we have taken for granted that the current poverty of African societies is explained by the nature of their institutions, not their geography or cultures. Obviously a lot more research needs to be done on these topics. The work on geography tends to be very crude, and systematic empirical research on culture has hardly begun. Nevertheless, instead of getting into this debate or belaboring the primacy of institutions we have taken for granted the importance of institutions and attempted a very speculative discussion of why African institutions developed in the way they did over time and when and why Africa diverged from the rest of the world. Historically, no part of the world had the type of economic institutions required for sustained economic progress, though some places, such as the Greek city states (Morris, 2004) or Ancient Rome (Saller, 2005) did have enough of them to prosper for quite sustained periods of time. This was even true in Africa, in Aksum for instance which was probably as prosperous as any place in the world in 400AD. Yet over the last 1,000 years Africa did not experience the same types of institutional dynamics as Western Europe did, even if the post-Aksumite polity in Ethiopia experienced a very European like feudalism.

Absolutist and patrimonial political systems and the resulting economic institutions are highly persistent over time everywhere. It is possible that some endogenous dynamics can lead to institutional change, as perhaps occurred with the Tswana societies historically, but such instances are rare. Indeed in the European case it seems to have been large shocks which led to institutional change. The Black Death helped to precipitate the collapse of serfdom in Western Europe and the defeat of absolutism in Britain and the change to a non-patrimonial state took place in the context of rapid economic change induced by the discovery of the Americas. Though we know little about what happened in Africa during the Black Death (which may actually have emanated from Ethiopia) the African path of institutions strongly resembles that which Brenner (1976) suggested for Eastern Europe. In this case the shock of the Black Death interacted with initially strong absolutist political institutions to create an intensification of serfdom, rather than the reverse. Later, Acemoglu, Johnson and Robinson (2005a) pointed out something similar in the case of Atlantic trade expansion. Where initial institutions were relatively better, as in Britain, they subsequently improved. But where institutions were worse, as in Spain, they deteriorated. In this way what might perhaps have been relatively small differences in institutions get magnified over time. Those that were initially a little better become much better over time because of the way they interact with shocks, while those which may have been only a little worse to start with, get substantially worse. Normally there can be feedbacks in this process that limit what can happen. But Africa was more isolated from these and experienced much more pernicious institutional dynamics, especially with respect to slavery and its legacies and subsequently colonization. Africa is poor today because it has experienced a long vicious circle of the development of political and economic institutions.



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