

## Explaining Botswana's Success: The Critical Role of Post-Colonial Policy

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### Abstract

Development economists are shifting their focus away from cross-country empirical studies (Barro, 1997) towards case studies and “analytic narratives” (Rodrik 2003; Bates et al. 1998). Instead of trying to explain all of sub-Saharan Africa’s problems in one grand sweep, economists are engaging in more focused studies of particular nations. Their hope is that by clearly understanding the particulars, broader conclusions can be drawn. This paper is inspired by the “analytical narrative” turn in economics. The paper seeks to explain the key determinants of Botswana’s economic miracle. As a landlocked country in the middle of sub-Saharan Africa, Botswana should not be growing; yet, Botswana has been one of the fastest growing countries in the world for the past 30 years. Daron Acemoglu, Simon Johnson, and James Robinson (2003) suggest that Botswana’s success can be attributed to Botswana’s “good institutions,” but this explanation begs the question of why Botswana adopted “good institutions” in the first place. To understand why the “good institutions” were established in Botswana, we must look closely at the history of Botswana’s development. By studying the history of Botswana’s development, we can begin to understand what choices other nations must make to truly reform.

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## *Explaining Botswana's Success: The Critical Role of Post-Colonial Policy*

### *I. Introduction*

After 225 years, economists are once again exploring why some nations are rich while others are poor. While most economists agree that private property, the rule of law, and free markets are crucial for economic development, there is a lot of disagreement over what other factors determine the wealth and poverty of nations. For example, Jeffrey Sachs (2001) and Sachs and Warner (1997, 1995) argue that climate, geography, proximity to the coast, and distance from the equator are significant determinants of economic growth. Jared Diamond (1997) also thinks climatic and geographic differences played an important role in economic development, but according to Diamond, climate and geography mattered thousands—if not millions—of years ago. By contrast, North (1981), North and Thomas (1973), and Rosenberg and Birdzell (1986) insist that a particular set of institutions—namely the western institutions of polycentric governance, the rule of law, and a rich respect for private property—have led to the west growing rich.

More recently, the work of Daron Acemoglu, Simon Johnson, and James Robinson (2001) has attempted to merge the geographical and institutional arguments. Acemoglu, Johnson, and Robinson (henceforth, AJR) argue that geography and demography matter because they affect the quality of institutions: during colonialism, low quality institutions were established in regions with high population densities and low life expectancies. By contrast, regions with low population densities and high life expectancies established better institutions. Thus, sub-Saharan Africa was left with bad institutions because colonists in Africa faced low life expectancies and tried to colonize

areas with large populations. The incentive for colonists was to expropriate rents as quickly as possible rather than think of the long run.

The debate over why some nations are rich and others are poor rages on. Each theory has some explanatory power; yet, every theory has its problems. As Gregory Mankiw (1995: 303-7) points out, our traditional econometric tools struggle to sort out the causes of economic growth and development because our models are constrained by multicollinearity, simultaneity, and degrees of freedom problems. The limitations of econometrics leads Mankiw to argue that “[i]t is not that we have to stop asking so many questions about economic growth. We just have to stop expecting the international data to give us all the answers” (1995: 305).

Rodrik (2003, 1998) also recognizes the limitations of econometric evidence. According to Rodrik, if we concentrate too much on aggregate macroeconomic data, we will fail to appreciate the outliers. This paper is inspired by Rodrik’s (2003) call for more case studies and “analytic narratives.” If we limit ourselves to the study of growth and development *within particular nations*, we can tell cleaner stories of why particular countries are rich while other countries are poor.<sup>1</sup>

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<sup>1</sup> Peter Boettke (2001 [1996]: 249) has also argued for an interdisciplinary approach to development that

...incorporate[s] arguments and empirical information developed in other areas of the social sciences, such as the results of case studies and the evidence gleaned from ethnography. In fact, a plausible argument can be made that the techniques and data we economists have come to rely on are too ‘thin’ for our own good, and that perhaps it is high time that we sought the ‘thicker’ description provided by an ethnographic turn. (Cf Mischel 1996)

Several articles in the *Cato Journal* are devoted precisely to this kind of heterodox approach. Particularly noteworthy is Powell (2003). Outside of the *Cato Journal*, Rodrik (2003) exemplifies the turn towards “thick” economic explanation.

## II. A Postcard History of Botswana<sup>2</sup>

Botswana is a landlocked nation comparable in size to the state of Texas (220,000 square miles). Botswana borders Zimbabwe to the northeast, South Africa to the east and south, Namibia to the north and west, and touches Zambia at one spot on the Zambezi River in the north. Approximately 1.6 million people inhabit Botswana. Since 84% of Botswana's land mass is largely uninhabitable Kalahari Desert land, 80% of Botswana's people live along the fertile eastern border of the state (Parson 1984: 4).

According to AJR (2003: 94), indigenous conditions in Bechuanaland (modern-day Botswana) exhibited a fair amount of cultural and ethnic homogeneity. In this homogeneous environment, tribal chiefs were highly respected. The chief determined whether land should be allocated to hunting, farming, or residence. Moreover, the chief served as executive of the tribe. As the executive, the chief formulated economic policy, resolved conflicts within the tribe, and managed external conflicts with other tribes. Despite his immense political power, the chief was regarded as an equal to his people.

One institution crucial in guaranteeing some level of equality between the chief and his constituents was the kgotla. As *Newsweek* (1990: 28) pointed out, "Botswana built a working democracy on an aboriginal tradition of local gatherings called kgotlas that resemble New England town meetings."<sup>3</sup> Kgotlas helped the chief stay closely connected to his people. Like the New England town meeting, kgotlas were the main forum for political discussion. A kgotla gave all adult males the opportunity to criticize and advise the chief. The kgotlas allowed for an open dialogue between Tswana citizens and their government. As Schapera (1967) points out, the dialogue between the chiefs

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<sup>2</sup> This section closely resembles AJR's (2003) discussion of Botswana's history.

<sup>3</sup> Cross reference Ayittey (1992: 325)

and citizens in the Tswana tribe was the exception rather than the rule in pre-colonial Africa.

Relative to other African tribes, Botswana's pre-colonial tribalism was quite tolerant of dissent. While kgotlas created a political connection between the chief and his people, the Tswana citizens also had an important economic connection with their chief. Most Tswana chiefs were large cattle owners. In most sectors of the tribal economy, common ownership was the prevalent form of economic organization; yet, when we look at the cattle industry, chiefs allowed for private ownership of cattle. As a residual claimant with direct interests tied to the success of the cattle industry in Bechuanaland, the chief had an interest in maintaining a private cattle industry: bad policy would have inflicted direct harm upon his own cattle holdings.

In addition to administering internal economic policies, the chief also confronted many external challenges. From 1818 through the early 1830s, the Zulus repeatedly attempted to invade Bechuanaland. Most of these invasions were unsuccessful, but the Zulu-Tswana conflict left its mark: many of the vague borders separating tribes around Bechuanaland became better delineated and the modern borders of Botswana were formed (AJR 2003: 94).

Shortly after the Zulu invasions, the Boers challenged southern and western Tswana tribes. The Boer-Tswana conflict continued until the Tswana tribe mounted a successful defense at the Battle of Dimawe in 1852. In 1853, after the Tswana had put a temporary end to Boer invasion attempts, Tswanan chief Sechele organized a meeting with British officials. Sechele wanted Great Britain to promise protection to Bechuanaland if the Boers attacked again, but the British quickly rejected Sechele's proposal. British diplomats were attempting to appease the Boers through peaceful

diplomacy, and they did not want to damage this relationship by supporting Sechele. Moreover, British public opinion supported full-blown colonization of Bechuanaland rather than granting it protectorate status.

British policy towards the Tswana changed drastically in 1884 when Germany annexed South West Africa (present-day Namibia). As AJR point out, Bechuanaland now became a region of strategic importance for the British (2003: 94). The British were worried that Germany would gain access to Bechuanaland and thereby block one of their main corridors to northern Africa. As Cecil Rhodes put it, Bechuanaland was the “Suez Canal into [Africa’s] interior” (Gann and Duignan 1967: 203). Since the German empire presented a real threat to British colonialism in South Africa, Great Britain now offered Bechuanaland protection against the Boers and Germans. In 1885, Sechele accepted Great Britain’s offer and the Bechuanaland Protectorate was formed.

The Bechuanaland Protectorate covered most of present-day Botswana. Under the terms of the agreement, the British Empire prohibited any invasions into Bechuanaland. Besides promising protection to Bechuanaland, the British had no real interest in actively managing Bechuanaland. The British thought that Bechuanaland lacked valuable natural resources. Furthermore, colonial excesses in India, South Africa, and Rhodesia stretched the British Empire’s colonial budget. Without the resources to take on another large colonial project, the British simply left Bechuanaland alone and hoped for no military conflicts.<sup>4</sup>

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<sup>4</sup> Despite the British Empire’s reluctance to become involved in Bechuanaland, Cecil Rhodes did push for the annexation of Bechuanaland in 1883. According to Rhodes, the question for Great Britain was “whether [Bechuanaland] was to be confined within its present borders, or whether it is to become the dominant State in South Africa, and spread its civilization over the interior.” The Prime Minister of the Cape rejected Rhodes’s offer, Thomas Scanlen, rejected Rhodes’s proposal because of the Cape’s debt problems (Pakenham, 1991: 378).

Since the British were not actively involved in Bechuanaland, historians maintain that the British took a “benign neglect” approach to Bechuanaland (Dale 1995). The British did not take many resources from Bechuanaland, and they did not leave much in the way of social and physical infrastructure. 75% of British spending on the protectorate went to “administrative expenses” and another large portion was spent on upgrading tribal militants. The British armed Botswanans to protect against the Germans to the west and the Boers to the south (Parson 1984: 22), but beyond this defense spending, the British did not engage in any kind of nation-building project in Bechuanaland. The British simply did not see any promising returns to investing in Bechuanaland.

After World War II, the British attempted to combine the Bechuanaland Protectorate with their South African colony, but Bechuanaland was able to thwart this annexation attempt. Two important events helped to keep the Bechuanaland Protectorate independent from the South African colony. First, a strong nationalistic current continued after World War II. In 1948, the National Party was formed in Bechuanaland. The National Party was a well-organized party that favored an independent Bechuanaland Protectorate.

More importantly, Chief Seretse Khama of Bechuanaland was banned from the Protectorate in 1948. Studying abroad in England, Khama was not allowed to return to Bechuanaland to assume his chieftainship because he had married a white Englishwoman. The British hoped the ban would ease tensions in South Africa. South Africa’s white leadership found the interracial marriage to be repulsive, and they insisted that Khama be prohibited from ruling Bechuanaland. Since most people in Bechuanaland supported Khama, this political issue divided South Africa and Bechuanaland.<sup>5</sup>

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<sup>5</sup> Khama, with his uncle, remained in exile until 1956. In 1956, Khama rescinded his claim to chieftainship and returned to Bechuanaland. By 1960, an anti-apartheid, anti-colonial party, the Botswana People’s Party

With political parties and nationalism on the rise in Bechuanaland, Great Britain was losing control of the Protectorate. By the spring of 1965, Britain could no longer hold on to the Bechuanaland Protectorate, and Botswana's national independence was officially redognized. In the fall of 1965, Botswana's first elections were held. The Botswana Democratic Party, led by Khama, enjoyed a landslide victory. Despite the earlier conflicts (or, perhaps, because of these conflicts) with Great Britain, Seretse Khama became Botswana's first president. Since 1965, the Botswana Democratic Party has controlled both the presidency and the National Assembly. The Botswana People's Party never became a serious political rival, and by 1969 the Botswana National Front (BNF) became the main opposition party. Led by Kenneth Koma, the BNF was an explicitly socialist party. The BNF enjoyed early success, as it captured three seats in the Assembly in 1969. Its popularity grew in the 1970s, but declined in the 1980s. More recently, support for the BNF is once again on the rise.

Botswana's democratic system is a Westminster Parliamentary system. The government has a unicameral, 31-member Assembly responsible for legislation. The Parliament also has a House of Chiefs. The House of Chiefs is separate from the Assembly, and it serves as an advisory body. Parliament has the power to "make laws for the peace, order, and good government of Botswana" (Parson 1984: 39). Consistent with the Westminster system, the executive is responsible to the legislature. The president can withhold the signing of bills. If a bill is withheld, it is returned to the Assembly. If the Assembly passes the bill again, the president has three weeks to sign the bill. The president also serves as commander-in-chief and appoints all ministers and a vice-president (Parson 1984: 39-40).

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(BPP) had been formed. In response, Khama helped to form the Botswana Democratic Party (BDP), which unlike the urban based BPP appealed to the rural commoners and tribal chiefs alike.

In addition to their Western political system, Botswana also inherited a British common law legal framework. Botswana's criminal courts adopted a precedent-based legal code. At the same time, Botswana managed to incorporate some of their customary practices into their legal framework by basing their civil laws on custom and tradition. Thus, Botswana's post-colonial legal framework has managed to preserve some of the important features of tribal law while, at the same time, incorporating important aspects of the British common law.

### **III. Explaining Botswana's Success**

Relative to sub-Saharan African averages, most economic and social indicators reflect outstanding living conditions for the average Botswanan citizen.<sup>6</sup> For example, Botswana's infant mortality rates are much lower than the average sub-Saharan African rate. Similarly, Botswana's average caloric intake and education levels are well above average.

Botswana's rapid economic growth has been the key factor driving improvements in standards of living. From 1965 to 1995, Botswana was the fastest growing country in the world. During this 30-year stretch, Botswana's average rate of growth was 7.7% per year. Relative to other nations, Botswana rose from the third poorest nation in 1965 to an "Upper Middle Income" nation.

In 2001, Botswana's per capita gross domestic product (adjusted for purchasing power parity) was \$7,820 (*World Development Indicators* 2002). To put this number in

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<sup>6</sup> The one exception is Botswana's average life expectancy. Botswana has actually experienced a recent decline in life expectancy. High HIV/AIDS rates in Botswana have produced a sharp decline in life expectancy. Estimates of HIV/AIDS prevalence in Botswana vary, but the rate seems to be in the neighborhood of 30-35% of the adult population. This essay is attempting to explain Botswana's growth, which occurred in large part *before* the HIV/AIDS explosion. Moreover, Botswana has experienced strong economic growth despite the HIV/AIDS problem.

perspective: Botswana's 2001 per capita income was approximately twice as high as the average East Asian tiger's per capita average of \$3,854 (*World Development Indicators* 2002); Botswana's per capita income was more than four times the \$1,826 average per capita income of an individual living in sub-Saharan Africa in 2001 (*World Development Indicators* 2002).

How can this impressive growth be explained? AJR (2003) clearly provides the best account of Botswana's development. AJR claim that Great Britain's relationship with Bechuanaland was a key factor in Botswana's development. Since Botswana was a British protectorate, Great Britain left behind the "good institutions" of private property and the rule of law. According to AJR (2003: 103), Botswana's success can be explained by the following factors:

1. Botswana possessed relatively inclusive pre-colonial institutions, placing constraints on political elites.
2. The effect of British colonialism on Botswana was minimal, and did not destroy inclusive pre-colonial institutions.
3. Following independence, maintaining and strengthening the institution of private property was in the economic interests of the elite.
4. Botswana is rich in diamonds. This resource wealth created enough rents that no group wanted to challenge the status quo at the expense of "rocking the boat."
5. Botswana's success was reinforced by a number of critical decisions made by the post-independence leaders, particularly Presidents Khama and Masire.<sup>7</sup>

At first glance, the AJR explanation of Botswana's development seems like a plausible story. After all, economic historians usually make a similar argument when attempting to explain United States development after the Revolutionary War: as a former British colony, the United States adopted the good legal and political institutions

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<sup>7</sup> Parsons (1998) also argues that the success of chief was the primary determinant of Botswana's success.

of Great Britain. With these British institutions in place, the United States experienced tremendous economic growth.

While this explanation might seem compelling, it does not succeed in explaining Botswana's development. For one thing, the good British institutions argument cannot explain the strong disparity between Botswana and other former British colonies in sub-Saharan Africa. If all that sub-Saharan African nations needed were good British institutions, then many other former British colonies should be growing like Botswana; yet, when we look at countries like Zambia and Zimbabwe (both former British colonies), we see that their per capita incomes are respectively one-tenth and one-fourth Botswana's per capita income.<sup>8</sup>

Moreover, when we actually compare former British colonies to countries ruled by other colonial powers in sub-Saharan Africa, "there appears to be no difference in growth rates" (Beaulier and Subrick 2003: 5). As Beaulier and Subrick note, "the level of development is actually lower in former British colonies" (2003: 6). Again, there does not seem to be that much empirical support for the argument that British colonialism was a benign factor in sub-Saharan African development.

#### *IV. More Questions Than Answers*

When we look closely at the AJR explanation of Botswana's development, we can see that their account does not tell us why the "good institutions" stuck in Botswana, but failed to stick in many other former British colonies.<sup>9</sup> To be fair to AJR, their explanation of Botswana's development does not depend solely on Great Britain's involvement: AJR recognize the importance of good leadership, good culture, and

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<sup>8</sup> Adjusting for purchasing power parity, Zambia's per capita GDP in 2001 was \$780; Zimbabwe's per capita GDP was \$2,280.

<sup>9</sup> The "stickiness" of institutions notion comes from Boettke (2001 [1996]). There, Boettke examines the cultural preconditions necessary for rules to "stick." According to Boettke, formal rules must closely match the culture and customs of the people.

credible commitments in Botswana's development; yet, these factors play a secondary role in their story. Moreover, their discussion of good leadership, good culture, and good policy is sometimes inconsistent and begs many questions.

For example, AJR argue that Botswana's "inclusive pre-colonial institutions" constrained political elites. According to AJR, kgotlas and other tribal customs were crucial in constraining tribal leaders. Constraining authority, whether the authority is the State or a tribal leader, is generally regarded as a growth-enhancing policy; yet, in the case of pre-colonial Botswana, it is unclear how important these "inclusive pre-colonial institutions" were in Botswana's post-colonial development. If the "inclusive pre-colonial institutions" effectively constrained elites, why did Botswana perform so poorly prior to independence? Remember, Botswana was the third poorest nation in the world before its independence. If Botswana's elites were constrained, then Botswana should have experienced steady growth and development during and after colonialism. Despite a relatively favorable tribal environment, there does not seem to be any evidence suggesting that Botswana enjoyed strong pre-colonial growth.

The AJR argument that "minimal British involvement" contributed to Botswana's development also seems problematic. If British colonial rule was relatively hands off, then why did Botswana fail to grow prior to independence? Most historians tell a story consistent with the AJR account: the relationship between Great Britain and the Bechuanaland Protectorate was one of "benign neglect;" yet, if British policy towards Bechuanaland was indeed benign and neglectful, why did Botswana end up adopting a Westminster style parliamentary system and a British common law legal code? Perhaps the "benign neglect" story is in need of refinement: while Great Britain was not active in

the provision of public goods, their administrative policies *did significantly alter* the political and legal institutions in colonial Botswana.

AJR also recognize the importance of outstanding leadership in Botswana's development. The strong leadership of Khama and Masire clearly contributed to Botswana's success. For example, when Khama faced the challenge of establishing a post-colonial transitional development plan, he seemed to do all of the right things. If economists were asked to predict how Khama would do as Botswana's president *ex ante*, we probably would have expected him to behave in a predatory manner; yet, Khama's government turned out to be a proprietary one rather than a predatory one.

Immediately following independence, Khama set out to establish Botswana's government as a "financially viable entity."<sup>10</sup> Botswanan officials did more than pay lip-service to "financial viability"; their policies, which included opening their diamond mines to foreign investors (Hartland-Thunberg 1978) and the establishment of strong international ties,<sup>11</sup> spoke louder than their words. Botswana's good policy choices at the time of independence signaled a genuine commitment to long-term development.

As we can see, AJR do attribute *some* of Botswana's success to "exceptional leadership," but they do not put enough emphasis on this variable. The next section will discuss the importance of good leadership in Botswana's development. While the AJR explanation is an important contribution, we need to come up with a better explanation for why the institutions of private property and the rule of law stuck in Botswana and failed to stick in so many other African countries.

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<sup>10</sup> See Botswana's *Transitional Plan for Social and Economic Development* (1966).

<sup>11</sup> For an excellent account of Botswana's strategic international positioning immediately following independence, see Potholm and Dale (1972). See also Carter and Phillip's (1980) and Herbst (1992).

## *V. Alternative Explanations*

### *A. The Perverse Effects of the “Hut Tax”*

Again, AJR (2003) and most historical accounts maintain that British involvement in Botswana was minimal. If we look closely at the historical record, however, there were a few harsh British policies imposed on Botswanans. The most severe policy was the “hut tax.” In 1899, the “hut tax” was introduced. The tax required all Botswanan families in possession of a hut to pay a one pound tax to the British Empire. This tax remained in place throughout most of Botswana’s colonial history, and in 1919 the British added a “native tax” to the Botswanan tax burden.<sup>12</sup> The “native tax” forced each citizen to pay three additional shillings to the British. These taxes could only be paid in British currency.

By requiring tax payments in British currency, the British distorted Botswana’s natural economy. As Schapera argues, the taxation “forced upon the people the necessity of finding a regular sum of [British] money each year” (1947: 7). Since Botswana’s colonial economy was based largely on self-sufficient cattle farming and barter, the effect of the tax was severe. A large share of the population was unable to pay the tax out of their subsistence budgets. Many chose not to comply with the tax; others responded by entering the formal labor market.

Following the tax, there was a massive increase in male job search activity, but few jobs were available in Botswana. The result was massive emigration into South Africa. Botswanans could be guaranteed employment in Great Britain’s colonial mining operations. With poor pay for their work relative to the costly “hut tax,” Botswanan men spent a large portion of the year working in South African mines. Some estimates

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<sup>12</sup> AJR (2003: 96) do make mention of the “hut tax” and its perverse effects. For an extensive discussion of the “hut tax,” see Hermans (1974).

suggest that men working in the South African mines spent anywhere from 9 to 11 months of the year working in South Africa. At its peak in 1943, the emigration of Botswanan men into South Africa for employment reached nearly 50% of the adult male population (Schapera 1947: 1-39; Parson 1984: 27).

A few of the effects of the hut tax are obvious. With up to one-half of its adult male population gone, the physical, economic, and social infrastructure of Botswana was dealt a serious blow. Generations of children were raised without a male influence at home. Skilled artisans and entrepreneurs were no longer able to service the missing male population. With less consumer demand, entrepreneurs were probably a significant fraction of the emigrating population.<sup>13</sup> The fabric of civil society was also strained, and women were forced to take on a larger role in the household. Most importantly, Botswana's political institutions were crippled.

When we look closely at the effect of the "hut tax," "native tax," and other perverse British policies, we see that Botswana's colonial experience was hardly one of "benign neglect." Moreover, the effect of Botswana's "inclusive political institutions" was negligible on its colonial economic development. With up to half of the adult male population spending up to 11 months of each year in South Africa, the political institutions were neither inclusive nor exclusive—they were nonexistent during this period in Botswana's history.

### *B. The International Climate*<sup>14</sup>

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<sup>13</sup> Simon Wegge's (2000) study of European emigration patterns to the United States provides support for this claim.

<sup>14</sup> Herbst (1992) offers an excellent summary of international relations between the United States and sub-Saharan Africa.

AJR also fail to mention the role international relations played in Botswana's success. Of all sub-Saharan Africa nations, Botswana has been the only one free from international political turmoil since independence. In addition, Botswana has grown with little direct assistance from the International Monetary Fund (IMF) and World Bank. Since gaining its independence from Great Britain, Botswana has attracted large amounts of foreign direct investment.

After gaining its independence, Botswana remained dependent on the British Exchequer for international aid.<sup>15</sup> By 1972, Botswana was able to sever financial ties with the British Exchequer. The discovery of diamonds and rapid post-colonial growth helped Botswana cut its financial ties with Great Britain. Botswana's leaders did not want to depend solely on natural resources for development, so they embarked on a massive program in search of more diverse foreign aid, more private capital investment, and more guarantees of protection if Botswana were to be pulled into a conflict with one of its disruptive neighbors.

Botswana was successful on all three fronts. Botswana gained support from the United Nations and became a member nation in 1966. The IMF and World Bank also aided Botswana throughout the 1980s. Traditionally, any connection to the IMF and World Bank has proven the kiss of death for developing countries (Easterly 2001; Bandow and Vazquez 1994; Boettke 1994). Botswana's leadership seemed to recognize the danger involved in depending on the IMF and World Bank. Instead of borrowing heavily from the IMF and World Bank, Botswana allowed these major lending organizations to play an advisory role rather than a lending or planning role.

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<sup>15</sup> Picard (1987) estimates that some 90 percent of overseas aid funds in 1966 came from Great Britain.

In addition to improving their world status and credibility as a borrower, Botswana attracted large amounts of foreign direct investment in their diamond mines. The government was careful with Botswana's mining industry. They attracted investors by keeping mining taxes fixed at a 10% rate. Despite the temptation to acquire additional tax revenues from the mining industry, the government seemed to understand that too large a burden on this new foreign investment would thwart future growth. The government seldom altered the tax structure of the mining industry. Mining companies could invest with a confidence they would be taxed and regulated at a relatively low and predictable rate.

Finally, Botswana was committed to nonracial domestic policies and noninvolvement in foreign affairs.<sup>16</sup> As George Ayittey points out,

Botswana is an example of an African country that affords its people freedom of expression... Botswana can find solutions to its economic problems because it permits free debate and freedom of expression. (1992: 220)

Racial tolerance and a toleration for dissenting opinions produced many beneficial results—both domestically and internationally. First, it led to an extensive in-flow of political refugees from both South Africa and Zimbabwe. Many of the immigrants were talented and contributed valuable advice to Botswanan officials and businessmen. Second, an explicit commitment to a nonracial, noninterventionist program guaranteed Botswana financial and military aid from the West if any regional conflicts broke out. Furthermore, a commitment to Western principles of equality before the law and noninvolvement in foreign affairs attracted more foreign direct investment into Botswana's relatively stable economy.

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<sup>16</sup> For a leading account of Botswana's favorable international position, see Dale (1995).

## C. Towards an Alternative Explanation of Botswana's Development

As we can see, the AJR account has some problems. The “hut tax” and Botswana’s slow colonial growth make it difficult to tell a story of British “benign neglect.” In addition, Botswana’s excellent international position played a far more important role than the AJR account suggests. Not all the pieces fit together in the AJR story, but do a few missing pieces warrant a retelling of Botswana’s development story?

We need not abandon the “good institutions” account provided by AJR. After all, it is a compelling explanation, and it serves a useful purpose. If we are to make the story of Botswana’s explanation a more *accurate* one, however, the story of “inclusive pre-colonial institutions” and hands-off British policy needs to be downplayed. More emphasis needs to be placed on the responsible and prudent policy choices made by Khama and his administration at the time of Botswana’s independence. AJR do mention the role leadership played in Botswana’s development, but “exceptional leadership” seems to be a secondary factor in their analysis. Good leadership, in fact, could be *the* key factor in Botswana’s development.

Ayittey (1998, 1992) suggests that atrocious post-colonial African leadership was responsible for the African tragedy. Most leaders of new African nations adopted Marxist platforms. As Ayittey notes,

The African leaders’ rejection of colonialism and Western institutions was an understandable reaction. But in their overzealousness to eradicate all the vestiges of Western colonialism, virtually all sense of purpose and cultural direction was lost. After independence, many African leaders, proclaiming themselves ‘free and independent under black rule,’ hauled down the statues of European

monarchs and erected, not those of Martin Luther King, Jr. or Kankan Musa, but of another set of white aliens—Marx and Lenin. (Ayittey 1992: 10)

If we accept Ayittey's interpretation of post-colonial African history, post-colonial leadership must be recognized as the key determinant of a country's economic development. Each sub-Saharan African nation faced a crucial moment after independence: if these newly independent nations tried to implement Marxist ideas, no institutions could possibly constrain them; if, instead, the new leaders attempted to impose pro-market policies, colonialism's dark past would not necessarily block these efforts.

Botswana's crucial moment came in 1965 when the Botswana Democratic Party and Seretse Khama won their elections. The future of Botswana depended on the decisions made by Khama and his administration. At the moment of crisis, Botswana's future depended on the people in power rather than Botswana's past. Unlike other African leaders, Khama's program simultaneously adopted pro-market policies on several important margins. For example, Khama's new government promised low and stable taxes to mining companies. His government opened the doors both to trade and to people. Furthermore, he kept marginal income taxes low to deter tax evasion and corruption. At the moment of choice, Khama made rapid and decisive moves, and most of these choices signaled a commitment to markets.

In addition, Khama's administration preserved many important indigenous institutions. The kgotlas, for example, were an important part of Botswana's past. Though kgotlas are no longer practical, Botswana's government still encourages the proliferation of dissenting opinions. In addition, many elements of Botswana's customary law were preserved in its legal system.

Political economist, Robert Higgs, has pointed out many crisis periods in American history where there has been a “ratcheting up” of government (1987: 30-33). It certainly seems like there are also critical moments in history where the State’s role in the economy can “ratchet down.” One example of downward ratcheting was the post-communist privatization throughout Eastern Europe and the former Soviet Union in the early 1990s. When former communist nations experienced their crisis moment, many leaders jumped on a good growth path; in so doing, the scale and scope of the State was significantly reduced.

Post-colonial Africa was a similar historical moment. Each nation had the opportunity to decide on the proper role for government. Every African nation could have turned out like Botswana, but most newly elected leaders chose reform paths that were not conducive to long-term economic growth. Khama, by contrast, made good policy decisions during Botswana’s post-colonial transition. The wise choices made by Khama have kept Botswana on a high growth path for more than 30 years.

If Khama was able to get Botswana on a high growth path, why have so many other leaders pursued predatory policies? Khama clearly had economic interests consistent with his people’s economic interests, but it is easy to find many corrupt African leaders who had a similar economic incentive at work. A Tiebout explanation also seems unsatisfying: every leader should have an incentive to compete for tax revenue and thereby offer a good set of policies; yet, when we look at current and past governments, we often see predatory states instead of proprietary ones.

What was it about Khama that led him to adopt good policies? There seem to be two important factors that explain why Khama made good policy choices. First, Khama was educated at Fort Hare University in the 1940s. During the 1940s, Fort Hare was an

anti-apartheid university with an explicitly “Euro-centric” vision for Africa. African nationalism had yet to emerge as a popular strand of African education, and Khama received a decidedly Western training. Moreover, in 1945, Khama began attending Oxford’s Balliol College to pursue a law degree. While attending Oxford, he was introduced to the British common law. Thus, relative to many other African leaders, Khama’s training was more sympathetic to markets and Western law.

In addition, Khama’s toleration of white commerce was another key aspect of his personality. Unlike Robert Mugabe’s policies in Zimbabwe or South Africa’s apartheid problems, Khama’s policies in Botswana were successful in establishing a strong bond with white commercial interests. Khama’s ruling government never got hung up on issues of legitimacy: colonialism was an ugly scar in African history, but the best way to proceed was to move forward as quickly as possible. In fact, Khama even went so far as to seek the support of white ranchers. As Morrison (1993: 41) notes, “[B]y the 1970s, white cattle ranchers held strategic government positions [that included] assembly speaker and minister of commerce and industry.” From early on, Khama had an extremely cosmopolitan attitude towards the whites: they were viewed as an asset in development rather than a reminder of the past. This is perhaps reflected in Khama’s interracial marriage to Ruth Wilson.

These seem to be two important ways in which Khama’s personality differed from that of other leaders. His more pro-market education and cosmopolitan personality translated into better policy. There are probably other factors responsible for Khama’s commitment to good policy. Whatever the reason, the fundamental point of this analysis is the following: *policy choice at a critical point in time* was the key factor determining

the wealth and poverty of African nations. For other African nations looking to develop, the policy decisions of Seretse Khama could serve as a useful guide.

## *VI. Conclusions*

This paper has attempted to explain Botswana's success. The analysis has raised some questions related to the AJR account, but the primary aim has been to fill in a couple more pieces of the Botswana growth puzzle. To search for the "unicorn" in stories of growth where a nation has been successful without the institutions of private property and the rule of law seems like an inefficient research program; rather, the growth theorist's primary concern should be with why some nations came to accept the "good institutions" of private property and the rule of law. In other words, political economists must try to get beyond "institutions and property rights mattered" explanations.

AJR (2003: 84) sought to explain "why Botswana ended up with such good institutions, especially when compared with other African countries." As we have seen, the AJR account emphasizes the role Botswana's colonial experience played in their later development. While AJR recognize the importance of good leadership in Botswana's successful development, good leadership seems to be a secondary factor. For AJR, a favorable institutional environment was the primary driver of Botswana's growth.

Douglass North offers a nice summary of the economic historian's task when he writes,

Writing history is constructing a coherent story of some facet of the human condition through time. Such a construction exists only in the human mind. We do not recreate the past; we construct stories about the past. But to be good history, the story must give a consistent, logical account and be constrained by the available evidence and the available theory. (1990: 131)

This paper has attempted to tell a clear story of Botswana's growth. The story does not necessarily contradict the AJR account. Instead, this interpretation of Botswana's development places greater emphasis on policy rather than early colonial institutions. AJR acknowledge the role of policy when they write, "The success of Botswana is most plausibly due to its adoption of good policy" (2003: 112). For AJR, good policy choice came about because of Botswana's relatively favorable colonial experience, but we have seen that Botswana's colonial experience was not conducive to the "good institutions" of private property and the rule of law.

Botswana's success was the result of good post-colonial policy choices. This is an important conclusion with far-reaching implications for the way we approach struggling nations in sub-Saharan Africa. If the wealth and poverty of most sub-Saharan African nations is largely the result of colonial and historical factors, then countries might be trapped by their past: even if they adopt good policies, their history and culture will not allow them to escape the poverty trap. If, instead, the story of sub-Saharan Africa is one where foolish policy decisions were made by ideological leaders at the end of colonialism, then there is far more hope for struggling nations. One good leader or one radical ideological shock is all it would take for an African nation to escape its poverty trap.<sup>17</sup> Perhaps policy choice is the more realistic story of Botswana's development in particular and sub-Saharan Africa's stagnation in general.

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<sup>17</sup> Caplan (forthcoming) offers a similar explanation of growth divergence in general. Countries can get stuck in a low-growth equilibrium where low growth leads to bad policy choices. Bad policy choice then leads to even lower growth, and the economy spirals along in a vicious circle. Botswana had a much different experience. Khama's policies were an exogenous shock that Good policies led to high growth. High growth produced better policies, which led to more growth. Thus, Khama's policies were the exogenous shock that helped Botswana get on a sustainable high growth path.

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