

The political foundations of development: the case of Botswana

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Abstract Unlike many of its fellow sub-Saharan countries, Botswana has avoided the African Growth Tragedy. The success lied in the ability of the government of Botswana to successfully adopt growth-enhancing policies. We argue that the success stems from three factors. First, the government enhanced its legitimacy by relying on traditional sources of authority. Second, the traditional leaders pursued policies that legitimized the political system. Third, the government did not expend resources on military expenditures during its first decade. The interaction of these factors explain Botswana's success.

Keywords Botswana · Governance · Political institutions · Military spending

JEL Classification H56 · O55 · P16

1 Introduction

Governments throughout history and into the present have adopted policies that discourage entrepreneurial activity and wealth creation (Easterly, 2001; North, 1981). Beginning in the eighteenth century, some nation-states began to successfully pursue policies that augment markets such as secure property and contract rights, low inflation rates, balanced budgets, and openness to international trade. Unfortunately, governments unwilling or unable to adopt growth-enhancing policies outnumber market-augmenting governments (Olson, 2000). These countries have pursued predatory policies that impose excessive regulatory burdens and/or insecure property rights on entrepreneurs. They engage in redistributive policies that distort incentives for investment. Recent studies have found that secure

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property rights and low levels of regulation have a large, positive impact on economic development (Acemoglu, Johnson, & Robinson, 2001; Djankov, La Porta, & Shleifer, 2002). In sub-Saharan Africa, nearly all countries have followed the path of predatory government and economic stagnation has resulted. Yet, during this period of widespread public predation in Africa, one government- Botswana's- took a different path.

Botswana has not suffered from the problems associated with its fellow sub-Saharan countries. It has not succumbed to the natural course even though diamond revenues provide a substantial portion of GDP. It has maintained low rates of inflation, at least by sub-Saharan standards. It has overcome its poor geographic endowments to maintain economic growth for decades. It has invested in public goods, such as primary and secondary education and paved roads, rather than invest in white elephants. For example, since independence, the total length of paved roads in Botswana has increased from 50 to 60 km to 10,000 km.¹ But this raises the question of why Botswana adopted policies that fueled its remarkable growth record whereas its neighbors did not? The answer, we argue, lies in the effectiveness and legitimacy of its political institutions.

This paper examines the sources for the development of a legitimate and effective market-augmenting government.² A crucial factor in increasing the legitimacy of political institutions is that the source of authority cannot be the agents of authority; in other words, there must be a separation of power between the people who wield power and the institutional embodiment of political power. If the agents of authority are also the sources of authority, then legitimacy lives and dies with them. The recent political upheaval in Togo serves as a reminder of this. But if the sources of legitimacy differ from the agents, then political transitions that do not threaten the stability of the political system can occur. Botswana's first President Seretse Khama and his party successfully made this transition by adopting policies that pursued the general welfare. The policies built on Khama's legitimacy and provided the necessary time to transition to a modern state.

We synthesize the ideas of Lipset (1979) and Grossman and Noh (1994) in order to explain Botswana's transition from a low income British colony to middle income country with a rule of law state. Lipset (1979) identified three sources of political legitimacy: (1) tradition, (2) rational-legal authority, and (3) a charismatic leader. All three sources help to explain Botswana's political evolution and subsequent economic success. Grossman and Noh (1994) provide a set of necessary conditions that help legitimize rational-legal authority in societies. These conditions include the pursuit of policies that limit tax evasion, secure property rights, and reduce the incentives for rebellion. Botswana's government gained legitimacy by relying on traditional institutions that were in place prior to colonialism and a charismatic leader, President Seretse Khama, who pursued effective market-augmenting policies which legitimized the rational-legal authority. His successors have followed his precedent.

This paper explores the political foundations of development in Botswana. In particular, we examine how the legitimacy of the political system and its political institutions produce

¹ While conducting fieldwork in Botswana, a number of different interviewees made note of this increase in paved roads. Among them were Alec Campbell, the Honorary Baledzi Gaoloathe, Quill Hermans, and Jay Salkin. Interestingly, many of the roads have been provided privately by the diamond industry. The 13 mile road from Jwaneng mine to Orapa, for example, is one of the best maintained roads in Botswana. Upkeep on this road is handled primarily by Debswana Mining. Many other roads connected to diamond mines have also been privately provided for.

² Beaulier (2003) argues that Botswana's success stemmed from their adoption of wealth-creating policies after independence. We go beyond his paper and explain how the institutional framework emerged as a result of the policy choices and increased political legitimacy.

economic growth. First, we document the standard explanations of under-development—poor geography, colonial legacy, growth volatility. We argue that the usual suspects do not explain Botswana’s growth record. We argue that Botswana’s government adopted market-enhancing policies rather than predatory policies. Documenting the ‘good’ policies of the Botswana government immediately raises the question of why Botswana’s government has been able to promote development while so many of its neighbors have not. That is, why has the Botswana state not been more predatory? We argue that Botswana’s success results from the fact that (1) its political authority stems from traditional sources, (2), the policies pursued since independence have legitimized the regime, and (3) its lack of military during its first decade allowed resources to be devoted to public good provision and legitimized the regime.

2 Do the usual suspects explain Botswana’s success?

The dismal economic performance of sub-Saharan Africa since the mid-1970s requires explanation. Easterly and Levine (1997) succinctly summarized SSA’s experience as ‘‘Africa’s Growth Tragedy.’’ Yet the reasons for the ‘tragedy’ remain unclear. Explanations range from colonial legacies to poor geographic endowments (Bertocchi & Canova, 2002; Sachs, 2001). Still others argue that growth volatility harms long-term growth rates (Ramey & Ramey, 1995). We examine each of the well-known explanations to determine if they account for Botswana’s success.

Conventional wisdom argues that SSA’s poor economic performance reflects the detrimental policies adopted during, and immediately following, colonization. The extractive political institutions developed during the colonial period persisted until the present time (Acemoglu et al. 2001). If colonial legacy exerted a first-order impact on economic performance, then we would expect all former colonies to have low rates of economic growth. However, Botswana’s average growth rate of 10.3% from 1971 to 2002 suggests that it overcame any problems associated with its colonial era.³

Another possible explanation for the poor performance of the sub-Saharan countries is the general low level of institutional and policy quality for the region. Regional effects may lead to a ‘race to the bottom’ where poor policies and institutions of neighboring countries reduce the incentives to adopt better policies and institutions in the home country.⁴ For example, Botswana’s neighbor Zimbabwe under Mugabe has pursued numerous predatory policies which could alter the incentives of the Botswana government to maintain its good policies as has South Africa and Zambia. Yet, Botswana has remained committed to pro-development policies. This suggests that in the presence of external effects from policies of neighbors, development can occur.

An alternative explanation of Africa’s dismal performance emphasizes its poor geographic endowments. Lack of access to navigable waterways, tropical areas that increase the likelihood of contracting malaria, and inhospitable land area contributes to poor economic performance (Sachs, 2001). Botswana is a landlocked country and 0.61% of the land is classified as arable. It has not had the good fortune of geographic advantage. In addition, its land area per capita, a variable often used as a proxy for natural resource endowments (Wood & Berge, 1994), is quite high; among all SSA countries, Botswana is second only to Mauritania in its land per capita ratio. Botswana’s government also receives a

³ We chose 1971 as our first year in order to maximize the number of countries based on data availability.

⁴ The 2005 IMF World Economic Outlook explores this possibility.

Table 1 Economic growth in former British and French colonies

Growth	British	French	<i>p</i> -value
Since 1970	3.73 (0.71)	2.82 (0.33)	0.21
Since 1975	3.08 (0.65)	2.59 (0.34)	0.47
Since 1980	2.91 (0.62)	2.28 (0.34)	0.35

N=13 for British Colonies and *N*=19 for French Colonies. Standard errors are in parentheses. *p*-Values are for a *t*-test on the means between the former British and French Colonies

Source: World Bank, *World Development Indicators*, 2004, Washington DC

substantial portion of its revenues from diamonds and is susceptible to the natural resource curse. Yet it has performed quite well, and it has escaped the natural resource curse.⁵

Another potential explanation for the poor economic performance of SSA is the volatility in growth rates. Ramey and Ramey (1995) provide evidence that a high variance in annual growth reduces a country's long run economic growth. The standard deviation of Botswana's growth rate is 6.11, which is approximately the sample mean (6.58). The maximum value is 25.27 (Liberia) and a minimum value of 3.39 (Burkina Faso). Although not high by SSA standards, it is high when compared with the OECD. The OECD average is 1.5.⁶

Perhaps Botswana's success results from its being a former British colony. Botswana may have had the advantage of better institutions because of the good fortune of being colonized by Great Britain rather than France. In order to examine the validity of this hypothesis, we examine the growth rates of former British and French colonies in sub-Saharan Africa. Table 1 presents the means of growth rates for the former British and French colonies in sub-Saharan Africa since 1970, 1975, and 1980. A *t*-test of the means between the former English and French colonies does not indicate a difference in growth rates over the 1970–2002 time period. Thus, the identity of the colonizers does not appear to explain the success of Botswana.

The usual correlates of African underdevelopment do not explain Botswana's success. In order to better understand Botswana's success, we focus on the political foundations of economic development. In particular, we emphasize the sources of political legitimacy and impact on policies. Rather than adopt formal statistical tools to determine why Botswana has succeeded, we adopt the 'analytic narrative' approach suggested by Bates, Greif, Levi, Rosenthal, and Weingast (1998). We present both historical evidence and evidence based on seven weeks of field work in Botswana to illustrate our hypotheses. We believe that this approach provides additional insights into Botswana's development that would be missed if we had pursued more traditional econometric approaches.

3 The traditional sources of authority

Botswana is a landlocked country the size of Texas (220,000 square miles) that borders Zimbabwe to the northeast, South Africa to the east and south, and Namibia to the north and west. Approximately 1.7 million people inhabit Botswana, but a large proportion (roughly 80%) of this population is located along the fertile eastern border of the state. The most populated region is located near the capital of Gaborone. Eighty-four percent of the

⁵ See Beaulier and Subrick (forthcoming) for an analysis of how Botswana avoided the natural resource curse.

⁶ We calculated growth rates from the 2004 World Development Indicators.

nation's land is classified as largely uninhabitable Kalahari Desert land. Botswana's arid climate makes drought a frequent social concern for Botswana.

Indigenous conditions in the tribal lands of Botswana prior to independence (known as Bechuanaland) exhibited many unique features that deserve mention. First, tribes had an autocratic collective decision-making structure. The chief determined the allocation of land between hunting, farming, and residence. Family members and close friends of the chief usually handled the administrative and supporting roles. While the chief remained an equal in society, he was the first among equals.

Within the tribe, *kgotlas* were the primary means of disseminating information to the community. At these assemblies, adult males would gather with the chief to discuss public issues. The chief received advice, criticism, and he was responsible for administering law and order. As Schapera (1952, p. 64) noted, popular assembly *was not* a common practice of African tribes. In fact, "this feature [popular assembly] is far more characteristic of Sotho, and especially Tswana, than any other Bantu." Botswana's tribal experience was an exceptional one in that there was more toleration of dissent in this region than anywhere else in pre-colonial Africa.⁷ Although Botswana did not develop modern democratic institutions prior to independence; it did have proto-democratic institutions.

The Tswana chiefs actively involved themselves in the economic affairs of the tribe. Large cattle owners represented a large proportion of the overall aristocracy. Although common land holdings characterized the property rights in cattle land, private ownership of the cattle on these commons did occur.⁸ As a residual claimant with direct interests to the success of the cattle industry, the chief's interests in the key sector of pre-colonial Bechuanaland coincided with those of his people.

In addition, Botswana's dependence on cattle contributed to higher quality tribal leadership. Leaders in pre-colonial Botswana constantly faced the risk of any dissident group within the Tswana population packing up and leaving with their cattle. There was an abundance of land and cattle were a mobile asset. If the chiefs pursued predatory policies towards the cattle owners, then cattle could simply move elsewhere. Unlike other countries where the main form of production was in the ground (for example, *coco* in Ghana), Tswana chiefs were constrained by the tribe rather than the other way around.⁹

In 1853, Bakwena chief Sechele organized a meeting with the British. For 40 years, he had successfully defended his lands against numerous invasion attempts by other African tribes and the Boers. Realizing that additional threats from the Boers may prove insurmountable, he hoped he could gain British protection in the event that the Boers attacked again. The British rejected Sechele's offer, and minor conflicts between Tswana tribes and their neighbors persisted. These circumstances changed when, in 1884, Germany annexed South West Africa (present-day Namibia). Bechuanaland now became a region of strategic

⁷ It should be noted that Ayittey (1992) regards toleration of dissent as the key determinant of Botswana's success. We will not dispute Ayittey's claim, but rather offer an extension of his argument which maintains that, in addition to toleration of dissent, Botswana's ruling elite sent many other signals demonstrating that it was committed to non-predatory rule.

⁸ The practice of mixing common tribal lands coupled with private cattle holdings continues in present day Botswana. When one travels around Botswana, cattle roam freely on tribal lands. As one cattle owner told us, when looking for his cattle, he often roams the tribal lands for days in search of his cattle. There are few fenced in cattle ranches. In fact, the only fences that are erected are those dividing tribal lands and those that have been put up to prevent the spread of livestock-borne diseases. The interview with the cattle owner mentioned above occurred on July 18, 2004 in northern Botswana near the Makgadikgadi Salt Pans. The owner preferred to remain anonymous.

⁹ We are deeply indebted to Professor Clark Leith for pointing this out to us during an interview on June 24, 2004 in his office in Gaborone, Botswana.

importance for the British. In response to continued demands by Tswana chiefs for protection and out of a concern with Germany's strategic presence in sub-Saharan Africa, the British established the Bechuanaland Protectorate in present-day Botswana in 1885.

Due to the perceived lack of natural resources in Bechuanaland, the high level of civil strife in South Africa and Rhodesia, and the relative strength of the Tswana tribes, British colonial involvement remained limited in Bechuanaland during the colonial period. The terrain inhibited the development of roads into Bechuanaland which further limited the ability of the British colonizers to influence the affairs of their colonists. No cost effective mechanism existed that would allow the British to monitor the events throughout Bechuanaland.

While the long-term effects of colonization remain contested,¹⁰ historians maintain that the British took an approach of "benign neglect" towards Bechuanaland.¹¹ This interpretation maintains that the British limited their involvement in the protectorate's affairs, and they left little social and physical infrastructure in Bechuanaland. As Donald Stephenson of the Bank of Botswana put it,

...the British were here only to keep Botswana as a sort of buffer between the Boers coming up from the south and the Germans and Portuguese coming in from the east and the west...and kind of a buffer for their central African colonies—Kenya and Tanzania...they said, 'you guys are running your own business, continue running your own business.'¹²

Britain's minimal level of involvement is also evident in their spending patterns in Bechuanaland. Seventy-five percent of British spending on the protectorate went to "administrative expenses" while they devoted another large portion to upgrading tribal militants in the event that additional threats by either Germany or the Boers occurred (Parson, 1984, p. 22). The lack of large-scale investments, such as those that occurred in India, reflected the high costs of extending British influence deep into the African continent.

By 1934, the British were attempting to tighten their grip on the Bechuanaland Protectorate. However, Botswana thwarted these attempts in part because of international events. World crises throughout the 1930s—first the Great Depression, then the Second World War—diverted British attention and resources away from Botswana. After the Second World War, the British attempted to combine the Bechuanaland Protectorate into their South African colony. The interaction of two events played an enormous role in the thwarting of annexation efforts: the rise of the National Party in South Africa in 1948 and the marriage of Chief Seretse Khama to white Englishwoman Ruth Williams.

The National Party in South Africa revived itself on a party platform based on opposition to South African involvement in the Second World War. Once in power, the National Party pursued the policy of apartheid. While studying abroad, Khama was banned from returning to Bechuanaland to assume his chieftainship. The ban reflected an attempt of

¹⁰ Herbst (2000) minimizes the effect of colonization on African development. By contrast, Young (1994) maintains that the effect of European colonization was quite detrimental to development, because European colonization of Africa was largely driven by policies of "ruthless extraction". We will remain silent on the point of whether colonization promoted or hindered economic development overall, but we do find that the colonizing country, whether it be Great Britain or France, did not matter in sub-Saharan Africa.

¹¹ Dale (1995) and Samatar (1999) both give readers this impression of Great Britain's involvement in the Bechuanaland Protectorate.

¹² Interview with Donald Stephenson in a conference room at the Bank of Botswana on June 23, 2004 at 8:30 am in Gaborone, Botswana.

easing tensions in South Africa related to the interracial marriage. Khama remained in exile until 1956. At that time, he rescinded his claim to chieftainship and returned to Bechunaland. By 1960, an anti-apartheid, anti-colonial party, the Botswana People's Party (BPP) had 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. Relative to the BPP, the Khama-led BDP had a more powerful coalition and advocated a gradual approach to ending British colonial rule.

The British officially granted independence to Botswana in the spring of 1965. The first elections occurred in the fall of 1965, and the BDP enjoyed a landslide victory. Since 1965, the BDP has maintained majority control National Assembly and the presidency of Botswana. The Botswana People's Party never materialized into much of a political rival, and by 1969 the Botswana National Front (BNF) became the major rival to the BDP. Led by Kenneth Koma, the BNF enjoyed immediate success by winning three seats in the 31-member assembly in 1969.¹³ The BNF's popularity grew in the 1970s, declined throughout the 1980s, but then support again escalated in the late 1990s.

Botswana's democratic system reflects its status as a former British colony with a strong element of traditional sources of authority. It has adopted a Westminster Parliamentary system with a unicameral, 31-member Assembly responsible for legislation. In addition, the House of Chiefs serves an advisory role to the Assembly and president. Parliament has the power to "make laws for the peace, order, and good government of Botswana" (Parson, 1984, p. 34). However, Botswana has modified the Westminster system so as to allow for more power in the hands of the president. The president can withhold the signing of bills, which results in their being 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 of the armed forces and appoints all ministers and a vice-president (Parson, 1984, pp. 39–40).

In addition to their Western-style political institutions, Botswana also inherited a Western system of law that is best described as Dutch-Roman, although elements of the British common law persist. Botswana's transition to a Western legal tradition has not destroyed a respect for the traditional/customary law remains strong and practiced through civil law. Botswana's government relies heavily on tradition. They gained greater legitimacy by choosing Seretse Khama as the head of the Botswana Democratic Party (BDP). He was the grandson of Khama III (also known as Khama the Good). Khama and the BDP adopted policies that successfully transferred the traditional authority to a rational-legal authority. They have won elections with large majorities (often with an excess of 70% of total votes). Their approval ratings remain high, and there is little dissent of within the ruling party. Finally, Botswana's post-colonial leaders have all been highly intelligent, charismatic leaders with ties to some of the more important African tribes.

The legitimacy of Botswana's political system stems from its traditional sources. Botswana developed proto-democratic institutions prior to the period of British rule. The Chiefs held the position of first among equals, rather than a hierarchical position. Khama continued this legacy during the early years of Botswana's independence. His decisions enhanced the legitimacy of the political system. For example, the policies adopted improved the protection of both civil liberties and political rights. In 1972, Botswana scored a 3 on political rights and a 4 for civil liberties Freedom House indexes. In 2003, they received 2s in both categories, which Freedom House defined as 'mostly free.' Further improvements are possible, but one cannot neglect the movements towards greater freedom

¹³ The BNF is widely recognized as an explicitly socialist alternative to the BDP.

as a source of legitimacy. Measures of Botswana's economic and political freedom have steadily improved as well.¹⁴

4 The emergence of a credible (and effective) state in Botswana

The historical evidence suggests that Botswana adopted political institutions consistent with its traditional sources of authority. Building on the insights of Grossman and Noh (1994), we apply the theory of the proprietary state to explain Botswana's sustained effectiveness and legitimacy. They offer a theory of government that provides a set of necessary condition for good governance. In order for the government to act as if it were proprietary, three constraints must be considered. The first constraint that the state faces is a tax evasion constraint. Excessively high tax rates deter people from paying their tax. Reduced tax revenues lessen the ability of the government to provide basic public goods such as infrastructure. In 1999, the highest individual marginal tax rate in Botswana was 30%. The average for the sub-Saharan countries is approximately 36%. The highest marginal corporate tax rate in Botswana was 15% in 1999. For the other sub-Saharan countries, it is 34%. The first constraint appears to be met.¹⁵

The second constraint states that the government credibly commits to protecting private property. Hayek (1960) argues that the institutional features that secure the rule of law such as a written constitution, a federalist system, and judicial review protect private property.¹⁶ Botswana has maintained high scores on Polity IV's measure of democracy and has increased since independence.¹⁷ The World Bank's Governance Indicators score Botswana a 0.73 for "Rule of Law" and .83 for "Government Effectiveness" in 2004.¹⁸ On both indicators, Botswana has political institutions that are three-quarters of a standard deviation above the world mean.

The final constraint that a proprietary state faces is the threat of revolution from the populace. In order to deter social upheaval, the government must be able to satisfy the demands of the electorate. The negative effect brought on by special-interest legislation must be minimized so as to prevent social divisions. Table 2 looks at how satisfied Botswana were with democracy in 2000. Compared to Zambia and Zimbabwe, Botswana compares quite favorably and does not appear to be on the verge of revolution.

The high levels of satisfaction reflect the public investments made. Botswana did not have much social infrastructure when it achieved independence. In 1965, the average years of primary schooling in the total population above age 15 was 1.339. In 1999, this number

¹⁴ See Gwartney, Lawson, Park, and Skipton (2004). These measures find that Botswana's freedom rating rose from a 5.6 in 1980 to a 7.4 in 2000. Botswana's overall economic freedom ranking improved from 48th in 1980 to 18th in 2002.

¹⁵ According to the Freedom House, the highest marginal tax rate in 1980 was 75% and appears to be excessively high. In 1980, the world average was 58% and the average for sub-Saharan Africa was 57%. Botswana reduced the highest marginal income tax throughout the 1980s and 1990s to reach its current levels. In each subsequent period (1985, 1990, 1995), Botswana's highest marginal tax rate was below the average for sub-Saharan Africa and nearly equal to the world average. In relative terms, its marginal tax rates were not very high.

¹⁶ La Porta, Lopez-de-Silanes, Pop-Eleches, and Shleifer (2004) provide empirical evidence in favor Hayek's conjecture.

¹⁷ <http://www.cidcm.umd.edu/inscr/polity/Bot1.htm>.

¹⁸ Available from <http://info.worldbank.org/governance/kkz2004/tables.asp>. The scores are calculated so that the world mean is zero and the indicator has standard deviation of one.

Table 2 Satisfaction with democracy

	Botswana	Zimbabwe	Zambia
Very/Fairly Satisfied	74.6	18.2	58.8
Not Very/Not at All Satisfied	21.7	56.9	35.2
Don't Know	2.8	6.8	3.7

Overall how satisfied are you with the way democracy works in _____?

Source: *Southern African Democracy Barometer* (2001), Public Opinion Center: Cape Town, South Africa

had risen to 4.277.¹⁹ This reflects the large scale public investment that the government chose after independence.

The amount of paved roads in 1966 was terribly low, even by sub-Saharan African standard. Herbst (2000) argues that the lack of good transportation networks is a primary reason for the collapse of many African nations. Without roads, the state does not build social infrastructure that allows for increased specialization. The institutions that underlie markets are not enhanced in the hinterland. The mechanisms necessary for trade do not emerge. As a result, villages remain self-sufficient and regions do not take advantage any comparative advantages they might enjoy. Without the low costs to transport market institutions and the rule of law to rural areas, large regions of Africa did not experience development.

The lack of roads not only prevented the development of the political foundations necessary for markets to develop, but private agents did not have easy access to markets. Individuals cannot get their products to market and the incentive to specialize declines. Both Herbst (2000) and Platteau (2000) maintain that high transportation costs warrant increased public spending on the paving of roads and other infrastructure investment. Yet, there is overwhelming evidence pointing to the ineffectiveness of these large-scale programs. Thus, many African political regimes used this strategy to empower themselves.

Botswana represents the stellar example of good public investment in roads. With a large population concentration in the southeastern part of Botswana, the public transportation projects enjoy a far greater demand than they do in other parts of sub-Saharan Africa. Instead of following the example of sub-Saharan African countries like Cameroon that invest in grossly inefficient transportation programs, Botswana's public transportation projects have, in large part, been less inefficient than other countries. Botswana's government is providing something much closer to an efficient level of *sought-after* public goods. This is evident both in the overall popularity of the government and in the country's economic performance.

The likelihood of the government investing in public goods investments that produce positive overall benefits depended crucially on the early government adopting policies consistent with this goal. In many cases, this did not occur. Khama's regime did and, as a result, they provided legitimacy which allowed for political institutions and tradition to develop that provided the proper incentives. But given the scarce resources available to the early government, what did they choose to forego? One reason for the large amount of government expenditures not being misused for private purposes is the lack of military in Botswana during its early years.

Instability in sub-Saharan Africa has often resulted from military coups. Between 1956 and 2001 there were 80 successful coups, 108 failed coup attempts, and 139 reported coup plots. Botswana's government did not encounter many coup plots. One source of this stability results from they lack of a standing army during the early years of statehood.

¹⁹ <http://www.cid.harvard.edu/ciddata/ciddata.html>

Botswana did not have a standing army until 1977. During the 12 years after independence, the Botswana Police Department handled both internal and border security.

Botswana's limited defense spending had many positive spillover effects. First, the lack of defense spending reduced the likelihood of problems associated with corruption that confront many developing countries.²⁰ As Gupta, de Mello, and Sharan (2001, pp. 751–753) note, corruption can emerge from military spending in at least four different ways:

- (1) Foreign suppliers may bribe the officials of countries importing arms and military equipment.
- (2) The end of the Cold War has led arms producers throughout the former Soviet Union to scout aggressively for markets abroad by, for instance, resorting to bribery.
- (3) Limited competition among suppliers of defense services encourages rent-seeking and provides incentives for officials to engage in malfeasant behavior.
- (4) The secrecy surrounding defense outlays gives rise to corruption.

Second, the relatively low level of government spending allowed the government to accumulate revenue. The revenue could then fund projects supported by the polity. This helped to legitimize the political system during the early post-colonial years and it lessened the overall tax burden on Botswana people. Fiscal prudence was very important in the early years because Botswana's government could not depend on diamond revenues until the mid-1970s.

Finally, and perhaps most importantly, by keeping their military spending at a low level early on, Botswana devoted its scarce government revenue to establish the institutions necessary for sustained economic development; that is, the development of a rational-legal authority. Botswana's government believed that the pseudo-military support provided by the Botswana Police Department that they could put a costly standing army aside and focus on more urgent public expenditures. In sum, the lack of a large military in Botswana throughout most of their history helped Botswana establish institutional mechanisms that weakened the link between military spending and corruption later on.

Even after the establishment of the Botswana Defense Force in 1976, military spending remained at a modest level. However, in the late 1980s, military spending escalated. The increase in expenditures occurred after South Africa's military had raided Botswana several times. The South African military searched for South African "freedom fighters" but many unintentional murders of Botswana occurred during these raids. By then, the government had transitioned to an effective and legitimate regime.

More recently, Botswana's defense spending has risen substantially. While the stability of the region remains somewhat uncertain with tensions in Zimbabwe, conditions in South Africa have improved when compared to the apartheid government of the early 1990s. Much of Botswana's increased military spending came while Seretse Khama's son, Ian Khama, served as commander of the Defense Force. Ian Khama argued for a strong air force in Botswana. The rationale for this is unclear. As one former expatriate put it while questioning Ian Khama's defense proposals, "Why do we need an air force? What country in this region would consider is attacking us through the air?"²¹ Thus, Botswana's recent military spending seems to have shifted to more.

²⁰ Gupta, de Mello, and Sharan (2001) find a positive correlation between military spending and corruption.

²¹ Interview by one of the authors with former expatriate and historian of Botswana's culture, Alec Campbell, at his house on July 24, 2004 in Gaborone, Botswana.

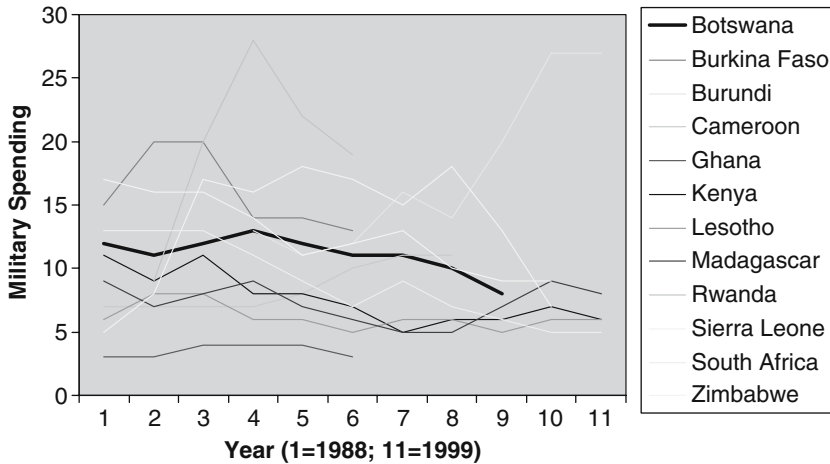


Fig. 1 Military spending as a percentage of government spending for sub-Saharan African countries (1988–1999)

Although the growth of military expenditures raises some concerns, we have reason to believe that significant problems will not arise in the near future. As Fig. 1 suggests, when we compare Botswana to other sub-Saharan African countries, it ranks right in the middle of SSA countries in terms of how much of its government spending is allocated to defense services. The increase might simply reflect the increases in nearby countries, in particular, Robert Mugabe’s Zimbabwe. They are providing self-defense.

5 Conclusions

The extensive series of political failures in Sub-Saharan Africa explains much of Africa’s growth tragedy. The post-colonial regimes evolved into predatory states rather than market-augmenting governments. The role of political institutions and, in particular, their ability to signal that the government will not engage in the expropriation of property is crucial in understanding the African development tragedy. Time and again, sub-Saharan African rulers have chosen immediate, short-term extraction policies over long-run growth policies.

Botswana overcame these problems by legitimizing its political regime through its reliance on traditional sources of authority and policies that legitimized the government. Increases in education and improvements in social infrastructure raised the returns to wealth creation by improving the human capital stock as well as expanding the size of the market. Finally, Botswana’s limited military spending in the early years helped it avoid problems of corruption and allowed public spending to be allocated to more highly valued public uses. In sum, the good political foundations present in Botswana played a crucial role in their post-colonial development.

While all of these conditions contributed to Botswana’s rapid economic development, we want to emphasize in the way of concluding that good governance in places like Botswana is a necessary but not sufficient condition. According to Clark Leith, the lesson to be learned from Botswana’s rapid post-colonial development is that, “You have to get everything right.”²² While Botswana managed to get most things right when it came to the

²² Personal interview with Professor Clark Leith on June 24, 2004 in his office in Gaborone, Botswana.

establishment of good political institutions, these institutions have never been tested by a leader like Zimbabwe's Robert Mugabe. The question of whether any set of political institutions could withstand a Mugabe remains an open one. But the fact that Botswana's effective and legitimate political institutions have not allowed a Mugabe to rise to power in the first place suggests that the political foundations of development are functioning as a good set of constraints.

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