Wesleyan University The Honors College

Can Elephants Be Constrained?
Searching for an African Growth Model

by

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Class of 2008

A thesis submitted to the
faculty of Wesleyan University
in partial fulfillment of the requirements for the
Degree of Bachelor of Arts
with Departmental Honors from the College of Social Studies
and Departmental Honors from Government

Middletown, Connecticut April, 2008

For My Parents,
Liz,
And Those Unafraid To Tackle Big Ideas.

Acknowledgements

I imagine that few thesis writers have ever owed as much to as many as I do. To all involved, know that the words below hardly manage to convey my gratitude.

To my adviser Cheri Steele, thank you for unending patience - I cannot imagine many professors willing to tolerate a process as idiosyncratic as mine. Your guidance turned this project from a raw and conspiratorial polemic into a legitimate research paper. The evolution of my ideas was spurred by your persistent refrain of "yes, but…" and for that I am very grateful.

To the dedicated CSS tutors who sharpened my wit, broadened my intellectual horizons, and taught me how to write – I owe any cogency in the pages that follow to your efforts. Particular thanks are reserved for Professor Adelstein, whose impassioned criticisms were always thought provoking and constructive. No instructor has done more to shape my own views.

To those who allowed me to continually test and refine my ideas – specifically Professors Skillman, Sala, and McGuire. The feedback I have received from each of you is reflected throughout this thesis.

To my fellow CSSers – it has been a pleasure. I doubt I'll ever learn as much from my peers as I have these past three years. Worse, I worry that no other environment can duplicate our classes, in which everyone had so much to offer.

To Anna Lipton Galbraith – for taking me to hear Jeff Sachs, from whose lecture my interest in development began. Your hearty home cooking was always comforting, and I hope mine was not an obstacle to your assured success.

To Howie Lempel – thanks for all the help. I've learned more economics from you these past months than from anyone in my entire Wesleyan career. How you answer such basic questions without any hint of condescension is beyond me.

To Josh Atwood, Max Schenkein, and Tori Amoscato – in addition to the kind words of support and ability to provide perspective, you guys have been exceedingly tolerant throughout this entire process.

To all my friends from Wes and Long Beach – more welcome distracting presences do not exist. Thank you for helping me maintain balance during this project. And I appreciate everyone's restraint. I probably would have hit me for proving incapable of discussing anything but this essay for the past three months.

To Liz – for enduring patience exceeded only by persistent words of encouragement. I could not have completed this project without your urging and inspiration, for which I am thankful every single day.

To my parents – the opportunity to pursue my education at Wesleyan is one I will always cherish. I hope the words that follow illustrate how seriously I have taken this experience. Astonishing tuition aside, your unwavering support enabled me to get here and then succeed. Few are lucky enough to have two individuals so willing to lend emotional and intellectual assistance. Thank you for everything and enjoy a good night's rest.

To Aaron Sorkin – inspiration is never lacking with Josiah Bartlett on DVD. Thank you for witty and incisive rhetoric. The much needed – though fictitious – reminder that governance can be a force for good is much appreciated.

To the New York Giants – 2004-2007 was a dark time for New Yorkers stranded in Boston sports country. For upending perfection I cannot thank you enough. That all of my New England fan friends avoided me until Sox season afforded me time to write what follows. When times were bleak, my poster of Eli returned me to the euphoria of the Superbowl and reminded me that all is possible.

"If the building of a bridge does not enrich the awareness of those who work on it, then the bridge ought not to be built and the citizens can go on swimming across the river or going by boat. The bridge should not be 'parachuted down' from above; it should not be imposed by a deux ex machine upon the social scene; on the contrary it should come from the muscles and the brains of the citizens. Certainly, there may well be need of engineers and architects, sometimes completely foreign engineers and architects; but the local party leaders should be always present, so that the new techniques can make their way into the cerebral desert of the citizen, so that the bridge in whole and in part can be taken up and conceived, and the responsibility for it assumed by the citizen. In this way, and in this way only, everything is possible."

Frantz Fanon *The Wretched of the Earth* P. 201

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Chapter 1 - Introducing Underdevelopment

1.1 Introducing the Post Colonial Dilemma

When Zimbabwe's election cycle commenced on March 29th 2008, Mufaro Dube experienced difficultly reaching friends and family there. His frustration, though augmented by the uncertainty of the election period, was too familiar. Zimbabwe's cell phone companies are prohibited from raising rates by the government. Forced to operate on low profit margins, they cannot provide good service.

A senior at Wesleyan University, Mufaro is a member of Zimbabwe's talented and educated diaspora, which now exceeds three million individuals.[1] He is eager to learn the results of his country's Presidential contest, one about which many Zimbabweans are optimistic. Mufaro believes that the opposition has won but is wary because results have not been forthcoming. Delays, he thinks, mean the government is tampering with results. Mufaro maintains that a government victory will elicit public demonstrations. Because the incumbents enjoy a monopoly on coercive force – controlling the military and police –civil war is unlikely; still, he nor anyone can predict what will occur if dissatisfied citizens take to the streets. Anxious to learn of sentiment on the ground, the Zimbabwean national uses text messages to communicate with those at home. There is substantial ambiguity in the messages Mufaro receives, as friends vacillate between hope for a new beginning and fear that their despotic ruler will linger. How did a country expected to join South Africa in leading regional growth fall into this precarious state? At independence Zimbabwe's economy was remarkably diverse. The country's three staple crops accounted for only 22% of total agricultural output, well above the African average of 79%.[2] With enormous commodity reserves and one of the continent's strongest industrial sectors, potential for growth was immense. If President Robert Mugabe and his ruling party are finally ousted, will the predatory and bloated bureaucracies anecdotally referred to as elephants be reconstituted as effective democratic structures? Will inflation surpassing 100,000% and unemployment hovering at 85% finally start to ebb?

These questions provide stark contrast to those asked in the country's prosperous neighbor, Botswana. There, a third peaceful transition of power has just occurred, as President Festus Mogae ceded control to Ian Khama. The country is engaged in discussion about how it can address pressing issues like the AIDS epidemic. The only elephants that trouble Botswana are large grey herbivores with a propensity for damaging stampedes. Interestingly, the country was expected to fail at independence. In fact, after Britain's withdrawal in 1966 the fledgling state was the world's second poorest.[3] As will become clear later in this chapter, many did not believe Botswana represented a viable economic entity. The pages that follow are devoted to unraveling this puzzle. Zimbabwe's experience parallels too many African states; Botswana's too few. Before launching into the social and political causes of underdevelopment, however, perspective and clarity are required. To begin, we turn to Frantz Fanon.

Though Fanon is too radical for prolonged discussion in my investigation, his analysis has proven too prescient to disregard. In 1951 the Algerian polemic outlined concerns regarding African development, many of which have been validated. He cautioned leaders against the trappings of nationalism, noting its conspicuous failure to define substantive policies and tendency towards a superficial coherence.[4] Further, Fanon identified the absence of firm societal values as an enabling mechanism for authoritarianism.[5] Indeed despotic leaders like Idi Amin or Joseph Mobutu emerged. Invoking nationalist sentiment to arouse support, they attest to Fanon's keen vision. The thinker's book, *The Wretched of the Earth*, also contains a striking warning: that domestic elites will occupy the vacuum left by settlers after decolonization.[a] [6] The author describes a future dominated by patronage, where bloated governments ignore education and social ties are the lone means of advancement.[7] To combat the emergence of these circumstances, Fanon suggests patience.[8] He reminds readers that development is a process measured in generations not years.[9] Of course persistence and fortitude do not prevent the emergence of exploitative leaders. To that end, a staunch division of power is necessary to constrain elites. Fanon suggests a vague federalism, so that national and regional authorities exert reciprocal checks on authority.[10] His final suggestion regards enhancing the abilities of indigenous populations. Africans must receive immediate rights to expression, organization, and adequate education.[11] Through localization of knowledge, "everything is possible."[12]

Fanon concerns us now because his vision was realized with startling frequency. Today nearly a billion people live in endemic poverty, 70% of them on an African Continent often betrayed by predatory leaders.[b] [13] Beginning this investigation, I hoped that development schemes had failed because of self-interested politicians rather than inadequate prescriptions. Knowing *how* to foster development minimizes the problem substantially. Unfortunately, the issue is not merely political or

[a] For this paper's purposes, nation and state are regarded synonymously.

[b] Though Africa contains a disproportionately high number of the world's most impoverished and figures as the prominent topic of this study, any implication that the status quo results from inherent inadequacies of the African people are both incorrect and irresponsible. Underdevelopment on the Continent results from a confluence of external, internal, and structural factors. Problems are not uniquely African.

administrative; little consensus on appropriate solutions or proper implementation exists. As a result, mitigating poverty demands inter-disciplinary attention. Development economists must identify ideal policies while political economists locate the structural levers for initiating change. This paper brings together elements of each discipline but must define development before proceeding.

1.2 Defining Development

Amartya Sen's *Development as Freedom* provides less a manifesto for growth than a vision of how development should look and why. The text identifies development with the expansion of individual capabilities like uncensored speech, and goes beyond a narrow focus on income.[14] To Sen, freedoms spread the costs of policy across elites and constituents, preventing opportunistic behavior and ensuring that information flows appropriately.[15] Accordingly, the market mechanism and accumulation of income do not constitute development but rather a means to advance it.[16] Complementary freedoms - political, economic, social and of transparency and security - are equally essential. Political freedom permits citizens to decide who governs and in accordance with what principles.[17] Economic and social freedoms, respectively, promise opportunities to use "resources for production, consumption, or exchange" and access healthcare and education.[18] Transparency requires full disclosure of all public interactions, maximizing information and discouraging predatory behavior.[19] Here, one observes implicit appreciation for norms, which provide social sanctions that deter self-interested behavior in the public sphere. Finally – and perhaps misleadingly – Sen's right to security demands social assistance; a welfare state rather than protection from external force.[20]

This framework provides long-term guidance, but does it yield any immediate gains for struggling families? Sen concedes that income remains the best vehicle for advancing capabilities, but provides three reasons to avoid using income in isolation:[21]

1) Personal heterogeneities like disability, illness or age may hamper one's ability to turn income into a desired result;
2) Different environments often demand different levels of income to produce similar results;
3) Social conditions shape the parameters within which one can use personal resources.

For these reasons, remaining aware of income's limitations is crucial, even as its enhancement becomes the thrust of this study. The authors discussed later often conflate development – here defined by capabilities – with economic growth; I will try to maintain the distinction between each goal.

The capabilities approach has not achieved consensus as a primary conception of development. Some of its critics justifiably point to a paternalistic acceptance of western values to discredit the approach.[c] I believe their objections are mitigated by conceding that individuals can construct repressive societies under two conditions: individuals retain the right to acquire information regarding other societies *and* the right to relocate without obstructions. In these circumstances, tolerance for cultural pluralism remains consistent with a capabilities approach.

Sen's model provides an excellent reference for long-term growth because capabilities have intrinsic and instrumental value. Intrinsically, maximizing the individual's ability to broaden their possibility set and formulate educated preferences

[c] Namely that the freedoms associated with liberal democracy are the ideal principles upon which to structure society.

is desirable because it diminishes coercion. Privileging freedom, I admit, is a subjective decision.[d] Some may believe that utility is a more effective framework for pursuing development; yet the limitations of that approach are abundant. Most notably, by omitting any inherent right to be free from coercion, utilitarian approaches implicitly condone sustained misery where those oppressed are unaware of other opportunities. Because individuals cultivate happiness from the bleakest of situations, often as a coping mechanism, the utilitarian position is inadequate.[22] Accepting the "happy slave" as a desirable outcome introduces obvious ethical concerns.[23] Capabilities also have instrumental value. In Africa, for example, populations have long suffered under dictatorial regimes; the freedom to select who governs – and by what logic – is essential to long-term sustainability. Freedoms of speech and press facilitate similar oversight and so are equally crucial to creating a stable regime.

Identifying development with capabilities does not make expanding freedoms our immediate concern. Income may be inadequate for measuring development, but it remains the most effective means of advancing it. To explore the appropriate strategy for ameliorating extreme poverty, economic growth becomes the primary consideration.

[d] Subjectivity in scholarship will be justified later this chapter.

1.3 Research Model

This paper uses a comparative institutional model to study development. The comparative approach facilitates analysis of variations across states.[24] Given the diversity of strategy and results apparent in the developing world, ability to explain differences is essential. The institutional perspective introduces structures that condition individual action and so shape the formation of policy. Investigating institutions enables one to disaggregate state behavior and discern the idiosyncrasies of different situations.[25] Taken together, comparative and institutional studies provide a level of depth that captures the complexity of development.

Looking at internal distinctions is crucial because Sub-Saharan African nations face some similar constraints on growth. Where countries have similar history, incentives from markets, and opportunities/restrictions from international institutions, assessing the role of particular norms and institutions is essential for understanding outcomes. The comparative institutionalist model also has unique potential for rendering conclusions about development literature itself. Explicating results by methodically analyzing values, structures, *and* policies helps identify successful strands of scholarship and reveal the inadequacies of others.

Adopting an institutional framework requires understanding the form and function of structure. Simply put, institutions are “the rules of the game in society;” regularized modes of behavior that create predictability and trust.[26] Samuel Huntington provides the standard account of well-crafted institutions. They should be adaptable, coherent, and autonomous.[27] Ideally, they provide order and constrain elites, creating an environment conducive to crafting sound policy and then implementing it.[28] This generates positive economic spillovers addressed in later chapters; politically, institutional restrictions elicit two important effects by restricting state capacity. First, they diminish incentive to capture the state apparatus.[29] Second, restrictions increase the population's willingness to transfer resources to the government.[30] In both cases, government's inability to use resources for self-interested pursuits educes the desired result. Of course defining this ideal outcome is easier then pursuing it in practice. Challenges to institution-building are explored throughout this paper.

A last note on the research model; it is a strictly qualitative one. Though odd for a paper on growth promotion, this approach is within precedent. In "An African Success Story," a 2003 study on Botswana, Acemoglu, Robinson, and Johnson note that variables like tribal institutions, colonial impact, leadership, and class consciousness are hard to quantify and even harder to compare across countries.[31] Their study investigates how these variables produce unique institutional forms capable of pursuing traditional economic policy, an important thread in coming analysis.

1.4 Introducing the Case Studies: Botswana and Zimbabwe

Since my desire to explore African development is too broad for any study, particularly an undergraduate thesis, narrowing it is essential. Selecting Botswana and Zimbabwe as primary case studies provides a compelling puzzle around which to structure the project because each state belied expectations. While the former has exceeded dire projections to become Africa's most successful nation, the latter has destroyed a promising economy.

Going further, Botswana inherited one 5km stretch of tarred road at independence.[32] Lacking infrastructure and with GDP at thirty dollars per capita, the state immediately became the world's second poorest.[33] That circumstance was exacerbated by limited economic diversity. Botswana had no substantial manufacturing sector and its agricultural potential was limited by the absence of arable land. In fact, the Kalahari Desert spans 85% of the country, and only .65% of its territory is suitable for farming.[34] Botswana lacked exportable commodities at independence, further diminishing expectations. The quality and quantity of diamond reserves were yet unknown to all but the country's future president and a handful of DeBeers executives.[35] Dependable economic activity was limited to the cattle sector, itself characterized by massive polarization. Though it was the population's primary occupation, 29% of rural citizens held no cattle and so had few opportunities to participating in herding.[36] Resulting poverty forced Botswana's working population to depend on South African industry for employment. Seasonal work would find as much as 50% of Botswana's labor in the neighboring territory, limiting the reserve of taxable income.[37] These harsh economic realities – and the presence of hostile regimes on its borders – caused experts to question Botswana's viability as an independent state. With hindsight these predictions are understandable but mistaken. Determining why informed expectations erred substantially promises great insight on development.

Zimbabwe's fate seems equally puzzling given its bountiful inheritance. At independence, the state enjoyed one of Africa's most developed manufacturing sectors, one cultivated over four decades and responsible for 24% of GDP. [38] Zimbabwean agriculture had enormous potential as well. Infrastructure to handle its production was already present because the British had created marketing boards to purchase and resell produce. [39] More impressive, agricultural exports were already diversified. Cotton, corn and grain – the country's three staples – composed only 22% of exports.[40] 8.24% of territory was arable, but large tracts of land lay fallow and available for expanding cultivation.[41] At independence, governance also appeared sound. Refusal to impose price controls allowed supply to blossom and positioned the country as a net-exporter of food after independence.[42] Zimbabwe's economy was still more diverse: it contained reserves of platinum, gold, nickel and tin. [43] The country's wealth of opportunities earned it enormous expectations; many acclaimed it a potential pillar for regional growth. Even heavy import substitution under Ian Smith's settler regime did not damper prospects. Debt was minimal, inefficiency mild, and foreign exchange in reserve.[44] What, then, halted economic progress? Selecting Zimbabwe betrays my hope that answers to that question are relevant beyond the nation's borders.

Beyond their intriguing performances after independence, Botswana and Zimbabwe seemed appropriate case studies for three other reasons. First, they share similar geographical constraints. Landlocked with high transport costs and subject to the same unpredictable climate in which evaporation outpaces rainfall, selecting the countries eliminates other important variables.[45] That both states are remarkably homogenous - particularly relative to other African territories – also sharpens the study. The Tswana and Shona in Botswana and Zimbabwe total approximately 80% of their respective populations.[46] This similarity makes for more compelling analysis because divergences result from different norms, structures, or leadership, rather than demographic figures. Botswana and Zimbabwe also share the struggle against AIDS. The disease has a substantial impact on production capacity, decreasing agricultural output upwards of 61%. [47] Controlling for infection rates – estimated as 35-37% in each country – removes another plausible explanation for disparate development.[48] Of course the three similarities mentioned are but a few of the variables that influence economic performance. Selection of these countries was not intended to control for all causal mechanisms. Eliminating some significant variables merely makes the project more manageable.

1.5 Hypothesis and Related Concepts

My ideas were challenged throughout this project. Before proceeding through the development literature I believed that state autonomy was the determinant of success.[e] Why isolate state capacity as the necessary condition? Growth is historically accompanied by high short-term costs. Autonomy allows the state to impose sound policy where populations might be resistant to it. Enclosure movements, for example, displaced large numbers of European peasants. In developing countries, utilizing scarce resources is likely to require similar sacrifices and so demands an autonomous state.

[e] State autonomy refers to government's capacity to impose policy without regard for popular opinion or entrenched interests.

Aside from the violent upheavals that have characterized even the most benign development stories, I thought a strong state to be essential for restraining spending and enacting sound macroeconomic policy. These goals are crucial determinants of growth promotion because extreme poverty exerts heavy pressure on representatives to spend indiscriminately. Development may require sacrificing immediate wealth for long-term solvency, but forcing some to go hungry or homeless requires immense political will. People mired in deep poverty discount the future too heavily to endorse long-term arguments. Refraining from amelioration that mortgages sustainability therefore requires substantial autonomy.

Securing state capacity without sacrificing the information flow necessary to wield power effectively introduces complications. Democracies seemed inadequate because of insufficient insulation. If people discount the future then democracy's greatest asset – accountability – can become its greatest liability. Imagine leaders unable to resist massive relief efforts because their thoughts wander to reelection. They bankrupt the state and increase the depth and breadth of poverty in the long run. This said, authoritarian regimes are equally unappealing. Without adequate information, and likely to engage in predatory behavior, these regimes do not appear conducive to growth. This project studies the tension between autonomy, information, and constraints in both regime types. I imagine that successful development theory accounts for structural difficulties, not only economic ones. Studying Botswana and Zimbabwe enables evaluation of state capacity in growth and of structures in constraining elites. Once the impact of institutions on state action is understood, assessing development theory is feasible.

1.6 Why Read This Thesis

While academic specialization has ample benefits, it is not without costs. In development discourse political economists provide penetrating analysis of plausible policies without adequate regard for their desirability. In fact, according to Jeff Frieden, ideal policies are irrelevant if not politically feasible.[49] While navigating the gap between theory and practice is important, changing circumstances provide new policy options and so demand continued exploration of welfare maximizing policies. For evidence, look to John Maynard Keynes' *Economic Consequences of the Peace*. In it, Keynes observed that destruction from World War I destroyed Europe's self-sufficiency.[50] The thinker identified optimal economic policies reliant on cooperation and leniency rather than autarky and spite.[f] [51] Unfortunately, the political will to implement his suggestions was absent. The resulting circumstances caused further conflict, demonstrating the potentially calamitous effects of privileging the feasible.

By altering political possibilities, World War II created an opportunity to execute the Keynesian recipe for post-conflict economic growth. That change demonstrates the dynamic nature of politics and reinforces the importance of exploring ideal policies. Development economists, however, experience the above problem backwards; often neglecting the structural conditions in which policy operates. Again one can look to Europe's interwar period for a demonstration. A greater understanding of political structure might have allowed Keynes to apply appropriate

[f] For example, Keynes recommended seeking no repatriation of resources from Austria and limiting that demanded from Germany. He also suggested Germany's payments be paid annually and without interest. He even proposed a regional free trade federation, eventually erected after World War II. (Keynes 268-171)

pressure on political actors and so elicit more favorable policies. His program may not have been implemented entirely, but a better approximation was likely attainable.

The disparity between political economists and development theories results from different presuppositions. The latter believe we cannot effectively inform policy without more study of economic theory and the former that political pragmatism is a more appropriate course. Max Weber would regard the differences as inherent in science, social or natural. Because "the ultimately possible attitudes towards life are irreconcilable," every query must make an unfalsifiable presupposition.[52] Medicine presumes life is worth extending, history that a particular event is worth study, and science that the result of an investigation is worth knowing.[53] My thesis, though perhaps too ambitious, makes a unique commitment. It is not to higher principles or practical realities but their synthesis. My objective is to apply empirical lessons to the development literature as a whole, challenging specialized presuppositions and framing the debate in a more useful fashion.

1.7 The Roadmap

Chapter two presents a survey of development literature. The survey focuses largely on development economics, amassing an array of theories to test in empirical study. Understanding potential explanations for and solutions to underdevelopment is essential for assessing how successful local institutions and norms function. Different theories will surely afford different roles to the political and social spheres and locating the presence or absence of those roles in case studies will generate strong conclusions about the role of structure and culture. Chapter two also includes a more structurally oriented text that will clarify our understanding of state capacity. After completing an investigation of development literature, I present qualifications to minimize scope and questions to frame the case studies.

Rather than analyzing Botswana and Zimbabwe in isolation, their study is organized around higher order principles. It begins by tracing cultural values and their evolution within each territory. Next, structural features of each state are presented and their impact on capacity discussed. Finally specific economic programs are introduced and analyzed. Throughout these chapters, brief examples from other countries are included to provide added depth where necessary. Once each stage is completed, the current situation in both states is revisited and potential for change discussed. The progression – from individual norms, to structures and policies, and finally stability – provides evidence for reassessing development literature in the final chapter.

Chapter 2 - A Bounty of Explanations

2.1 Selection of Materials

Authors chosen for analysis in this survey each contribute a unique view on the primary cause of underdevelopment. The theories that follow identify seven unique and sometimes overlapping causal mechanisms:

1) lack of resources;
2) lack of incentives;
3) poor governance;
4) cultural disposition;
5) usurped sovereignty;
6) structural conditions; and
7) context-specific circumstances.

Each analysis offers its own prescriptions for addressing stagnation and poverty, demonstrating the elusiveness of consensus in development economics. By this chapter's close, the reader will have a diverse, though non-exhaustive, catalog of reference points to locate within the case studies. But before launching into the survey, another text requires attention. *Embedded Autonomy,* by Peter Evans, elaborates a more nuanced approach to the tension between autonomy and constraints. His work becomes a guide to which we return in later chapters.

2.2 Embedded Autonomy

Embedded Autonomy merges "bureaucratic insulation with intense connection to surrounding social structure."[54] Embeddedness provides constraints on elites and information to generate sound policy. This prevents predatory behavior while generating accountability and responsiveness. Autonomy, meanwhile, assures the state enough capacity to implement policies despite popular objections. Together embeddedness and autonomy allow the state to build an effective development program; however, there is clearly tension between limiting the power of elites through the former and empowering them through the latter. Proper balance is difficult to achieve but essential to success. Without it, each condition can produce disastrous results. If a state is too connected to society, it may be captured by particular interests.[55] A government that cultivates close ties with business, for example, may begin privileging capital's interests even where the effect on society is clearly negative. Allowing companies to bypass environmental regulations to protect profit margins would belie excess embeddedness. Accruing too much autonomy is equally detrimental.[56] Regimes with unconstrained capacity often siphon public resources into private accounts and oppress their citizens through the state's coercive apparatus. Mobutu, for instance, acquired a thirteen billion dollar fortune by looting government revenue.[57] Robert Mugabe amassed four and a half billion and Idi Amin six hundred million.[58] Clearly, restricting autonomy is essential when building institutions.

Constructing embedded autonomy is a difficult process. It requires meticulous attention to context so that idiosyncrasies are accounted for. Evans proposes a number of factors that condition the emergence of the institutional arrangement. The presence of bureaucratic traditions provides a necessary foundation;[59] upon it, the state must build credibility by promoting itself as an agent of societal and not particular interests.[60] Last, a government must have the resources to pay its bureaucrats well, diminishing incentives for corruption.[61] The state can also provide support by attaching prestige to public sector work. Only if bureaucracies are rational, can embedded autonomy promote growth.

Merging capacity with connectedness permits emergence of a developmental state, one that initiates social and economic change by organizing and directing activity.[62] Government intervention, according to Evans, is essential for markets to effectively advance economic development. This position is supported by recent experience. East Asian states like South Korea and Taiwan are often cited as examples of free-market success despite evidence to the contrary.[63] With active industrial policies, currency manipulations, and simple budgetary decisions, their states were intimately involved in generating economic growth. Though subsidies to business in South Korea and Taiwan were not indiscriminate – but rather performance based – they remained a fixture of policy despite distorting the market. Another distortion, purposefully undervalued currencies, furthered East Asian success by encouraging exports and increasing the supply of foreign exchange. Instead of converting that currency to domestic tender, the state retained reserves as a buffer to exogenous shocks. Rapid resurgence from the 1997 financial crisis explodes any myth that government intervention hampered the rapidly growing economies before the crisis because enhanced regulation of corporate activity was integral to renewed success. While explaining East Asian achievements requires a level of detail outside this paper's scope, their experiences support a role for government in advancing growth. A developmental state creates potential for shifting comparative advantage away from volatile commodity-exports through active industrial policy. It creates the means for empowering entrepreneurs deterred by inadequate returns through subsidized capital. And it creates an entity capable of providing public goods like rule of law or physical infrastructure. In short, a developmental state that is both embedded and autonomous increases the flow of information while decreasing predation. It can grow an economy and so create the means for advancing capabilities.

Though its benefits are clear, the substance of embedded autonomy remains a vague amalgam of structures and relationships. Evans' theory does not explain how leaders emerge, proper policies are selected, or institutional systems are sustained.[64] The author concedes that his construction does not capture the complexity of economic transformation and fails to account for how states turn "structural strengths into the effective execution of a well-selected blend of roles."[65] The rest of this chapter is devoted to examining potential policies. Through the case studies, leaders and institutions will be addressed.

2.3 The Resource Approach

The resource approach is associated with development economics' most visible scholar, Jeffery Sachs. Sachs asserts that countries are mired in a poverty trap with too few resources to escape. The trap arises when existing resources are spent attending to basic needs, leaving nothing saved or available for tax. Inadequate savings limit an individual's ability to weather negative externalities, diminish investment, and stifle the domestic market for business. Without savings, building human capital is difficult. Severe constraints on taxable income exacerbate the dilemma by limiting institutional capital, the revenue necessary to create effective structures and provide public goods.[66] While geographic constraints, poor governance, absent incentives and culture exaggerate these dire circumstances, inadequate resources are the ultimate origin of the problem.

Construing an exit from the trap requires a big push. Grounded in the theory of spillovers, the big push requires coordinated effort across different sectors of the economy. Only by providing a simultaneous boost to business, agriculture, and individuals, can up and downstream industries, an adequate food supply, and the consumptive demand to sustain the economy, emerge. Spillovers obviate the need for each individual sector to be successful. Even failed firms grow the economy by raising labor's aggregate income and so increasing demand. The big push – incorporating all these elements - shifts the economy from an underperforming equilibrium to a Pareto-improved one.[67]

Practically, this strategy requires investment in agriculture, health, education, infrastructure, water supplies, and industry. Sachs proposes an enormous aid campaign to finance these initiatives. Aid can fund fertilizers, manures, seeds and storage facilities.[68] It can provide anti-malarial nets, vaccines, and the means for improving the quality and attendance at schools.[69] Finally, it gives government the revenue to pursue communications, transport, power, and sanitation.[70] According to Sachs the cost of all these initiatives, for one year in an average African village, is only 350,000$.[71]

The resource approach is often derided as paternalistic, but more substantive critiques are available. Statistical evidence for the poverty trap's existence is widely questioned, with some studies finding no variance between growth in the richest and poorest 20% of countries since 1950.[g] [72] Relying on a big push to address underdevelopment also introduces informational deficiencies. Pursuing too many aims at once is a quintessential planner's dilemma; one in which circumstances change more rapidly than administrators can accommodate. Despite providing a metric for differential analysis, Sachs himself shows disregard for informational problems. Rather than promoting unique strategies for each country, the author simply adjusts the benchmarks those countries are required to meet.

Discussion of benchmarks and accountability reveal another weakness in the resource approach, namely, its impotence in areas with poor governance. In these areas transparency is inadequate and information too scant for aid to be a reliable impetus for growth. Too often, revenue would be shunted into private accounts or programs poorly designed. To his credit, Sachs concedes this point. He states: "where authoritarian or corrupt regimes hold sway, the consequences are likely to be tragic but the responsibilities of the rich world are limited."[73] That the theory has no response to state failures is troublesome given the variety of defects in developing governments. It is even more troublesome when the impact of the Millennium Development Goals (MDGs) is assessed. Sachs relies on the MDGs for accountability but many countries are far off the expected pace. Should these states be eliminated from Sachs' program as well? Is a theory only applicable to small segments of the developing world adequate?

The impact of aid has also been questioned for other reasons. Statistical analyses reveal that it has diminishing returns, and so may not promote sustainable

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[g] Studies cited were conducted by William Easterly who concedes that the poverty trap may be statistically relevant from 1985-present. (Easterly 39)

long-term growth.[74] Some also believe that aid functions like rents, competing with exporters by encouraging governments to sell foreign currency so they can finance domestic expenditure.[h] [75] Effectively, converting aid into local currency causes appreciation that raises the costs of production within the country. When costs escalate the private sector recedes, employment prospects and productive efficiency are damaged. To address this problem, Paul Collier proposes that donors limit revenue to one brief push that provides infrastructure for the private sector. Once this is accomplished revenue can be withdrawn and the negative effects like appreciation mitigated.[76] Collier also proposes eliminating provision of aid prior to implementation of reform.[77] Doing so would reverse current practice and combat the time-consistency problem: a dilemma that arises when goods (in this case aid and reforms) cannot be exchanged simultaneously.[78] However effective, these shifts in aid payments are not reconcilable with Sachs' vision. The resource approach demands an expansive campaign of significant duration; one that Collier's statistical analysis reveals is *not* cost effective.[79] Moreover, it relies on politicized processes in developed countries, and has introduced principle-agent problems by empowering too many organizations to manage overlapping spheres.[i] For example, the International Monetary Fund, World Bank, and United Nations Development Program often offer conflicting prescriptions to governments subsequently unable to manage them all

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[h] More attention will be given to this process, called Dutch Disease, when the governance approach is introduced.

[i] For information on politicization of aid – and on which developed countries boast political systems conducive to interest groups lobbying for increase aid – see Carol Lancaster's Foreign Aid. Also note the apparent gap between Sachs' theory and its implementation, which is conditioned upon donor countries that are constrained by particular political factors.

responsibly. While consolidation is not impossible, and would certainly lend added coherence, each institution has a vested interest in survival and so resists reform.

With questions about the efficacy of aid – the main mechanism for pursuing resource based solutions to underdevelopment – other options must be explored. Learning from the inadequacies of the resource approach, other theories should address informational problems, promote private sector growth, and contain more flexible prescriptions. Devoting more analysis to institutions and norms may advance these goals, as might identifying solutions that African states can implement without help from abroad. To continue our search for a well-rounded and efficacious theory, we must consider the incentives approach.

2.4 The Incentive Approach

Associated primarily with William Easterly, the incentive approach is defined by decentralization. "The right plan," says Easterly, "is to have no plan."[80] Such thinkers propose introducing market-based reforms to encourage grassroots entrepreneurialism. These reforms ensure greater accountability and feedback by creating competition. The result is effective, efficient projects that deliver reliable services. An entrepreneurial approach to development addresses informational problems by empowering locals instead of aid organizations. The approach also addresses principle-agent problems by protecting individual incentives, and so responds to the deficiencies of the resource theory. For example, Easterly cites a non-profit organization called Population Services International (PSI) as the exemplar of his plan. PSI distributes bed nets for fifty cents throughout rural clinics in Malawi. Of the fifty cents, nine go to the distributing nurse. Selling the nets and providing commission have two important effects: 1) bed nets go to those that need them instead of those that already possess them, as they might if distributed freely; and 2) the nurse maintains stock because sales generate personal rewards. These two incentives ensure the program's success; a 47% increase in children utilizing nets and universal use.[j] Because the group only received sustained funding if its objective was achieved, incentive to succeed remained compelling.[81] Though the impact of market-based programs has recently been questioned in a paper by Jessica Cohen and Pascaline Dupas, incentives remain an important consideration in building a development strategy.[82]

How, one might ask, can incentives be secured? Easterly asserts that Washington Consensus reforms are ineffective because they aren't adequately suited to specific circumstances.[k] [83] Resulting informational inadequacies produce unintended and frequently negative results. Markets, then, must be permitted to emerge organically. They should grow from existing norms instead of replacing them because continuity ensures predictability. When two sets of rules operate simultaneously transactions become complicated and inefficient, and social relations unstable.[84] To achieve organic growth Easterly proposes decentralized initiatives that empower local populations.[85] He suggests conditional cash transfer programs like Bolsa Escola in Brazil, which provides families with income if their children attend school. Development vouchers are also mentioned. Vouchers would force aid

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[j] By contrast, programs that distributed nets for free had questionable impact – only 60% of nets were used for their intended purpose.

[k] The Washington consensus consists of ten policies: fiscal policy, reorientation of public expenditure, tax reform, interest rate liberalization, trade liberalization, unified and competitive exchange rates, openness to PPI, privatization, deregulation and secure property rights. (Rodrik 17)

agencies to compete for funding, introducing accountability and thereby forcing agencies to meet local needs. Last, Easterly lauds an existing effort called global giving. The project creates an online marketplace for local programs where donors choose how to invest their money. After an initial commitment the donor can monitor the initiative's success before deciding whether to continue support, so creating accountability.

Localized campaigns for economic growth and long-term development define the incentive approach; the state is noticeably absent from its prescriptions. Easterly denies the government a role because he believes that voluntary exchange is mutually beneficial and should not be tampered with.[1] [86] The capabilities approach explodes this reasoning. Individuals may sell their labor to a mining company when options are limited, but they might prefer to sell it to a car factory. In fact, they might prefer not to sell their labor at all, instead opening a small business. Only governments are capable of managing the wholesale change necessary to create these opportunities. By shifting comparative advantage, states can create the environment in which laborers may choose from many companies or secure credit for entrepreneurship. That circumstances beyond individual control shape preferences - and so voluntary exchange - compels responsible government involvement.

Easterly's incentive approach, with its free-market ethos, also appeals to East Asian growth in defense of laissez-faire.[87] As noted earlier, these appeals are mistaken. East Asian countries levied enormous tariffs, even while African countries were liberalizing in the 1980s.[88] Governments kept interest rates artificially high to

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[1] He admits to offending a collective sense of equity, though he does not apologize for doing so. (Easterly 75)

discourage borrowing and promote labor-intensive production. Early policies were supported by US aid. Without that help, East Asian countries might have accumulated large deficits to import machinery for export-led growth, and some did anyway. South Korea accumulated an enormous debt, perhaps responsible for its more prolonged recession in 1997.[m] Because of effective government action South Korea resumed growth, but attributing that growth to free-markets ignores documented evidence.

Advocates of the incentive approach do acknowledge that some market imperfections exist. Analysis, however, is limited to three failures:[89]

1) The hold up problem: payment is provided before supply. This allows the producer to charge more when service is rendered because replacements are difficult to locate.

2) The time-inconsistency problem: if payment and service are not exchanged simultaneously something must compel the actor with the second move to honor the agreement.

3) Economic informational problems: unless a good is provided new, consumers are unsure of its relative worth and become wary of purchasing it.[90]

These three imperfections obstruct growth, but the list is non-exhaustive. Uneven access to markets and inadequate provision of public goods are only two failures neglected. Beyond absent imperfections, proposed institutional and normative solutions are inadequate. Easterly disregards institutions because the cost to create them often exceeds the individual benefits they produce. Individual disputes do not

[m] More prolonged than other East Asian countries such as Taiwan, Hong Kong or Singapore.

produce the windfall gains necessary to overcome the coordination dilemma.[n] Easterly ignores the implicit argument for government intervention suggested by this point and proceeds to laud norms for deterring opportunistic behavior. That assertion, however, is qualified by his questions about poor communities in which citizens lose little by shirking social expectations.[91]

The incentives approach introduces important economic principles into this analysis. Motivating individuals to action – and so avoiding moral hazards – is an important aspect of effective policy. Decentralizing initiatives to maximize the flow of information is also essential; as is the ability of domestic actors to pursue growth without substantial international support. Unfortunately, the presuppositions that accompany the incentives driven analysis blind it to the role of the developmental state. A strategy for promoting sustainable development must be firmly grounded in politics and norms. If free-markets were a simple answer, all responsible governments would promote them.

2.5 The Governance Approach

Associating underdevelopment with poor leadership is common practice in development literature. To unravel governance arguments, this paper relies on Paul Collier, George Ayittey, and Joseph Stiglitz. Collier – whose work on structural approaches will appear later – introduces two new traps. The first regards conflict - poor nations are more susceptible to costly civil wars that obstruct progress. Low-

[n] Dilemma arises when public goods are absent and sufficiently costly to negate any individual incentive to create them. Notably, the situation differs from a prisoner's dilemma in that the ideal outcome is a Nash equilibrium. Once achieved it is stable because there is no incentive for opportunistic behavior, the individual's payoff for collaboration is higher than defection, even when all others cooperate indefinitely.

income countries are particularly prone to disorder because weak economies undermine states. When resources are scarce incentive to capture the state for its privileged access to goods is strong. Foot soldiers come cheap, often with low wages or promises of future spoils. Worse yet, the conflicts are repetitive. Experiencing one civil war or coup d'etat doubles the likelihood that another will occur. In states with starving economies, resources are continuously squandered on violence.[92] Leadership capable of circumventing domestic strife is essential to promoting growth.

Low-income countries also risk encountering the natural resource trap. The trap is defined by an identifiable pattern of currency appreciation called Dutch Disease. It begins when a government converts windfall gains from commodity-export into domestic currency. When the state exchanges foreign currency for its own, excess demand increases the value of local tender. Appreciation hurts exporters by raising the cost of inputs, rendering domestic business uncompetitive. Because exports help diversify the economy – a process that makes it more resistant to external shocks – undermining this sector is counter-productive. As unfortunate, commodities are extremely volatile, many are perishable and also contingent upon uncontrollable variables like weather. Because supply and demand both vacillate, the influx of revenue is rarely steady. Yet retrenching spending is more difficult than expanding it; when shocks reduce revenue governments often fall into debt. A prominent instance of this boom bust cycle occurred in Nigeria during the 1980s. The government began spending heavily as oil prices rose during the 1980s.[o] Having

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[o] It warrants mention that more dispersed commodities like agricultural goods are slightly more reliable because rents are not as easily controlled by elites. Oil profits

borrowed against future revenue to fuel domestic investment, the government was crippled when international prices crashed and banks sought repayment. The government launched reforms to address the situation, but the population associated retrenchment – and not mismanagement – with decline. Consequently, public support for further restructuring was absent and the Nigerian economy remained wildly unpredictable. As is characteristic of most resource dependent countries, Nigeria had few productive industries to rely on when recession occurred, prolonging crisis indefinitely.[93]

Narrow economies and debt are not the only disturbances associated with mismanagement of commodities. The rents generated by these natural resources decrease the need to tax. Tax reductions diminish public motivation to scrutinize fiscal management, enabling predatory behavior. Intuitively, one might think that democracies promote more effective use of revenue in these circumstances; however, rents allow elites to abandon effective policy as the primary means of procuring electoral support. Clientalism becomes more cost effective and might target officials or citizens able to mobilize the electorate. In either case, rational actors have no incentive to maintain their integrity. A reasonable individual accepts the bribe and hopes that others will act or vote in the national interest. Democracies also struggle with rents because desire to win re-election encourages support for consumptive spending rather than investment. Collier's statistical studies reveal a systematic tendency for democracies to under-invest, because officials with little job security

are perhaps the least transparent of commodity windfalls, typically controlled by government-contracted exporters.

discount the future. With minimal regard for the long run, hope of managing revenue effectively enough to prevent Dutch Disease and downturn is slim.[94]

Democracy's shortcomings often cause leaders and scholars to consider authoritarianism. Collier's analysis demonstrates that this system is equally inept when dealing with rents. According to his figures, only authoritarian regimes in remarkably homogenous territories are successful in using windfalls. Authoritarian regimes in diverse states tend to privilege their own demographic. As troublesome, despotic regimes face few if any constraints on elite behavior and so have no incentive to represent interests beyond their own. In such cases elites may not even support their particular group, instead hording spoils for themselves.[95]

As Botswana will demonstrate, some states have overcome the obstacles presented by natural resources.[p] Their success demonstrates that the resource curse does not deserve its title. Commodities introduce circumstances that only become detrimental when handled irresponsibly.[96] Elites must avoid relying too heavily on the revenue generated by commodities and spending indiscriminately. By limiting spending and so appreciation, detrimental effects are minimized. Botswana may indicate how norms and institutions facilitate the sound leadership that turn resources into a boon.

Collier also provides insight on another governance failure, absence of public goods. Because no one has personal interest in supplying public goods – upon which the others can free ride – institutions must take responsibility for their provision. Without them investors see little opportunity for growth and withhold capital. The

[p] Indonesia provides another prominent example.

trouble is, perception responds to reforms very slowly. Structural changes and proper policies go unnoticed by investors for years and turnarounds are difficult to sustain when capital does not respond.[q] [97] Of course, investors from developed countries did choose to invest in Asia, which initially suffered from similar biases against its domestic climate. An explanation for that decision is forthcoming. For now, simply note the difficulty involved in affecting a turnaround.

Devising solutions to governance failures is difficult and Colliers' suggestions are limited.[r] The most controversial of his proposals is military intervention. The British author believes this strategy is beneficial in three cases: terminating conflict, maintaining post-conflict peace, and preventing coups. Military action, he states, should be framed in self-interest to developed states. Intervention in tumultuous regions enhances global security by halting the flow of disaffected émigrés to rich states.[98] Yet some critique the plan as paternalistic and others as too costly. The strongest indictment notes that Western military action in regions where information is scant may produce unintended and severe consequences. The United States' mission in Somalia is indicative of that assessment. Unprepared to sustain losses, the U.S. abandoned the mission after incurring casualties. This decision emboldened non-state radicals by conveying a lack of resolve; an outcome remains consequential today. Had the United States been better prepared to intervene in another country's affairs, perhaps the mission could have been effective; instead, one remains skeptical about the solution's viability.

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[q] That many turnarounds collapse may justify this lag; however, the deeper problem is often limited information regarding underdeveloped nations.

[r] Some of his more intriguing ideas appear in other sections because his analysis extends beyond issues of leadership.

Collier also suggests that creating five international charters would empower actors in the developing world by facilitating the emergence of norms against predation. As "most conduct is guided by norms" and adherence to them is voluntary, they represent the most effective means of combating governance failures.[99] The first proposed charter is on resource revenues and contains three axioms: (1) access to commodities should be auctioned off transparently; (2) payments be provided transparently; and (3) expenditure determined and documented transparently. A resource charter would also provide an effective framework for use of rents, arming civil society against authoritarian regimes and encouraging the necessary patience in democratic ones. Other charters concern democracy, budget transparency, post-conflict governance, and finally, investment. The goal of each is to grow norms of accountability, transparency, and responsiveness. Collier believes the most effective vehicles for popularizing these global values are the European Union and British Commonwealth, but those selections belie a flaw. The charters are based on Western ideals. Though those values promoted development where initially articulated, they may not do so abroad. Later analysis reveals that Batswana,[s] for example, have a different conception of justice than developed countries – one that reflects their unique circumstances. Because values are often distinctive, I remain skeptical of potential for growth based on international charters.[100]

George Ayittey offers insight on more specific governance failures. He argues that African economies stagnated because elites were too preoccupied with

[s] Batswana is a plural term for citizens of Botswana.

industrialization.[101] Rather than privileging the agriculture sector – responsible for most of Africa's employment – most elites pursued import substitution. Results were even worse than those in Latin America. Desire to reduce long-term demand for foreign exchange failed because states lacked revenue to import the machinery necessary to make good import substitutes.[102] The overvalued currencies intended to make capital intensive production more affordable made imports more attractive by reducing their cost. High tariffs rates intended to protect domestic producers were not sustainable because shoddy substitutes did not meet basic needs.[103] Other aspects of the industrial project were equally harmful. Many governments fixed agricultural prices to feed burgeoning urban populations.[104] In actuality, price constraints created shortages by diminishing incentive to enter the agricultural sector. Price restrictions also pushed farmers into the informal sector where goods fetched higher prices.[105] Defection from the formal sector decreased tax revenue in states already encumbered by debt. Government was rendered incapable of providing assistance as demands for external food support increased. During the 1990s - with food production averaging 1.5% growth despite stifling governments - the number of malnourished individuals increased by 27 million people.[106] Population growth exacerbated the damage done by privileging industry over agriculture.

To address this governance failure, Ayittey proposes reintegrating traditional authorities into the state. After independence, chiefs were typically disregarded as anachronistic and too bound up with agriculture.[107] Yet traditional leaders remain closer to citizens than bureaucrats. With superior knowledge of local needs, chiefs could rectify many ills of modern government.[108] Ayittey, however, does provide a role for modern government. It remains responsible for creating a sound investment climate that allows market signals to dictate behavior, secures the rule of law, protects private property, and provides public goods when possible.[109] The central government can also attract technical assistance that augments but does not replace domestic talent.[110] It can recoup endogenous resources lost to capital flight, and reemphasize agriculture.[111] Due attention to this sector requires increasing investment and can ultimately end reliance on imports.

Integrating chiefs capable of compelling sound governance requires effective leadership that is currently absent. Ayittey's solution is to buy out despots where necessary. When tyrants like Robert Mugabe do an estimated 37 (U.S.) billion dollars worth of damage to the regional economy, a 400 million dollar buyout produces enormous net gains.[112] Giving exorbitant sums to despotic leaders may provoke visceral opposition, but it provides a practical means of removing dictators by eliminating personal incentives for manipulating state power. Because only fresh leadership can initiate change, Ayittey suggests that buyouts commence immediately. Once responsible politicians assume power, he advocates implementing decentralization to imbue policy with local knowledge and credibility. Only this indigenous African model, according to the author, can promote African development.

These suggestions are compelling but may require external assistance. Where, after all, will non-state actors in Africa acquire the funds to offer a buy-out? Ayittey's proposal also lacks a long-term economic vision. The likelihood of prosperity based on a purely agrarian economy is low, so what should be done after the sector is revived? When should attempts to diversify commence? Emphasis on providing an agricultural foundation is important but more is probably necessary. Precedent suggests that countries cannot sustain growth and expand capabilities without diversified economic platforms. No entirely agrarian country has yet achieved high levels of development.

Deficiencies in Ayittey's analysis extend beyond policy consideration to institutional form, which is limited to decentralization. While incorporating local knowledge is certainly important, central governments have important responsibilities that may not be fulfilled if structural conditions are inadequate. For example, maintaining appropriate interest rates usually requires an independent central bank. Consideration for this and similar matters is conspicuously absent. There are other key institutional questions which remain unanswered. What constraints will compel fresh leadership to build a sound investment climate, secure rule of law, and provide public goods? What will be done if chiefs lack the training necessary to exercise oversight and so do not restrict elites? And what if traditional leaders lack the credibility to function as overseers? While Ayittey's model introduces key components of an effective state apparatus, it leaves these important questions unanswered.

Before turning to the cultural explanations, Joseph Stiglitz offers more on governance theories. Unconcerned with institutions and norms he illuminates policy failures in underdeveloped countries. Liberalization, for example, is only beneficial for growth if properly managed.[113] In poor countries it rarely is. Governments, he says, usually neglect the complementary measures necessary to support domestic actors during the transition. Without assistance, technological deficiencies; limited economies of scale; high input costs; and large transport costs, doom indigenous industry.[114] In some cases, countries should even retain moderate protection to advance these goals.[115]

Stiglitz emphasizes that policy must reflect circumstance. For instance, countries with constraints on agriculture sales should only permit gradual price increases so that urban workers can adjust. [116] Sequencing and pace are important because economists cannot identify the number and intensity of all constraints on the economy. Implementing policies desirable in the abstract may not yield practical results. Gradualism allows for meticulous monitoring of implementation and so improved economic management.[t]

To facilitate growth, Stiglitz proposes modified liberalization. He suggests that countries provide every state with lower per capita GDP free market access. The plan promotes trade between developing nations and provides protection from technologically advanced economies with robust economies of scale. This preferential access scheme should be supported by coordination on tax concessions and other incentives used to attract international capital.[117] Regional development councils could orchestrate communication and enforcement between countries, ensuring agreements are honored by creating a deterrent.[u] These measures would empower developing countries vis-à-vis international capital by preventing a race to

[t] More on the disjunction between theory and practice later in the chapter when the theory of second best is introduced.
[u] Most likely some form of economic sanctions.

the bottom. Cooperation would ensure that gains from Foreign Direct Investment (FDI) are commensurate with costs.[118]

Affording little consideration to norms and institutions, Stiglitz's analysis is of limited use. His regional development councils require a degree of trust between leaders that is not yet evident. Preferential liberalization is of dubious value because without the participation of developed countries – which developing countries have little means to obtain – results might prove more harmful than beneficial. One might wonder why the participation of developed countries matters and the answer is a convoluted one. Studies show that free trade benefits those closest to the world's median income.[119] If developed countries do not participate in the *preferential* schemes than the richest of developing countries have no incentive to either. Their involvement would have to be obtained through reciprocal arrangements. The closer that reciprocity comes to free trade, the less benefits accrue to the poorest countries. Despite this limitation on the feasibility of preferential agreements, however, Stiglitz makes a significant contribution. Attention to sequencing and pace should inform every growth program. Now, having examined governance failures thoroughly, we proceed to cultural explanations.

2.6 The Culture Approach

Most recently proposed by Robert Calderisi, cultural explanations locate the cause of African underdevelopment in prevailing norms. According to the theory, colonialism, biases in world markets, and geographic accounts, provide inadequate insight into the foundations of economic stagnation. Colonialism, for example, increased access to useful ideas and technologies previously unknown across the continent.[v] British use of indirect rule and French willingness to extend civil rights to colonized populations undermine the explanatory power of imperial models.[w] Africa has also received privileged status in the world market. Money that might have reduced poverty more effectively elsewhere was sent to the continent instead, and cheap Latin American products – like fruit – were forsaken for African output. High input costs throughout Africa have also been exaggerated. Culture, not geography, is responsible for creating an environment inhospitable to investment.[120]

According to Calderisi, other explanations identify important characteristics of underdevelopment but treat its symptoms rather than causes. An array of African values account for poor growth and bad governance. Collectivist culture makes accumulation by individuals difficult. Rather than saving income, Africans absorb the expenses of extended families. This practice underlies entrepreneurial failure; money is too often withdrawn to cover individual costs. The impact of collectivism is reinforced by an African tendency to discount the future. To support this assertion, Calderisi cites sentiment in Nigeria. Though the country has a low standard of living its population ranks highest in the number of individuals who self-identify as happy (per capita). Other detrimental norms reinforce each other as well. Veneration for

[v] Briefly, advocates of the colonial explanation for underdevelopment argue that the process constructed infrastructure conducive to export dependence and so facilitated continued extraction. They argue that diffusion of technology was limited and that imperial rule weakened existing institutions for governance and mediation, increasing the likelihood of conflict after independence.

[w] Though our primary concern is the substance of the theory not its commentary on colonialism, treatment of the era is largely superficial. Indirect rule often disrupted institutions and hardened identity, particularly in diverse states where a particular ethnic group was arbitrarily selected to rule. Extension of French citizenship rights was also limited. So while we take the impact of colonialism as given, its effects must be properly understood to be mitigated.

elders enables despotism, which is accepted because of pervasive fatalism. The result is poor governance, the substance and impact of which have already been elaborated.[121]

Calderisi's offers few initiatives that directly address the normative shortcomings he describes. He suggests increased international support for civil society groups and the creation of citizen review councils to oversee government action.[122] The first proposal is more complicated than it appears because support is an ambiguous term. To what extent should support extend? Should it be monetary? Does it require deposing dictators who limit freedom of speech or assembly? More detail is certainly needed before the idea can be pursued. Review councils are also problematic. Benefits of a board responsible for overseeing use of public funds have obvious value; but Calderisi does not clarify how independent boards should be constructed. How would deserving individuals be selected? Where constraints against predation do not exist, why would councils sustain independence? Would any powerful African leader even allow creation of these groups?

Calderisi's other recommendations impact norms indirectly. Forbidding leaders from holding money abroad might raise public, donor and investor confidence. Refusing aid until freedom of press and open elections are entrenched might help grow democratic norms.[123] Yet neither proposal is a true solution. The first requires complementary measures to ensure the transparency of dictators' bank accounts. Establishing such regulations is difficult considering that those most opposed to their implementation have access to power. Solutions that resort to conditional aid have already been dismissed for various reasons. Even when aid is provided after reform there is a time inconsistency problem. Once aid is received incentive to sustain reform vanishes. After all, leaders can elicit large gains by reverting to predation and then re-launch reform if/when aid begins to ebb.[x] Calderisi's final suggestion contradicts his own analysis. The regional campaign to provide public goods that he proposes cannot succeed if values against opportunistic behavior are absent.[124] Without a compelling norm, a rational incentive to cooperate is absent and free-riding remains the default strategy.

Cultural analysis is of limited use. The over-simplified, aggregated picture is evident in Calderisi's own words: "Africans should stop feeling sorry for themselves, and expecting others to do so as well."[125] This phrase belies a tendency to generalize about "African norms," and disregard cultural diversity. According to Ayittey, the continent's only universal norm is one opposed to exploitation of tribesmen, hardly an enormous obstacle to development.[126] Case studies will likely demonstrate that Africa's values are not monolithic, but one is already suspect.

Comparing cultural explanations of African failure to East Asian success reveals the model's inadequacy. If paternalistic Confucian values – which encouraged filial piety and facilitated the emergence of dictators – prompted growth, why didn't African deference to authority? Different outcomes result from different institutional environments; which filter various norms. Calderisi neglects this possibility entirely. His narrow emphasis on norms encourages us to deconstruct policy and institutions, but also obliges analysis of peculiarities within states. The

[x] While filtering aid through local NGOs might mitigate the gains from reverting to predation, government is still capable of obfuscating long enough to elicit benefits.

arguments' shortcomings suggest that norms *do not* provide compelling answers to underdevelopment in isolation.

2.7. The Sovereignty Approach:

Many believe that Africa remains undeveloped because international capital and local elites have usurped its sovereignty and exploited its resources. This scenario resembles Fanon's vision of domestic elites replacing settlers as manipulators of state assets. Labeled compradors by South African academic Patrick Bond, these individuals have indeed captured the government.[127] Having done so through extensive clientalism, the compradors subsequently invest their fortunes overseas. Absent domestic capital, construction of public goods cannot proceed and domestic markets continue to shrink.[128] That a third of Africa's total yield was moved abroad in the late 90s demonstrates the extent of this problem.[129]

Underinvestment is only the beginning. According to Bond, African resources are also extracted with little benefit to indigenous populations. Leaders provide domestic elites and international firms with access to commodities in exchange for a share of profit and political support.[y] Because compradors and foreigners have no interest in society's well-being, they abandon operations when volatile prices shift downwards. For example, throughout the 1990s the diminishing price of copper led companies to liquidate their ownership in Zambian fields. What limited employment had arisen was lost and government's most reliable revenue stream disappeared - recession resulted.

[y] Thus generating the clientalist networks introduced above.

According to Bond, African economies depend upon commodities because liberalization destroyed infant industries. In states with poor infrastructure, political instability, and poorly trained workers, domestic producers and exporters could not compete with established firms. Imposition of the Washington consensus in the 1980s, along with the propensity of African leaders for mismanaging natural resources, usurped sovereignty from native populations and entrenched underdevelopment. [130] That evidence for a poverty trap coincides with the period of rapid liberalization suggests that free-market reforms may be correlated with its emergence.

The above process, for Bond, stems from the extractive legacy of the slave trade and colonialism.[z] Contemporarily, predatory lending practices reinforce the problem by forcing leaders to maximize rents through commodity export. According to Bond: "In at least 16 [African] countries, a very strong case could be made that the inheritable debt from dictators is legally odious, since the citizenry were victimized both in the debt's original accumulation and in demands that it be repaid."[131] If debt was accrued by oppressive and unelected leaders against the will of the citizenry, why should public funds be used for repayment? The question is an important one because the sixteen nations account for 50% of Africa's total debt.[132] In response to these circumstances, Bond proposes immediate cancellation.[133] He believes that past efforts have been inadequate, citing 2002, in which African countries spent $6.6 billion more servicing debts than they received in aid.[134] Because debts have

[z] These processes also usurped the sovereignty of individual Africans and so inhibited development of civil society and learning of political skills.

skyrocketed from $61 billion in 1980 to $206 billion today, immediate action is urgent.[135]

Bond's other solutions concern building a civil society capable of constraining state actors. Empowering locals to overthrow comprador elites is a point of departure from which all other measures follow. Once African populations control their states, a program to restore economic sovereignty will proceed. It should include refusal of tied aid; Don't Owe Won't Pay campaigns against debt service; domestic reinvestment of pensions, insurance funds and government reserves; and redistributive strategies.[136]

Solutions from the sovereignty approach are at once appealing and alarming. Located domestically, answers can be achieved without relying on external and unreliable forces. Politically, emphasis on increasing diversity and pursuing public goods are sound foundations for growth. Even redistributing assets is worthy of consideration where large populations cannot subsist. On the other hand, any implications that withdrawing from the global economy is a necessary condition for growth must be viewed skeptically. Some strains of the sovereignty approach include communistic and autarkic protection schemes. They propose heavy import substitution, with high tariffs and massive redistribution of wealth. Effectively, these plans promote withdrawal from the international economy to facilitate development internally. Spillovers limit the value of this strategy, as do efficiency concerns. Attention to the institutions necessary to sustain growth is also absent from more autarkic plans. Neglect for the political minimizes the theory's use and reflects acceptance of historical materialism, a belief that the configuration of economic power structures social and political relations.

2.7 The Structural Approach

Many scholars have proposed structural explanations of Africa's endemic poverty.[aa] To narrow the expansive literature, I will focus on two prominent structural stories: one from Paul Krugman and the other from Paul Collier. Krugman asserts that a confluence of factors dissuade firms in identical sectors from scattering across an economic territory. Pooled labor markets, economies of scale, informational spillovers, and technological spillovers all encourage agglomeration. How does clustering create these advantages and how do they contribute to growth? It creates a reservoir of skilled labor that enhances efficiency by allowing firms to adjust to market changes rapidly. Clustering also bolsters economies of scale because inputs can be produced in greater bulk at lower cost, increasing profit margins. Lower transport costs further reduce the price of inputs without decreasing profit for their makers. Industrial centers reduce proximity between firms and so facilitate more efficient acquisition of information on competitors. Clustering also permits rapid diffusion of technology and shared construction and maintenance of infrastructure, which reduces costs. All of these benefits are reinforced by an important trend: consumers want to locate near producers and producers near consumers. Doing so diminishes distribution costs and reduces prices, without

[aa] While the terms structure and institution are used interchangeably throughout the paper, here structure refers to forces beyond individual control.

reducing profit.[137] The stability of this arrangement is difficult to overcome, as evidenced by further analysis below.

The benefits of agglomeration are so great that even substantial wage gaps rarely offer adequate incentive to relocate. In fact, for a shift from an agglomeration center (core) to a less developed region (periphery) to occur, the wage gap must be so enormous that it compensates for increased transport costs and risk aversion.[bb] [138] The transition of Western firms to Asian countries met these conditions. Moreover, the logic of agglomeration explains why few developing countries have matched East Asian success since the shift occurred. Once the first Western firms chose to locate there, it made sense for others to do the same. Uncertainty dissipated after relocation, removing an enormous barrier to transition and creating greater opportunity for the emergence of a new industrial center. Asian agglomeration thus continues despite higher returns in Africa.[cc] Continued investment in the former demonstrates that clustering and risk aversion are heavily weighted in capital's calculations.

Before proposing reforms that address the structural problems introduced by agglomeration, Paul Collier's analysis provides added depth. Collier notes that landlocked countries surrounded by hostile or struggling regimes face greater difficulty in promoting growth. With little control of negative spillovers, and less opportunity to generate positive ones, even the most effectively managed landlocked states can suffer stagnation.[139] Collier also elaborates on competition between Africa

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[bb] Dramatic reductions in transport costs can also make relocation appealing. Loss of economies of scale and informational/technological must still be overcome for the initial move.

[cc] In fact, since 1990 African investments have averaged the greatest return amongst developing countries, at 29%. 26 of 32 African states have liberal laws for repatriation of profits as well.

and Asia for Foreign Direct Investment. He asserts that structural incentives to locate in Asia are so great that Africa will receive little investment until a wage gap comparable to that between the West and rest emerges.[140] Moreover, Asian success raises demand for commodities in which African states boast a comparative advantage, making export dependence more appealing.[141]

While Krugman's analysis is largely explanatory, Collier offers policy that *may* mitigate structural problems. Options for landlocked states, he says, are extremely limited. They can lobby for free trade and construction of public goods on the regional level, but this is rarely successful. Instead, these territories should market services related to air transport and communications. Meanwhile, their governments should encourage remittances, promote rural development, and attempt to attract speculative investment from abroad. Pursuit of a sound investment climate capable of attracting regional services like finance is also beneficial.[dd] All of this said, however, effective management of natural resources remains the most plausible route to development for landlocked states.[142]

Ability to counter agglomeration is equally constrained. If Africa is to avoid waiting for an enormous wage gap it must secure protection from developed markets. This policy would require immediate implementation because tariffs against Asian products are scheduled for elimination in 2015. Until that point, African nations might attract investment if they have duty-free access to advanced economies. The

[dd] See: Rwanda, which is implementing this approach to address obstacles including dearth of arable territory and high transport costs (the result of being landlocked in a stagnant region).

limited window for success might even imbue African leaders with urgency, increasing their incentive to create sound investment climates.[143]

Counter-intuitively, structural explanations for underdevelopment incorporate agency into analysis. Africa's failure to attract the first wave of Western investment, for example, resulted from governance failures. In the brief moment when international capital was deciding where to relocate, Asian countries secured rule of law, property rights, and other institutions that created an attractive environment. Despite affording some credence to the efficacy of action, however, the theory's advocates offer few suggestions for addressing underdevelopment. Their perspective on prospects for industrialization is helpful but guidance for struggling states limited to enduring patience.

2.8 The Heterodox Approach

The heterodox approach provides an appropriate conclusion to the survey because it incorporates elements from other theories and reintroduces the developmental state. Proponents of the theory, here associated with Dani Rodrik, believe that promoting high-order economic principles is necessary for development. They diverge from other thinkers, however, by emphasizing idiosyncratic institutions as the proper means of advancing those principles.[144] According to heterodoxers "Function does not map uniquely into form."[145]

Rodrik identifies seven economic principles crucial to growth. They are: [146]

1) Property Rights
2) Fiscal Solvency
3) Sound Currency
4) Market Incentives
5) Diversification
6) Productive Dynamism, and
7) Socio-political stability

Government needs to go beyond securing functioning markets to entrenching each of these conditions.[147] Productive dynamism requires particularly extensive attention because eliciting it means shifting comparative advantage. To accomplish this the state must pursue active industrial policy, crowding "in investment and entrepreneurship with positive inducements."[148] Government is necessarily involved because without it, the private sector lacks resources to generate up and downstream industries. To function effectively, the state must introduce strong constraints on opportunistic behavior and strike a balance between providing incentives and introducing moral hazards.[149] Doing so requires a developmental state *and* embedded autonomy.

Heterodoxy also demands a meticulous approach to policy. Though wholesale reform will produce the best growth rate by removing all obstacles, it isn't feasible. Because scholars cannot yet identify all the distortions and constraints that impact an economy, policy makers must focus on those known to have large and direct effects.[150] Inability to forecast whether isolated reforms will be welfare promoting is a pillar of Second Best Theory. Alluded to earlier, the theory stipulates that pursuing optimum conditions when other constraints operate on an economy may not yield positive results. So long as any ideal is unattainable, others may not be desirable.[ee] Further, a situation in which all departures from the optimum are equal in direction and magnitude does not necessarily yield better results than different degrees of

[ee] For example, eliminating taxes would remove a significant distortion within the economy; however, doing so would deprive the state of revenue and likely cause services to collapse before the private sector could begin assuming previously public sector responsibilities. Also worth nothing is that the term first best can be substituted for ideal.

departure. Monopolies in every industry do not produce superior results than monopolies in some.[151] The Theory of Second Best formalizes previously vague constraints on the efficacy of policy. That Rodrik embraces these limitations lends credibility to his theory. Whether it augments effectiveness remains to be seen.

How, specifically, does Rodrik integrate second best theory into his approach? He begins by asking which of three factors is the greatest obstacle to growth? The first is returns to accumulation. When societies lack resources and have limited domestic markets, investors see little opportunity to recoup capital. This situation is evident in low demand for credit and low interest rates. The second factor is really a subset of the first. Private appropriability is absent when high taxes reduce private returns, macroeconomic imbalances raise interest rates and poor protection of property rights raise transaction costs.[ff] The distinction between returns and appropriability is that the first results from constraints on demand, while the second stems from inadequate institutional protections. The third obstacle to growth is high cost of credit. When borrowing capital is expensive, the opportunity cost of investment is too large to attract investors. Understandably risk-averse entrepreneurs either choose other occupations or emigrate.[152]

Effective second best solutions are narrowly focused and continuously monitored. To better meet the first criterion, Rodrik narrows the scope of reform even further. He asserts that successful policies identify the requisite area for reform and tailor initiatives to local capabilities, restraints, and opportunities.[153] If managed successfully reformers provide local politicians with a foundation for solving "the

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[ff] Escalating interest rates limit returns by raising the cost of repaying loans after they have been accepted.

institutional and other constraints that will inevitably become more binding" after growth begins.[154] Reformers have inadequate knowledge to adapt structures effectively; locals must continue tailoring structure to specific and dynamic circumstances

Practically speaking, industrial policy is the vehicle for initiating sustained growth. A sound program follows nine basic rules: [155]

1) Only provide incentives for new economic activities
2) Set firm benchmarks and sunset clauses for ending state support
3) Encourage pursuits that adapt technology to local conditions and so impact multiple sectors, rather than subsidizing entire sectors
4) Subsidize activities with known spillover effects
5) Tolerate mistakes
6) Develop institutions that provide finance for high risk programs
7) Promote research and development
8) Use diasporas
9) Create supportive institutional framework

Most of these conditions are self-explanatory, but what does a supportive institutional framework look like? It begins with installing a high level official responsible for coordinating policy. Doing so creates accountability, lends coherence, and raises the profile of policy. Creating councils that promote dialogue between private and public sector members, for example, introduces scrutiny and ensures that policy is well informed. This embeddedness, however, must go deeper than business, including individuals of different classes and social backgrounds.[156] This version of embedded autonomy remains vague on how connectedness and independence can be balanced to avoid capture and patronage. Unlike Evans, however, Rodrik refrains from such speculation purposefully. To him, structural patterns should be as particular as economic agendas. Rather than offering a generalized model, he urges others to investigate specific contexts and devise unique solutions that reflect his basic approach. The blending of circumstances, institutional history, and key economic principles define heterodoxy.

Rodrik does make one qualification on his preference for institutional diversity. The academic sees no reason why government should deny citizens freedom of speech or association. All, he believes, should be able to stand for office and select leaders. He provides an empirical defense of this incongruous assertion by demonstrating that democracies generate superior long-term growth and short-term stability.[gg] Though authoritarian regimes have been as successful in both areas, their results are less predictable. Democracies, on the other hand, cluster around the mean. Predictability is preferable and participatory systems have other beneficial effects. They handle shocks better because of accountability, means for transferring power, and emphasis on consultation and consensus. They also deliver greater distributional equity.[157]

Despite this persuasive body of evidence, the argument for universalizing democratic approaches remains dubious. While restricting political freedoms contradicts my personal beliefs and I, too, prefer predictability, second best theory suggests that open-mindedness be retained. Still, in moving to the case studies an open mind is essential. No approach should be categorically dismissed until we have the localized understanding that Rodrik promotes.

[gg] He also attaches intrinsic significance to political freedoms.

2.9. Moving forward

Having surveyed numerous explanations for underdevelopment, new parameters for the investigation must be elaborated. Many of the theories introduced above place blame on the international community. Though perhaps valid, these criticisms receive little attention in this study. My thesis is concerned with what *domestic* actors can do to address poverty in their states. Understanding international constraints is crucial to crafting an endogenous approach, but immovable constraints and self-interested foreign actors will not deter focus from internal answers to underdevelopment. Individual states – particularly poor ones – have little control over globalization and international financial institutions. Instead of combating external forces, this paper investigates how countries can engage them beneficially.

Another important parameter for this study is its treatment of colonialism. Colonialism impacted African economies by constructing extractive infrastructure that encouraged reliance on commodity exports; but that legacy is unalterable. Rather than focusing on past injustices, I hope to mitigate existing ones. Therefore, future consideration of colonialism is limited to its impact on indigenous norms and institutions.

The importance of the developmental state provides another point of departure. Though Easterly might object, the evidence of market imperfections and East Asian interference demonstrate that government must play a role in promoting growth. The degree of responsibility a state can assume without undermining constraints remains unclear, but analyzing the case studies may provide a more definite response to that question. Regardless, an active state *is* necessary to shift comparative advantage and address the larger bottlenecks on developing economies.

The last parameter applies an extended logical fallacy. The fallacy of false analogy demonstrates that East Asian growth strategies cannot simply be replicated. Export-led growth could prove ineffective because any state that pursues the strategy changes the circumstances under which policies operate. For example, countries that try to produce textiles introduce new competition into the global economy. They enter changed global conditions with different levels of demand. Many states also face costs that East Asia did not. Both Botswana and Zimbabwe have much higher transport costs than South Korea, Taiwan, or Thailand.

In an article called no more NICs, Robin Broad and John Cavanagh make precisely these points. They note that technological improvements since the inauguration of East Asian growth make entry more difficult than before. Declining global demand diminished prices and markets, with increased competition exacerbating these trends. The number of countries competing for FDI also forces each country to make incentives more appealing to international capital.[158] As Stiglitz suggests these steps reduce profitability. These constraints provide substantive evidence for the fallacy of false analogy. No state should duplicate another's program; where strategies are borrowed they must be meticulously adapted to local conditions. By filtering development through familiar institutions, a state ensures continuity. Continuity engenders trust, so preventing the upheaval and instability that often derail growth.

2.10 Revisiting the Hypothesis

Having been bombarded with a number of different perspectives on development, my hypothesis warrants revision. Securing autonomy and information does not guarantee success. A developmental state is necessary to guide developing economies. Government can catalyze change in comparative advantage and bolster the private sector. It must accomplish these things without diminishing incentives, disrupting market signals, or devolving into patronage. Raw notions of insulation and connectedness must be replaced by a formal vision of embedded autonomy. Introduced by Evans and elaborated by Rodrik, this configuration secures the capacity and knowledge to expedite change. Constructing adequate balance remains a difficult task; one I hope empirical analysis will inform. The case studies also provide a laboratory for testing the practical value of each theory.

2.11 A Framework for Empirical Analysis

With a firm theoretical foundation established, one can speculate how different development theorists might regard the experiences of Botswana and Zimbabwe. Would advocates of any approach have predicted the former's success and latter's failure? How might scholars explain results? Surely the resource-inclined analysts would have foreseen greater success for Zimbabwe given its diverse economic platform. Little evidence for a poverty trap existed after independence, as GDP grew by 28% over the first two years.[159] The approach, however, might boast some explanatory power in Botswana's case. The role of aid in the country's growth is assessed in chapter five, at which point conclusions will be drawn. Advocates of the incentive approach could not have offered specific prescriptions for either country. If their assessment is accurate, however, Botswana has succeeded because it has preserved inducements and Zimbabwe failed for neglecting them. Analyzing each case will reveal the accuracy of that diagnosis. Governance theorists would profess similar arguments. Botswana succeeds because of effective leadership and Zimbabwe fails because of its absence. Investigating how normative foundations and structural constraints affected governance will provide evidence for determining the validity of that claim. Advocates of yet another approach would shy from formal predictions. Those that argue for sovereignty as the casual mechanism for underdevelopment could not forecast how leadership might approach agreements with either foreign or domestic capital. If these thinkers are correct, however, than the case studies will reveal oversight and community empowerments in Botswana and the deficiency of such conditions in Zimbabwe.

Cultural theorists would not have predicted success for either state given the detriments of African culture. Though we already know Botswana grew, forthcoming analysis will determine whether culture was an obstacle overcome or an enabling condition. If it was the former, cultural explanations may deserve a second glance.[hh] Interestingly, proponents of the structural explanation for underdevelopment could have predicted Botswana's success. Their explanation would rely on sound management of natural resources, perhaps augmented by agglomerating financial or electronic services. Finally, how would the heterodoxers fare? These individuals would associate success with pursuit of orthodox economic principles through institutional forms tailored to individual circumstances. Its advocates would locate

[hh] The explanation would still serve a complementary function. If its primary causal mechanism can indeed be overcome, then clearly more potent forces are at work.

Zimbabwean failure in poorly adapted institutional design and Botswanan success in appropriately idiosyncratic methods. The case studies are designed to allow for determinations on such a thesis.

Forthcoming analysis is intended to determine the merits of the above explanations for underdevelopment and does so by addressing three broader questions:

1) Whether states strike a balance between autonomy and embeddedness, and how this might be achieved?

2) Whether states can surmount internal *and* external obstacles to growth without international assistance?

3) Whether Botswana and Zimbabwe provide any generalizable conclusions about development theory?

The following chapter pursues the social aspect of these questions. It studies prevailing norms available to elites in construction of civic culture. Studying traditional values will provide insight into how Botswana and Zimbabwe balanced autonomy and embeddedness. Chapter four investigates state institutions, assessing their success in imposing constraints and securing information. Chapter five introduces economic policy. It focuses on the relationship between institutional form and ability to achieve objectives. In doing so, it provides answers to questions two and three. Chapter six will investigate political equilibrium, the precarious stability essential to sustaining growth. The conclusion synthesizes each element of empirical study to assess development theories and grapple with generalizability.

Chapter 3 – Introducing Norms: A Foundation for Public Interaction

3.1 Introduction

Development literature demonstrates that institutions have an important role to play in growth; however, the theories offer little explanation for variations in form and outcome. In the United States and United Kingdom, for example, stable representative democracies are well established. Comparable outcomes have emerged despite different institutional approaches - the US is predicated on a federalist system and the UK on a unitary one.[ii] Globally, variations are more substantial. Many experiments with democracy fail, lapsing into more authoritarian regime types. Evident in states like Russia, that result suggests further diversity in form because authoritarian regimes are predicated on a variety of institutions. Some rely on the military, others on oligarchy, and many on a dictator. In Russia, the government maintains a façade of democratic procedures, a common practice that can guise structural idiosyncrasies.[jj] This chapter explores three important questions regarding institutions, each of which reflect the discussion above. They are:

1) Why do structural variations occur?

2) Can one predict whether institutions will be successful? And,

3) Why aren't all institutions sustainable?

To answer these questions, structures must be disassembled. Many scholars do this by treating institutions as contingent, usually on economic or social policies. I

[ii] Despite some decentralization in Britain the system remains more unitary than its US counterpart. The Welsh parliament effectively takes orders from Westminster, the Northern Irish legislature has only recently reconvened after a prolonged absence, and the English lack a sub-national assembly altogether.
[jj] Because value judgments are inappropriate at this juncture, idiosyncrasy is chosen over abuses. Analyzing whether the practice described is improper is for another work.

venture a different point of departure, social norms. The role they play in building institutions is frequently neglected and likely offers answers to the questions posed above.

For our purposes, social norms are defined as popularly recognized values that condition, constrain, and modify behavior. Even simpler, they are expectations that I will wash my hands before dinner or offer someone my blessing when they sneeze. That norms become expectations endows them with tremendous power. Defy convention and one risks social sanction. Refusal to wash my hands, for example, may alienate visitors or hosts. As a result, future invitations are rarely accepted and fewer are forthcoming. If this is how norms function, what is their relationship to institutions?

Norms do not exert a linear impact on structures; indeed there is perpetual interplay between the two. If the expectation that washing hands is formalized into an institution the results may alter the norm. Perhaps people become frustrated at waiting for every individual to wash their hands before eating, and consequently modify the expectation to cover only those that have played in the mud since last rinsing. Regardless, norms play an enormous role in dictating institutional form. According to Diamond,

> Moderation and accommodation may be induced by structural and institutional incentives and constraints, absent underlying norms…but these behavioral orientations will be difficult to sustain…unless they become embedded in this deeper more encompassing syndrome of beliefs and values…[160]

If this is true, then creating sustainable and effective institutions requires building them from existing values or rapidly generating a supportive culture. To acquire adequate information for either, knowledge of local circumstances is crucial. Unfortunately, culture is often treated monolithically, as by Calderisi. Effective analysis deconstructs the amalgam of norms into composite parts. Doing so unearths important variations, both between states and within them. Diversity may account for different institutional forms. In this chapter, I unpack culture in Botswana and Zimbabwe to get at these questions. Perhaps independence institutions were rooted in unique cultural traditions. If so, distinct normative endowments may explain the policy divergence discussed in chapter five. For each state, pre-colonial, colonial, and immediate post-colonial values will be examined, beginning with Botswana.

3.2 Exploring Botswanan Norms

Pre-colonial Tswana developed participatory modes of government that belie an inclusive social outlook. Deference for authority was present, as Calderisi would note, but reverence did not preclude mutual criticism and oversight.[161] In pre-colonial times, norms supporting communication between rulers and ruled were so strong that a forum called the Kgotla emerged to facilitate discussion.[162] Though women were not yet permitted to participate, one can hardly pass judgment. In the 19th century Western countries also imposed gendered restrictions on political participation.

Over time, mutual criticism remained central to Tswana governance; however, the Kgotla altered related norms. Its original purpose was to facilitate discussion, that is, to encourage participation. Gradually, the forum came to serve more of an advisory function.[163] Chiefs began using the Kgotlas to gain approval for policy instead of inviting substantive input.[164] This shift altered the substance of Tswana values. Norms of active participation were deemphasized and a new expectation arose - that the chief would build consensus before acting.[165] Leaders no longer had to consult all the tribesmen during policy formation, but they still required universal approval.[kk]

Prior to colonialism, other norms were integrated into the structures of governance as well. Chiefs selected advisors based on their trustworthiness and merit rather than social status.[166] Emphasizing these two values encouraged leaders to accept support from external sources. Knowledgeable and talented foreigners were invited to advise when present, establishing a precedent for expatriate assistance.[167] Some conventions originated with tribal leaders who devised effective mediation techniques to settle local disputes. Chiefs would hear each side of a conflict before rendering a verdict. More importantly, they would find ways to protect the integrity of all parties. For example, if two parties disputed ownership of seven chickens and one side convincingly demonstrated rights to all seven, the chief would still award one to the losing party. Doing so avoided enmity and kept villagers content.[168] Though this approach seems inefficient and even unjust to a Westerner, it preserved social harmony and built further support for institutions and leaders. It typifies the norms that development theorists must identify and understand to construct effective policy. Moreover, it suggests that leaders can grow norms to support institutions.

The norms above conditioned behavior in each Tswana tribe, but the Tswana represent only 78% of Botswana's population.[ll] [169] Fortuitously, the social structure of Kgalagadi tribes was remarkably similar to the Tswana's.[170] It was also based on

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[kk] Among those permitted to participate.
[ll] The Tswana tribes include the Bagkatla, Bakwene, Bamalete, Bamangwato, Bangwaketse, Barolong, Batawana, and Batlokwa (Ba is a prefix for group). (Solway 719)

hereditary chieftaincies and supportive of accumulation and inheritance.[171] The Kgalagadi – about 16% of the population today – even interacted with the Tswana prior to colonialism.[172] Absent much arable land both groups were nomadic, yet scarcity generated cooperation rather than hostility. Security threats from the South encouraged the similarly structured societies to work in concert.[173] When colonialism imposed a more sedentary lifestyle, intermixed communities were already familiar with each other and interactions remained peaceful. Assimilation to the Tswana-dominated colonial structure was smooth.[174]

Tswana norms and institutions shaped the character of British colonialism. The existence of strong executive powers and social cohesion encouraged indirect imperial rule.[175] Established in 1895, the Bechaunaland Protectorate received little attention from Britain for two additional reasons. First, the absence of natural resources limited the territory's value. Second, the mobile nature of the dominant economic activity – cattle herding – was not conducive to tax.[176] Resulting benign neglect allowed the territory to maintain is traditional institutions. Existing social norms prevailed throughout the colonial era, and so provided both tools and constraints for independence leaders.

In the late 19th century Khama III converted to Christianity. In so doing, he co-opted the Church, an institution that was competing for power.[177] This decision, combined with respect for authority, empowered leaders to build a developmental state at independence.[178] Government was constructed in accordance with pervasive values. Leaders suggested Botswana forego parliament for a small council because of inexperience with legislative bodies.[179] Though a parliament was eventually installed, caution was evident elsewhere. Invoking support for meritocracy, many proposed equal representation for whites and blacks.[180] This proposal, though not adopted, influenced localization of bureaucracy. Ignoring immense imbalance, leaders sought those with administrative experience. That process will be detailed in later chapters.

While particular structures will be discussed in chapter four, their operative values are introduced here. For example, state leaders incorporated mutual criticism into many institutions. Though they sometimes dismissed the views presented, leaders invited civil society, academia, and the private sector to consult on policy.[181] The regime demonstrated commitment to dialogue and disdain for agitation, reacting favorably to the former and severely to the latter.[182] While those patient with government were often rewarded, radical action elicited neglect or punishment.[183] When miners protested government refusal to raise minimum wage, for instance, President Seretse Khama first fired and then rehired the agitators on lesser terms.[184] Such actions reinforced a civic culture that "compels/constrains contestants to meet and exchange views rather than to disengage and resort to the trading of unpleasant remarks in the media and to industrial action on the street."[185]

Besides integrating existing norms like mutual criticism into state structures, leaders promoted new norms. Secure in their positions of authority and encouraged by rapidly assimilating minority communities, state actors espoused non-racial democratic rhetoric.[mm] Seretse Khama – leader of the Botswana Democratic Party (BDP) and future president – stated in his pre-independence manifesto: "I wish to say

[mm] This security will be unraveled in Chapter four, as it resulted from institutional structure.

quite unequivocally that I have a feeling of responsibility for all the citizens of Bechuanaland, of all races and classes, whether they vote for or against my party."[186] Following independence, government eschewed ethnicity. It remained impartial when allotting land, hiring employees, providing social services, and permitting pursuit of political office.[187] Khama extended citizenship to any who embraced non-racialism and democracy. He stated, "This is independent Botswana, not a Tswanastan…Our nation is defined by its common ideals."[188] This sentiment, reinforced by the state's non-racialism, helped grow new norms. Facilitated by crosscutting social structures and cultural values, the state cultivated trust and tolerance. Whether these values created effective and sustainable institutions, however, remains to be seen.

3.3 Exploring Zimbabwean Norms

In Botswana, traditional authorities absorbed their major competition for popular loyalty – the Church. Zimbabwean leaders took a different approach, shunning religion for local customs.[189] The strategy proved ineffective. The Church became a viable alternative to chiefly authority, espousing different values and operating under different rules. Consequently, a Shona population "possessing a common language, religion, material culture, and system of law and custom, were not a united people."[190] Fragmentation was exacerbated by Shona norms against inheritance and succession.[191] With little continuity amongst elites, factions struggled for control. This instability inhibited development of strong executive power - norms of deference never emerged.

Norms in Zimbabwe clear diverged from those in Botswana. The distinction is a reminder that "African culture" must be disaggregated into localized units. The values described also conditioned Zimbabwe's colonial experience. Competing institutions and social disharmony led Britain to impose more active colonial administration.[192] British imperialists may have facilitated economic development, but our present concern is their impact on norms. Though scholars like Zibani Maundeni argue that colonialism did not disrupt existing cultural values,[nn] occupation certainly provided a foundation for Ian Smith's settler regime. It took civil war to oust that government and conflict fractured harmony and trust. During hostilities, black resistance splintered over strategic differences because Joshua Nkomo advocated a diplomatic approach and Robert Mugabe a militant one.[193] Divisions between the leaders and their supporters hardened when Nkomo entered into secret negotiations with Smith.[194] What trust remained between ZANU (Mugabe's force) and ZAPU (Nkomo's) was shattered. At the urging of domestic and international actors, it was Mugabe who eventually signed an accord to end the conflict.[195] Feeling deprived of real victory, with little faith in other prominent leaders, and lacking cultural support for a strong executive, Mugabe still attempted to construct a binding civic culture and strong institutions.[196]

Like Khama, Mugabe recognized that the white community was an invaluable reservoir of administrative experience. For this reason he attempted to craft a tolerant and inclusive political program. In an early speech he stated:

[nn] He notes that state culture was fractured before British rule began.

> The wrongs of the past must now be forgiven and forgotten. If we ever look to the past, let us do so for the lesson the past has taught us, namely that oppression and racism are inequalities that must never find scope in our political and social system…an evil remains and evil whether practiced by white against black or black against white.[197]

Lending credence to this conciliatory policy, Mugabe invited Ian Smith for weekly consultation. He also retained Smith's former military leader, Ken Flowers, as head of Intelligence.[198] ZANU's leader told a surprised Flowers:

> We were trying to kill each other; that's what the war was about. What I'm concerned with now is that my public statements should be believed when I say that I have drawn a line through the past. From now on we must trust each other. I want people to believe in my policy of reconciliation and act accordingly.[199]

Despite commitment to cultivating trust and tolerance race relations remained tenuous. Chapter four will explore how institutions reflected the tension between the cultural legacies and post-colonial goals. There, we can test a tentative conclusion – that disparate norms help account for distinct institutional forms. For now, we note the different values present in Botswana and Zimbabwe. Seretse Khama inherited a strong social framework conducive to constructing a new civic culture; Robert Mugabe came into fragmentation that threatened to derail reconciliation.

3.4 Spotlight #1: Somalia

The argument that colonialism had no impact on Shona political culture is a difficult one to make, as is any predicated on a counter-factual. Yet this strand of thought is important. When Maundeni implies that pre-colonial Zimbabwean norms were inconsistent with a developmental state, is he making a valid assertion? Determining whether some cultures are more conducive to growth promoting institutions is an essential, if controversial, line of argument. To this end, Somalia is a useful example. Under British rule, the territory enjoyed substantial independence.[200] With precious few resources to extract, there was little incentive for the imperial power to devote time and resources to managing the protectorate. Somalia's homogeneity enhances the comparison's merit by mirroring demographics in Botswana and Zimbabwe. 85% of the territory's population are Somali and belong to clans analogous to Botswana's Tswana tribes.[201] Despite numerous enabling conditions – including limited colonial interactions and ethnic homogeneity – Somalia's failures are prominent and extensive. The relevant inquiry is whether norms *caused* its underdevelopment.

In pre-colonial Somalia, scarce resources encouraged nomadic tendencies similar to those in Botswana. Lacking any security threat, Somalia never had reason to develop institutions for cooperation. Instead, conflict over resources divided the dominant ethnicity into warring factions. Without mechanisms for ameliorating conflict or norms of deference for leadership, tensions persisted throughout the colonial era. Social strife prevented emergence of civic culture and left potential leaders with little foundation for a unified state. As a result, the government has been undermined by the same factional conflict that dominated pre-colonial society. Scholars conclude that failure to develop norms of cooperation, participation, and leadership account for the modern failures of the state.[202]

Assuming the accuracy of this assessment, Somalia provides important lessons. First, some normative frameworks are more difficult to reconcile with a developmental state. In such circumstances institutions must, by necessity, forsake traditional values and promote new ones. Somalia also demonstrates that homogeneity is certainly *not* a sufficient condition for growth. When individuals perceive an opportunity they may mobilize a group to secure it by introducing novel loci for identity formation. Competing for scarce resources, Somali's conjured new identities to build loyalty and trust that provided a basis for territorial claims.[oo] This instrumental construction of identity demonstrates that ethnic uniformity is no guarantor of cooperation.

3.5 Conclusions

Studying the evolution of values has revealed key insights. For instance, the normative disparity between Botswana and Zimbabwe explodes the myth of an African culture. That each country has unique values demonstrates the importance of a contextualized approach to development theory. This chapter also contains an explanation for diverse institutional forms. Because values influence structures, states grounded in distinct cultural environments can generate different institutions. Chapter four examines whether institutions that incorporate local norms are more sustainable and effective.

The analysis above implies potential for levying constraints on elites, forcing them to abide by collective interests. In Botswana, for example, the population

[oo] It also suggests that security threats may have a significant role in generating the type of norms conducive to advancing development. Elaborating this strand of thought would be valuable, but is, regrettably, beyond the scope of this study.

expected government to allow mutual criticism and popular oversight, both capable of limiting capacity for predatory behavior. The extent of those restrictions will be investigated in the next chapter as well.

A last but crucial point regards Robert Dahl's mutual security. Dahl states that, "a key force that distinguishes successful from failed states is the social chemistry of the dominant class and the discipline of its leadership."[203] Chemistry and discipline are maintained when elites trust each other. In the absence of trust, the state becomes a vehicle for advancing particular interests. Only when leaders believe that their peers use state resources appropriately can security and stability emerge. Since elites do not trust unless the state is used appropriately, and do not use the state appropriately unless they trust, a prisoners dilemma is introduced.[204] This chapter provides a mechanism for reaching the Pareto-optimal outcome - trust and use the state appropriately. That mechanism is social norms. If effective, then Botswana should fare better than Zimbabwe in crafting effective policy and institutions. As we already know, it has.

Chapter 4 - Formal Rules of the Political Game: Institutions in Botswana and Zimbabwe

4.1 Introduction

An understanding of social norms enables analysis of institutions. In this chapter we have five objectives:

1) To unravel how norms were incorporated into structures;
2) To unravel the reciprocal impact structures exerted on norms;
3) To assess how government's balance autonomy and embeddedness;
4) To elaborate mutual security in specific institutional environments; and
5) To merge answers to these questions into ideas of institutional strength and incentives in each country.

To ensure clarity, the fourth and fifth objectives are discussed before pursuing the individual case studies.

Though social norms can promote mutual security, the rapidity with which values emerge depends on how institutions coalesce.[pp] Robert Dahl elaborates three approaches to constructing the state. The first was pursued by states like Britain and requires expanding political contestation before political participation.[qq] The exclusivity associated with this arrangement allows the elite to develop trust. Accumulation of wealth introduces mutual self-interest, the basis of a political culture that eventually supercedes ideological differences. Building wealth also raises the cost of suppression because revolution risks more severe losses than capitulation. With a firmly elaborated political culture available, elites will socialize the population into established and predictable modes of conduct. The availability of civic norms therefore increases incentive to capitulate even further. When opportunity permits the

[pp] This process also influences the substance of norms that arise.
[qq] Contestation refers to political rights like freedom of speech and press while participation refers to pursuit of office and the right to elect representatives.

excluded to sustain agitation for rights, elites protect their assets by co-opting the burgeoning.[205]

Dahl also proposes two other paths, both of which he considers less effective means of establishing mutual security. One allows full participation without extending rights to contestation. This process is difficult to navigate because numerous interests are involved in constructing institutions.[206] Conflict results in ambiguous rules that make the emergence of hegemony more likely than growth of security.[207] The other approach institutes full and immediate rights to contestation and participation simultaneously. This "drastically shortens the time for learning complex skills and understandings and for arriving at what may be an extremely subtle system of mutual security."[208] More plainly, social conventions emerge gradually. Limiting their window for growth or trying to construct them purposefully is a treacherous task. Exploring which of Dahl's paths was pursued by Botswana and Zimbabwe will provide important insight into why each succeeded or failed.

Remaining cognizant of how institutions grow or inhibit mutual security will enhance understanding of specific experiences with development. To advance that analysis, institutional strength must be explored. According to Huntington, institutional strength is generated by duration of existence, smooth transitions to new leaders and generations, and popular perception (do structures pursue collective interests).[209] To these standards, I add self-regulation. Effective institutions should encourage voluntary compliance for intrinsic and instrumental reasons. Intrinsically, compulsion backed by force is not optimal. The capabilities approach demands that respect for personal liberties be maximized whenever possible.[rr] Instrumentally, voluntary compliance is valuable because it increases structural flexibility. Institutions inevitably face externalities to which they must adjust. An existing reservoir of popular support facilitates smooth transitions. Conversely, when violence is required to compel obedience, weathering external shocks requires escalating amounts of force. These circumstances are, for obvious reasons, substantially less stable and so much less desirable.

Despite these qualifications on government's use of force against its citizens, coercion can be an appropriate deterrent if its use is restricted by two conditions. First, force must be confined to circumstances sanctioned through appropriate processes. The term appropriate is purposefully vague, as protocols vary between states; but government should not circumvent conventional methods for creating policy, whatever they may be. Citizens must also retain a means for appealing the use of force, further constraining government's ability to invoke it. If institutions are constructed properly, state actors will not have to coerce compliance often. Instead structures become adaptable, a last condition that Huntington offers.[210]

4.2 Botswana's Institutions

Prior to independence two leaders from each of Botswana's three major parties were invited to design the government with British administrators.[211] The structure that emerged incorporated modern and traditional elements. The central body was an adapted parliamentary system. It consisted of an elected unicameral

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[rr] Of course individuals may elect to restrict liberty, so entrenching the state capacity reintroduced later this chapter.

legislature responsible for choosing a President. Here, however, the systems diverged. Though the president was required to dissolve parliament once every five years, he or she was given powers not afforded the British Prime Minister. Responsibilities were analogous to the US presidency, but the executive remained atop the legislature. This strong president reflects Botswana's traditional predilection for powerful authority figures.[212]

To effectively manage the difficulties of development, the country's first President, Seretse Khama, augmented the central government by establishing a Ministry of Finance and Development (MFD).[213] The twelve other government ministries - including Commerce and Industry; Agriculture, Works, Transport and Communication, Education, Health, and others - filtered their agenda through MFD to ensure coherence.[214] The vice-president managed MFD and each bureau received a cabinet level leader.[215] Positions within all ministries were filled according to merit. Fighting the desire to localize government rapidly, the BDP hired foreign technocrats. For example, six years after independence, the Department of Economic and Financial Affairs' employed 33 individuals only 11 of which were Motswana.[ss] [216]

The central government structures outlined above adopted Tswana and English as official languages. Discrimination against minority dialects aside, processes were relatively inclusive. A thorough consultation procedure, for example, entrenched mutual criticism. It began with a Presidential Commission that reviewed existing circumstances and communicated with members of civil society, unions, and the private sector. Two semi-independent councils reviewed the Commission's report

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[ss] Motswana denotes an individual citizen of Botswana.

before it was presented to the cabinet. After ministers assessed and modified the document, the government drafted a white paper that was presented to the assembly for discussion and amendment. If passed, the legislation circulated through Kgotlas for approval. The public therefore retained access to the policy process at two important junctures, introduction and acceptance. Able to offer input at the outset and reject any result, populations had means to exert influence.[217]

Mutual criticism and consultation secured embeddedness but what of autonomy? Initially, it was secured by limiting contestation. Government restricted press freedoms until 1982, when it finally permitted circulation of an independent newspaper.[218] Earlier, government media comprised the entire press and could "report anything they want so long as they [toed] the official party line.[219] Even when the press gained some freedom in 1982, cabinet members continued interfering in editorial decisions.[220] Meanwhile, prohibition on private radio stations continued into the 90s.[221] In fact, government continues to inhibit press freedom today. The Directorate on Corruption and Economic Crime Act prohibits media from publishing information about ongoing investigations.[222] The National Security Act, in broadly defined circumstances, gives government the right to search and confiscate documents without warrants.[223] Other liberties were initially restricted as well. Labor rights, for instance, were heavily curtailed. If employment was terminated, an individual's union membership was also terminated.[224] Consequently many unions could not defend the wrongfully dismissed. Government also broadened the definition of management to limit access to membership and prohibited young workers from obtaining it at all.[225]

Yet more glaring than the aforementioned restrictions was governemnt's treatment of the Basarwa. A minority group that constitutes only 4-5% of the country's population, they were heavily oppressed. "Despite independence, their status has not radically altered and they are in all but name, as much the lowly serfs of the still hierarchical Tswana society as they had been before the turn of the century."[226] Though these remarks were made in 1981, Motswana scholar Ranwedzi Nengwekhulu believes they remain applicable today. Most Basarwa are farmhands, paid in milk and permitted to eat animals that die unexpectedly.[227] When property rights are discussed in chapter five, further injustices against the group will be revealed. For now we have established that government limited important civil liberties, generating autonomy at the expense of human rights.

Whether initial restrictions on liberty were necessary or not, one observes increasing respect for individual rights over time. Since gaining independence, the press has become a critical source of information.[228] It has exposed corruption, human rights injustices, and other governmental failings without eliciting a return to outright censorship.[229] Once absent, civic groups are increasingly plentiful. In 1995 the government established the Botswana Council for NGOs (Bocongo) to facilitate further growth.[230] The umbrella organization has 84 members dedicated to diverse causes including health, education, and government.[231] Even the traditional system, described later in this chapter, is considering lifting restrictions on minority rights.

This said, two systemic considerations remain. First, Botswana's party structure and electoral system warrant significant attention. The first faction to form was the Bechuanaland People's Party (BPP) in 1960.[232] Its three leaders, Motsamai

Mpho, K.T. Motsete, and Phillip Matante, constructed a radical platform that derided traditional institutions like hereditary chieftaincies.[233] Its Pan-African and anti-white sentiment worried soon departing colonial administrators who were pleased when Seretse Khama and Quett Masire founded the Bechuanaland Democratic Party (BDP) one year later.[tt] [234] Khama's party was a moderate one dedicated to non-racialism and without Pan-African leanings. That Khama entered politics "disconcerted the more nationalist politicians of the BPP".[235] Though Seretse had resigned his chieftaincy, he still commanded enormous respect. His opponents believed he could manipulate "his inherited status" for political gain, and with good reason.[236] Khama appealed to five important groups: to peasants he was a chief willing to relinquish his power to join them as commoners; to educated Africans, large cattle-owners, and chiefs, he was one of their own; and to Europeans he was a credible leader who dressed, spoke and behaved as they did.[237] Five years in exile contributed to that perception for two reasons. It erased the resentment towards whites Khama acquired while matriculating in South Africa and allowed him to meet his white English wife, Ruth Williams.[238] Once back in the Protectorate, Seretse put his fortuitous background to good use. He "learnt to exploit the essential ambiguity of his position in politics and society – as a mediator…between modernity and traditionalism and through his marriage between black and white, but also between aristocrats and commoners."[239] His famed penchant for defending friends of mixed race and known experience as an unpaid farmhand in Britain only enhanced his ability to identify with the electorate.[240] To mitigate Khama's widespread appeal the BPP ridiculed his anti-Pan-African stance,

[tt] All parties replaced the term Bechuanaland with Botswana before independence elections.

but to no effect.[241] Support for the BDP grew steadily and its opposition began to suffer from internal dissent.

Independence negotiations permanently crippled the already fractured BPP.[242] Having split over ideological differences, the group sent four representatives to the constitutional conference. Fragmentation had an immediate impact. Instead of preparing a detailed proposal, the factions argued over political strategy. Meanwhile, Khama and Masire delved deeper into the nuances of the constitutional process.[243] When the British proposed universal suffrage devoid of "privileged positions for both chiefs and Europeans," only the BDP was prepared.[244] Khama went clause for clause with colonial representatives, constructing the entire constitution without BPP interjection.[245] He secured an electoral system that favored two parties by using single-member pluralities instead of proportional representation. The increasingly fractured BPP faded and the Botswana National Front (BNF) emerged as the most powerful opposition.[uu] Neither group could derail the BDP, which has won every election since independence.

Though early campaigns were lopsided, competitiveness has emerged slowly. In 1969 only four parties participated in elections, but the last four contests have averaged seven.[246] Turnout has steadily increased from 31% in 1974 to an average of 76% in the last four races.[247] Initially a de facto one party state, the BDP now faces serious competition. Beginning in 1979, the BNF has consistently increased support. Lately, the BCP (formerly the BPP) has also offered more viable opposition. In the last two elections, each party received at least 10% of the vote.[248] In 2004, the

[uu] Its platform was strikingly similar to the BPP's radical and Pan-Africanist one.

opposition won 13 of 57 seats, the second highest proportion in the nation's history.[249] The impact of these changing party dynamics is the topic of chapter six. There, we explore shifting coalitions and potential BDP responses to threats of removal from power. The validity of doubts about institutional integrity – present because a peaceful transfer of power has not yet occurred – is also assessed. Regardless, limited electoral competition early in the Botswana's history is worth nothing, as is the recent emergence of a more powerful opposition. Apparently the BDP had substantial autonomy after independence, autonomy subsequently reduced as other parties grew stronger.

The last systemic consideration concerns the tribal administration, inherited traditional values and institutions. Indeed, its local branches were the Kgotlas that formalized norms of participation, communication, and consultation in the pre-colonial era. Some alterations to the structure occurred, most notably affording women the right to speak; limiting social status' impact on allotted time; and regulating selection of leaders by the central government.[vv] [250] Regardless, the important functions of Kgotlas have been preserved. Personal disputes are still settled by chiefs who use conventions that mitigate hostility.[251] Traditional authorities have also become the public face of domestic policy.[252] Chiefs function as mediators for local government – which is responsible for providing services and building infrastructure – and citizens. Delegating this role allows the central government to disassociate itself from everyday concerns, contributing to the state autonomy elaborated later this chapter. In the meantime, affording traditional

[vv] Though a village's selection has only been blocked once and was then overturned by appeal.

authorities a substantial role has ensured continuity and helped maintain harmony in Botswana's villages. Chiefs' ability to mobilize rural support promises them a prominent and continued role in the state.[253]

Villagers typically interact with the tribal administration, dissociating the central government from daily affairs and so increasing autonomy. So integrating tribal institutions generated credibility for the central government but left chiefs unsatisfied with their role. To compromise, the BDP conceded creation of an advisory chamber on the national level.[ww] Membership in this House of Chiefs was, and remains, limited to members of the Tswana tribes.[xx] [254] The chamber was responsible for providing expert advice on local institutions and traditions and retained the right to offer amendments on all legislation.[255] To augment their limited powers, members of the chamber pursued a well-conceived strategy. They initially limited suggested modifications to minor issues**,** creating an impeccable record of success that built credibility for the House and established precedent for accepting their suggestions.[yy] [256] While all of their subsequent proposals were not incorporated into legislation, chiefly amendments could not be disregarded easily. Chiefs also began posing questions to government ministers.[257] This practice was neither delineated nor prohibited in the constitution and became standard practice. Members

[ww] The chamber provided chiefs with a national role but any that sought a spot in parliament had to resign their chieftaincy for two reasons. Chiefs retained an unfair advantage in recruiting support and risked their traditional status by suffering defeat. (Proctor, 63)

[xx] Reform of this constraint on minority rights is being investigated by the Balopi Commission, an independent council appointed by the government. (Solway 725)

[yy] They even refrained from offering substantial alterations to the Chieftainship Bill, which curtailed their powers by subjecting selection of chiefs and subsequent decisions to central government oversight. (Proctor 74)

of the House regularly inquired about maintenance of development projects like the Ghanzi-Lobatsi road and other important issues.[258] Acquiring important responsibilities in Botswana's institutions**,** chiefs built a national role to complement their local one.

4.3 Assessing Botswana's Institutions with Respect to Objectives

Rather than mimicking the British parliamentary system, Botswana adapted the model to its own idiosyncrasies. Incorporating norms of mutual criticism and strong authority through extensive consultation and a powerful presidency, leaders created structures that resonated with popular expectations of governance. Going further, their use of traditional structures generated credibility and ensured continuity. Values that contributed to social harmony were preserved, most notably the local mediation of private disputes that protected claimants' integrity. Carefully appropriating traditional norms strengthened institutions by generating voluntary compliance. At no point did central government use physical force against the population, or even threaten to do so. Rather, use of traditional institutions secured loyalty despite restrictions on civil liberties. Over time, however, existing structures provided adequate means to address complaints. Central government relaxed constraints on press, assembly, and unions. Limitations based on gender and social status in Kgotlas ebbed and qualifications for the House of Chiefs soon may soon become more inclusive.

Durable and adaptive institutions strengthened some norms and altered others. Norms of consultation were bolstered by incorporation and use of the Kgotla. The public expects that leaders will present policy through local institutions before implementing them. Deference to authority, meanwhile, has been tempered since independence. Emphasis on approval rather than active participation in Kgotlas remains, as does willingness to accept that government may consider but neglect advice. Yet citizens are less hesitant to vote for opposition groups and the press less hesitant to voice criticism than before. Norms of mutual criticism have also been altered. They still deter more radical types of agitation, like strikes, but press freedom has dissolved the private element of traditional exchanges.

In addition to strengthening and modifying existing norms, Botswana's institutions allowed elites to grow new ones. Leaderships' promise to ignore ethnicity was evident in bureaucratic processes, advancing institutional effectiveness by augmenting trust and predictability. Such early commitment to non-racialism may seem counter-intuitive. How could elites have developed mutual security rapidly enough to dismiss ethnicity in decision-making? The answer lies in the security afforded by a majoritarian electoral system; security augmented by the legitimacy that traditional leaders garnered for the central government.

What of embeddedness and autonomy? Consultation addressed the former by ensuring that the state remained well informed. Though average citizens were unlikely to participate in the first stage of the process, emerging civic groups represented their interests effectively. As important, most citizens did voice their opinions when policies were elaborated in Kgotlas. The traditional system, therefore, ensured feedback from the population. Traditional institutions also provided constraints on autonomy. By forcing the state to present policy in Kgotlas to secure legitimacy, the structures deterred predatory action. Periodically, the government tried to advance self-interested policy, but anger in the Kgotla typically forced withdrawal. Initiatives to privatize grazing areas and build unnecessary dams were abandoned because of opposition expressed in local venues.

Despite constraints imposed by the traditional system, the central government retained sufficient autonomy to address a variety of issues. It remained responsible for macroeconomic policy, foreign policy, and crafting a broad development program. That local government was responsible for implementing domestic policy allowed the state to cultivate a remote image and so enhance autonomy. Its own local venues –called Freedom Squares –were scarcely used. Rhetoric there was highly partisan and typically dominated by an official's monologue, rather than the dialogue characteristic of Kgotlas. The central government rarely assigned administrators to their home region, a means of detaching officials from constituents. As a result of these conditions – and limited access to the central government – few villagers had "practical interest in knowing the formal layout of the political-administrative system".[259]

The most powerful method for securing autonomy was the electoral system.

> By fully embracing the multi-party process, the political elite could continue to exercise established methods of social control, while gaining new techniques for mobilizing and controlling much broadened political participation.[260]

Concession to fair and competitive elections won such fervent support that the BDP faced little opposition for a decade after independence. Open contests also compensated for constraints on individual rights. Absence of free press and assembly therefore remained until a foundation for growth was established. The BDP's electoral mandate allowed leaders to implement policies with high short-term costs and great long-term benefits. More specifics become evident in the next chapter.

Botswana's institutions also provide insight into the development of mutual security. Having constructed an electoral system in their favor, the BDP felt secure enough to empower traditional leaders. Allowing the chiefs to assume a role enhanced state credibility. Security also encouraged the BDP to retain whites in bureaucratic positions. No viable opposition was present, limiting the political fallout of privileging a minority group. With radical nationalist groups marginalized by the single member plurality system, non-racialism had time to gain acceptance. Other circumstances also afforded the BDP substantial autonomy. Colonialism left the tribal system intact, ensuring chiefs retained credibility and could be incorporated into government. Indirect rule made collaborating with whites less offensive than in more oppressive regimes. The confluence of enabling norms, appropriate institutions, and favorable historical context created an environment where mutual securities could and did emerge. When state actors no longer felt threatened by contestation, civil liberties were extended. Botswana thereby illustrates that strong and sustainable institutions result from well-contextualized development programs. Though participation preceded contestation there, the state managed to entrench order. Effective paths to effective government, it seems, are not contingent upon Dahl's first model. When institutions reflect local circumstances, stability is attainable.

4.4 Zimbabwean Institutions

After emerging from a costly civil war, Zimbabwe erected more constrained institutions. The central government imposed a bicameral legislature with 20% of seats reserved for Whites.[261] According to the constitution, these quotas could not be repealed until 1987.[262] A British-styled prime minister led the government, the weak executive selected because of inherited norms against centralized authority.[263] For reasons that will become apparent, Robert Mugabe eventually introduced and passed legislation to amend these structures. Initially, however, pressure from ethnic pluralism, a flourishing civil society, and an active press, all confined the leader.

Bridging the gap between Zimbabwe's original and reformed institutions requires examination of the electoral system. Because of powerful and dispersed interests the state implemented proportional voting. This approach empowered smaller parties by creating the opportunity to win seats without a plurality of support in any particular district. Proportional voting created a level of party diversity not historically present in Zimbabwe. Throughout the colonial period blacks were denied the right to vote, and white support typically coalesced around one party.[264] Despite existing means to challenge power whites enjoyed such consensus that those mechanisms were never utilized.[265] The result was a de facto one-party state. Its success in promoting economic growth convinced Mugabe that a de jure one-party state was desirable. When his party won 57 of 80 seats, but was bombarded by ideological challenges from all directions, that conviction was reinforced.[266] So began attempts to repress electoral competition. In 1980, contests included ten different parties.[267] Over the next twenty years that number dwindled to eight, five, and three.[268] Unsatisfied with his ability to navigate Zimbabwe's many interests, Mugabe also began altering institutional structures. Reforms, however, were preceded by further attempts to consolidate power by electoral means. To secure a mandate Mugabe tried to merge ZANU with its rival, Joseph Nkomo's ZAPU. Exploring his methods for facilitating consolidation reveals the depth of Mugabe's disregard for human rights.

Many civil liberties were initially protected in Zimbabwe, but not for members of the Nbedele minority. Members of the ethnic group pledged near universal support to Nkomo, introducing an ethnic component to party competition. Citing newly discovered arms caches and agitation by 400 Nbedele rebels as a pretext, Mugabe launched a military operation ultimately meant to compel ZAPU's capitulation.[zz] In a campaign called Gukurahundi,[aaa] Mugabe used a personal task force trained by the North Korean military to beat and starve ZAPU supporters. The force, called Brigade 5, massacred 2,000 Nbedele in February 1982, raping and assaulting many others. When the violence failed to elicit concession, Mugabe regrouped. In 1984 he initiated a program of systematic starvation. Brigade 5 closed shops and prevented food supplies from entering the region. The policy caused untold casualties amongst a community of 400,000 Nbedele in Matabeleland. Desperate to end the violence, Nkomo entered negotiations with Mugabe in 1985. By 1987, ZAPU was subsumed into the ruling party. The agreement anointed Mugabe as

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[zz] Rebel ranks only swelled to 400 briefly, their numbers were more consistently around 200.

[aaa] A phrase that roughly translates to "the early rain that washes away the chaff." (Economist May 29th, 2002)

indefinite party leader and formally announced his desire to create a one-party state.[269]

As stated in chapter three, Mugabe initially pursued a policy of reconciliation with Nkomo and Ian Smith. "Deeply conscious of the shortcomings of his own team, their lack of political, administrative, and economic experience and skills," ZANU's leader tempered his Marxist rhetoric to elicit cooperation.[270] Events, however, conspired to disrupt this moderate approach. Despite attempts to absorb racial tension in democratic structures and rhetoric, conflict emerged. As early as 1980, Peter Walls, the white leader of the armed forces, publicly criticized Britain for failing to annul the 1980 elections.[271] ZANU's Secretary General, Edgar Tekere, responded with diatribes against whites and led a demonstration that culminated in the murder of a white farmer.[272] The homicide was the first of two watershed moments in race relations and long-term institutional integrity. Mugabe initially maintained the trust of the white community by dismissing Tekere from the cabinet; however, his credibility vanished when Tekere was acquitted through antiquated legislation.[273] Following this incident, black and white members of parliament became more abrasive.[274] The hostile atmosphere provoked another crucial event in 1981, when radical whites attempted to assassinate Mugabe by bombing ZANU headquarters.[275] The latest of three attempts, the consequences were severe. The attack killed seven and injured 124. Although Mugabe was unharmed, his resolve on reconciliation evaporated. Shortly after the bombing the leader announced "In these circumstances…my government is bound to revise its policy of national reconciliation and take definite steps to mete out harsh punishment."[276] Mutual security dissolved rapidly, Mugabe began pursuing the one-party state more strongly, and structural change appeared on the regime's agenda.

Institutional reform began in 1985, when single member constituencies replaced proportional representation.[277] In 1987 reserved seats in the House and Senate were abolished, fifty seats added to the house, and the office of Prime Minister replaced by a Presidency.[278] Each of these four measures augmented ZANU's power. The shift to single-member constituencies marginalized smaller parties and eliminated seats reserved for whites, effectively banishing them from parliament.[bbb] 30 of the additional 50 seats were appointed by the President and 20 elected directly. Because Mugabe only appointed supporters to the seats at his discretion, ZANU needed but 46 of 120 contested positions to secure a majority. The newly established presidency also increased Mugabe's powers. He could veto legislation, command the armed forces, and appoint cabinet members, judges, generals, and civil servants.[279] Given the dissolution of constraints at this juncture, these American-style powers enabled predatory action. Yet despite all the structural changes, Mugabe remained unsatisfied. In 1989 he abolished the Senate and in 1992 passed legislation that secured funding for parties with at least 15 representatives, effectively subsidizing ZANU.[280] By then, an electoral system that limited autonomy, history of fragile race relations, and poor leadership, conspired to undermine institutions and depress potential for growth.

[bbb] Their population had dwindled below electorally significant numbers, preventing white candidates from achieving success.

4.5 Assessing Zimbabwe's Institutions with Respect to Objectives

In Zimbabwe the state inherited few values supportive of a developmental state. The fragmentation that characterized both pre-colonial and colonial cultural and political experiences forced the country to install a political system that accommodated its varied interests. Use of proportional voting and early commitment to civil liberties reflected efforts to subsume conflict under democracy. Those institutions reinforced the norms upon which they were founded. Factionalism and distrust grew stronger. As a result, the state became a prize for capture rather than a vehicle for pursuing collective interests. Initial embeddedness exceeded autonomy and left the state incapable of navigating diverse interests. As Dahl imagined, the rules of politics remained ambiguous and mutual security never emerged. The regime began lapsing into authoritarianism as structural reform and electoral consolidation replaced embeddedness with autonomy.

Earliest reports of patronage in Zimbabwe are dated 1988. Newspapers detailed collusion between government officials and the private sector - cohorts were hoarding scarce resources to sell at inflated prices. Ironically such reports provided the government with an opportunity to regain credibility by prosecuting the accused. Any gains that resulted from subsequent trials were erased when the defendants were acquitted of corruption charges. Accusations of government interference increased when Mugabe pardoned the official convicted of perjury.[ccc] The pardon was

[ccc] That perjury conviction was the only guilty verdict returned against state officials on any charge.

perceived as tacit approval for lying under oath and further alienated the population.[281]

After the trials, corruption expanded. Government officials began receiving disability claims in excess of 100,000 US dollars.[282] One, Reward Marufu, was awarded 822,668 US dollars for ulcers and a scar on his knee.[283] When courts ordered government officials to recoup the 450 million Zimbabwean dollars taken from the War Victims Fund for these purposes, the government refused.[284] Judicial impotence compounded presidential excesses, declining electoral competition, and other institutional conditions that facilitated emergence of a predatory state. Because traditional authorities were discredited as colonial collaborators, they were incapable of levying constraints.[285]

Why didn't Zimbabwe's population resist reform that eroded constraints? Wise policy choices are part of the answer. Chapter five will demonstrate how Mugabe co-opted the poor rural electorate and so ensured continued support. Some of the explanation, however, is structural. The institutions that emerged from civil war had no reservoir of legitimacy. The population simply was not invested in the new structures. Pervasive apathy towards institutions diminished resistance to change, facilitating wholesale reform and increasing the potency of external shocks.

4.6 Spotlight #2: Mauritius

Zimbabwe's experience demonstrates that growing institutions from prevailing norms is *not* a sufficient condition for growth. Mauritius, on the contrary, illustrates that supportive norms are not necessary for growth either. Its colonial experience produced an economically powerful ethnic minority in frequent conflict with the country's other ethnic groups.[ddd] [286] Despite such diversity, Mauritius enjoys political stability and economic success. Investigating why provides clarity on the relationship between institutional sustainability and normative support.

To prepare Mauritius for democracy, Britain passed universal suffrage nine years before the country's first election.[287] When independence arrived (1968), proportional voting was implemented to address fragmentation. Because no party was strong enough to garner a majority of seats, proportionality was more effective than in Zimbabwe.[eee] In all, sixty-two positions were contested and eight apportioned to communities underrepresented given their share of the vote.[fff] [288] The latter measure created opportunities for small parties to obtain seats and placated those advocating quotas tied to ethnic population. With coalitions necessary to form governing blocs, compromise became important. Prevalence of violent conflict betweens Africans and Muslims prior to independence made emphasis on discussion and mutual concession equally essential.[289] After an early coalition faltered, a strong center-left union of the Labour Party – which appealed to Hindus – and Social Democratic Party – which appealed to the Creoles and French – provided stability.[290] The coalition was powerful because the French elite and Hindu middle class were

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[ddd] The country's ethnic breakdown is 52% Hindu, 27% African, 16% Muslim, 3% Chinese and 2% French. (Brautigum 48)

[eee] The Hindu population comprised 52% of the country but was fractured along class lines. Other institutional checks, introduced shortly, also prevented complete Hindu hegemony. As will become evident next chapter, economic circumstances presented another obstacle to a Hindu dominated state.

[fff] Communities could be underrepresented because proportional voting took place in twenty districts which each sent three representatives. If, for example, five parties clustered around 20% of the vote, then the weakest two were severely disadvantaged. Still, seats received under this clause were not permitted to change the balance of power. In addition, two seats were reserved for minority groups to help prevent emergence of a non-coalition government.

anxious to protect their assets, economic and political respectively.[ggg] The regime developed a “culture of transparency and participatory politics” that built confidence amongst the population.[291] Transparency also ensured that “warning signals and feedback mechanisms” allowed effective diagnosis and treatment of economic problems.[292] The successful stabilization plans that follow – and are discussed in chapter five – increased the government’s credibility.[293]

Coalitions thereafter usually formed around upper, middle *and* lower class interests, but the state was not yet stable.[294] In 1972 a radical labor party called the MMM threatened to unseat the moderate coalition. The Labour and Social Democratic parties postponed elections so that their policies had time to produce results that, they believed, would dissolve radical sentiment. Subsequent questions about Mauritian democracy, however, were answered in 1976. Elections that year ran on schedule and included the MMM. Eliciting weaker support than expected – because of interim economic growth – the radical group moved to the center and has since participated in ruling coalitions. All told, Mauritius has enjoyed six elections and two peaceful transfers of power.[295]

One might wonder why governance in Mauritius was benevolent; why leaders advanced social interests instead of their own; and elites enacted rules to regulate relations with the private sector? Surprisingly, self-interest provides the most compelling answer. Economic power was dominated by the small French population, which owned most of the country’s sugar plantations.[296] Political power, meanwhile, was entrenched firmly in the Hindu majority.[297] With resources dispersed,

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[ggg] The Zimbabwean equivalent would have required a ZANU coalition with Smith’s Rhodesian Front.

cooperation became crucial and suppression costly. Presence of large minority populations increased the possibility of frustration and upheaval, furthering encouraging state actors.[hhh] These two factors account for Mauritian action. Though enabled by structures, individual agency played a role as well. Leaders sustained coherent and adaptable institutions that have withstood transfers of power and now span decades. They grew mutual security out of mistrust, and without prior norms. Mauritius demonstrates that prevailing norms are *not* necessary for constructing sound institutions. That a culture of transparency, compromise, and trust emerged to support the state, however, suggests that constructing a civic culture where one is absent may be essential to sustainability. Labeling this process a necessary condition would be overstating the case, but we have not uncovered evidence to the contrary.

Mauritius illustrates that meticulous attention to local circumstances and appropriate knowledge of how structures condition behavior can generate development in unlikely circumstances. This provides stark contrast to Zimbabwe, where institutions exacerbated norms of distrust that developed during civil war. Proportional representation affected each country differently because of demographic disparities. That the system would not generate moderation in Zimbabwe – where ZANU could score overwhelming electoral minorities – should have been foreseen. There, no incentive towards transparency, cooperation, or dialogue existed because a governing coalition could be sustained without minority support.

[hhh] That the Hindu class was not monolithic prevented it from forming a powerful and exclusive alliance with the French.

4.7 Conclusion

This chapter examined the fluid relationship between norms and institutions, construction of embedded autonomy, and emergence of mutual security in Botswana, Zimbabwe and Mauritius. By providing answers to the questions elaborated at its outset, the text allows us to draw interesting conclusions about building strong institutions and understanding structural incentives. Analysis reveals that growing institutions from prevailing values is not sufficient for success. Still, Mauritius demonstrates that norms remain important components of sound and sustainable institutions. Effective governments may emerge without a supportive culture, but likely fade if it remains absent. Mauritian elites, like Botswana's, cultivated civic values to prevent ideological differences from dividing their society. Because policy differences can be expected, this underlying faith is crucial for long-term stability. It provides a sound and unquestionable foundation that maintains order during the most vehement disagreements. If successful, it is "coherent and mutually reinforcing," generating consensus among "people's predominant beliefs, attitudes, values, ideals, sentiments and evaluations about the politic system of its country."[298] Where norms are not conducive to institutional longevity, cultivating a civic culture is essential to sustaining support for the state.

Understanding the structural incentives and equilibriums created by different political systems is as important as generating a supportive culture. Adequate incentives result when embeddedness and autonomy are balanced successfully. Excess embeddedness creates opportunities for state capture and limits government capacity. It introduces two viable equilibria – one where government passes fragmented policy to placate each of many interests and another where gridlock obstructs government action. In Zimbabwe's case, elites responded to this scenario by introducing structural changes that shifted equilibrium towards excess autonomy, bypassing balance. Too much autonomy, however, introduces incentives for predatory behavior. If accountability, transparency, and responsiveness are limited, why not use the state to advance self-interest through patronage or corruption?

In Botswana, the electoral system helped secure a de facto one-party state. Traditional government increased autonomy further by providing credibility and preserving supportive norms; but constraints against opportunistic behavior also remained active. Presenting policies in Kgotlas allowed the population to exercise oversight. The public rarely objected to initiatives, encouraging government to withdraw unpopular policies and so enhance perception that the state was accountable. The national presence of chiefs also prevented narrow interests from capturing the state, as did consultation and mutual criticism. In effect, Botswana's political system was constructed to produce an excellent balance of embeddedness and autonomy. Though economic changes have potential to alter this equilibrium, chapter six will illustrate that institutions have managed shocks and prevented significant shifts.

Zimbabwean structures reflected prevailing norms and created inappropriate incentives. Without substantial deference for authority – even before the fragmentation of the black community during civil war – the country created a weak executive. Proportional representation and ethnic quotas in the legislature both reflected deeply embedded distrust. The resultant system introduced participation and contestation simultaneously. With little incentive to compromise, elites responded to the presence of diverse interests by introducing excess autonomy. The only significant obstacle to institutional reform was the rural vote. Chapter five explores how ZANU co-opted this bloc and so garnered support for structural change. Already, however, potential for reversion to hegemony was apparent and weakness of institutions evident.

Chapter 5 - Form, Function, and Outcomes: Economic Policy in Institutional Context

5.1 Introduction

Policy is not conceived in a vacuum. Elaborating normative and institutional details in previous chapters provides the foundation for understanding development in Botswana and Zimbabwe. Now, the interplay between economic decisions and the structures that conditioned them can be analyzed. Studying Botswana's approach to economic development may provide insight into how other countries can grow. Zimbabwe's experiences will identify less viable strategies.

5.2 Botswana's Economics

According to Paul Collier, a landlocked nation with bad neighbors should not grow. Absent economic diversity and with limited agricultural potential, one would expect Botswana to become resource dependent. Collier concedes that Botswana is the exception to those hypotheses, but why is it so? To understand the country's success one must begin with the diamond economy.

Diamond Policy

Discovered before independence but unknown to most, diamonds provided the foundation for Botswana's unprecedented growth. Ensuring appropriate management of the resource required asserting government authority over the sector. Seretse Khama was instrumental in securing state control because he willingly transferred jurisdiction over the mines in his home region to the central government.[299] Committed to societal interest, Khama established a compelling precedent for other leaders.

The state initiated its diamond economy by levying a variable tax on speculators.[300] The amount due varied with the substance of exploration conducted; if a company was meticulous and thorough, taxes were reduced. Government willingness to sacrifice this added revenue was essential in promoting responsible speculation. By 1975 the quality and quantity of Botswana's fields were well documented. Rather than allow inexperienced firms to handle production, the state contracted DeBeers. Khama extracted a favorable agreement from the company for three reasons: he was an excellent negotiator, was aware that his leverage grew as the company's investment increased, and knew that "the size and quality of Botswana's diamond production and reserves [were] such that DeBeers could not afford to take the risk of losing control of the marketing of Botswana's output."[301] The company, which manages production for 80% of the world's diamonds, agreed to share the profits equally.[iii] [302] Through royalties, taxation, and dividends, however, the state increased its share of revenue to 75%.[303]

Securing favorable terms was only the first step in building a stable diamond economy. To manage revenue, the government limited the profits converted from reserves to domestic currency. This prevented appreciation of the Pula, protected export-competitiveness, and created an enormous foreign exchange reserve. That reserve buffered Botswana from exogenous shocks, though diamonds are more

[iii] For context, Namibia also negotiated a 50% state share in the enterprise, while the Tanzanian government receives only 25% of profits and Indian government only 24%. (www.debeersgroup.com)

durable than other commodities and so inherently less volatile.[jjj] [304] Realizing that untouched and sold diamonds represented part of the country's natural endowment of wealth, the state invested most converted revenue into human or physical capital.[305] Building schools and constructing infrastructure contributed to absolute wealth because these assets have enduring potential to advance growth. Consumption oriented spending – with its more transient impact – would have squandered the long-term benefits of diamond revenue. Still, the state needed to combat the inflationary effects of spending. To do so it adopted a liberal import policy that secured goods and food unavailable from domestic producers.[306] The policy depressed prices by introducing competition.[kkk]

Structural conditions facilitated effective management of natural resources. The ability of leaders to identify appropriate policies was important, but the capacity to implement them was created by institutions. For example, the structural equilibrium described earlier allowed elites to limit spending without electoral consequences. The conspicuous absence of opposition, remote image of central government, and insulation afforded by traditional government, gave leaders the ability to maintain exchange reserves instead of creating a welfare state. Security was so entrenched that opposition was irrelevant:

[jjj] Despite less volatility the country required reserves because DeBeers retained the right to halt production and limit supply. The firm's goal was to maintain the price of diamonds but withholding stones meant decreasing supplier's revenue

[kkk] That diamond revenue was invested at all demonstrates the effectiveness of constraints on autonomy. A transparent consultation process, oversight from the tribal administration and rigid regulations on funding prevented elites from shunting public revenue into private banks accounts.

> Botswana's approach towards the spending (or saving) of its mineral revenues has not been universally popular within the country. There have been frequent criticisms from opposition political parties that more of the mineral revenues should have been spent, given the persistence of poverty in some parts of Botswana and the existence of unmet social and economic needs.[307]

The critiques articulated by opposition parties were ignored because in 1975 the population had little interest in central government's affairs. Electoral turnout provides ample evidence of that indifference. Turnout fell from 75% in the first election (1965) to 55% in the second (1969).[308] In 1975 it plummeted to 31% before rebounding gradually.[309] With local governance delegated to traditional authorities, Khama and the BDP remained free to manage the economy as they wished.

Agricultural Policy

Government remained exceptionally frugal with regard to rural issues. From 1966-1973 investment in agriculture remained constant, declining to 5% of the national budget.[310] Limited arable land was in poor condition and inequality persisted.[311] Less than 20% of the rural population held more than 70% of the wealth, contributing to the nation's .7287 gini coefficient at independence.[312]

In 1975 the government launched its first significant agriculture initiative, the Accelerated Rural Development Programme.[313] It provided for construction of infrastructure and distribution of seeds, but did not entirely subsidize production. Agricultural expenditure remained limited.[314] Neglect was not the result of overactive industrial policy, as Ayittey suggests, but because revenue was scare and Dutch Disease a threat. Producing sorghum, maize, millet, beans, sunflowers, and groundnuts, farmers were unable to service the domestic markets.[315] As Botswana became a net importer of foodstuffs, insulation became increasingly necessary to sustain minimalist agricultural policies.

Spending

Anxious to avoid Dutch Disease and debt, the state was cautious with regard to spending. Restraint also reflected a desire to secure self-sufficiency.[lll] For the first six years of independence, the state required large grants from the British government to finance its budget.[mmm] [316] By managing expenditure closely and leveling taxes on mining equipment and speculators, the government generated sufficient revenue to balance its budget by 1973. [317] Maintaining balance required continued thrift. Investment opportunities were selected carefully and focused largely on physical and human capital. Having inherited limited infrastructure, the government gradually built housing, roads, schools, medical facilities, and other essential public goods.[318] Restraint was maintained through legislation that prohibited funding for any project that did not complete the entire consultation process.[319] Withholding resources from foreign policy also reduced spending. Khama limited embassies to New York, London, and Lusaka.[320] He pursued a diplomatic approach abroad and so avoided constructing a military until 1977.[321] These decisions belied substantial autonomy. With hostile neighbors that frequently violated its borders, delaying military spending required ignoring public opinion. It also required able leadership. For example, when Botswana declared independence, neighboring rebels (including ZAPU) slipped

[lll] Not in an autarkic sense. The state was not resistant to trade; it simply wanted to cover expenses without needing external support (aid, loans, etc.).
[mmm] Note that this occurred before the diamond contract augmented state revenue, demonstrating the degree of fiscal restraint involved in achieving balance.

guerillas into the country.[322] An overreaction would have alienated independent African regimes that supported rebel struggles for independence. Yet Botswana needed to assert its sovereignty and so expelled invaders.[323] To maintain credibility with free African states rebels were sent to sympathetic territories like Tanzania. The mere act of forbidding rebel activity within its territory placated white regimes and so allowed Botswana to successfully navigate a diplomatic approach.[324] Far-sightedness also extended to refugee matters. Though Khama agreed to accept genuine émigrés, he would "not permit people to plan and to attempt to achieve the violent overthrow of the government of any country from within the boundaries of Botswana."[325] These policies were instrumental in allaying demand for armed forces. Eventually, Rhodesian forces violated Botswana's sovereignty so severely that militarization became necessary.[326] By that time (1977), the state had adequate resources to finance the armed forces without plunging into debt.[327] The eleven-year commitment to diplomacy provided a window for accumulating revenue and building infrastructure without having to balance these needs against costly military spending.

Botswana's government refused to create a large welfare state. Wary of moral hazards and budgetary issues, the government refrained from passing any social assistance until 1980.[328] Even now, the government remains committed to creating jobs rather than providing what Sen would call "security." What welfare legislation passed was minimal. The Destitutes Act (1980) provides food, shelter, medical care, tax relief, funeral expenses and more, but not in sufficient quantity to dissuade citizens from determinedly pursing employment.[329] Only one person per household is permitted support under the act and provisions are scant.[330] For example, any individual receiving benefits is provided only 1,750 calories per day, though the government knows that 2,300 calories are recommended for long-term health.[331] Whether or not one agrees with this policy, the impact on growth was clear. Incentives were preserved and spending did not exert a negative impact on the economy. Insulation, again, was crucial to limiting welfare spending – particularly given the depth of poverty in rural regions.

Macroeconomic Policy

On more traditionally macroeconomic issues leaders were equally conservative. In addition to restricting spending and imposing liberal import policies, the state combated inflation by pegging the minimum wage to rural income.[332] This reduced urban wages and consumer demand. The state also recommended that the private sector match public sector salaries to prevent competitive bidding and resulting wage escalation.[333] Government salaries were monitored carefully and always reflected rising costs and productivity gains.[334]

This approach was feasible because the labor movement was heavily restricted. Without strong unions to represent workers' interests, state actors could hold salaries under market conditions. Similar strategies were pursued in South Korea and Taiwan; however, the pace of industrialization in Botswana remained more gradual than in either East Asian country. Urbanization – typically associated with industrialization – increased only 13% from 1964-1981, well below the average African pace (30%).[335]

Artificially reduced wages also reinforced comparative advantage in labor-intensive industry.[336] Evoking striking parallels to East Asian strategy, the country undervalued its currency to bolster the effect.[nnn] [ooo] Results have been gradual but consistent. The manufacturing sector remains relatively small but among Africa's fastest growing. It has expanded 8.7 % a year since 1966 and now constitutes 15.5% of the economy.[337] Textiles now contribute to a current account surplus that typically exceeds two billion, though diamonds and cattle account for most export revenue.[338] Holistically, reducing wages and undervaluing currency were part of a systematic attempt to privilege labor-intensive industry, combating the impact of capital oriented diamond production and creating employment opportunities.

Limited spending and undervalued currency both contributed to the expansion of currency reserves. By 1990, the country had sufficient exchange to sustain two years of current account payments without incoming revenue.[339] This permitted the state to navigate exogenous shocks. It could maintain spending when revenue streams were disrupted and avoid the political crisis and accumulation of debt associated with resource dependence.[ppp] Though spending has always lagged behind reserves, now that the latter is plentiful and the economy more diverse, expenditure has risen.[340] It now constitutes 41% of GDP and is reducing poverty and inequality.[qqq] [341]

[nnn] South Korea and Taiwan both undervalued because doing so reduces domestic costs relative to international prices, artificially increasing profit margins and so creating incentives to export. (McGuire Class Notes Gov't 271) Launching the strategy often requires foreign exchange reserves, foreign aid, or foreign direct investment because costly machinery is required for production. That Botswana initially lacked these resources may explain the slow pace of export-led growth there.

[ooo] The state currency was introduced in 1977. It was called the Pula and immediately pegged to the rand. (Leith 39).

[ppp] As evidence, see the ease with which Botswana handled prolonged drought in the early 90s.

[qqq] Evidence of these advances is provided in chapter six.

Industrial Policy

Botswana's industrial policy has been less active than other successful developing countries, particularly those of East Asia. Its primary objective is supplying credit, particularly to risky enterprises with substantial upside. A venture fund called the Botswana Development Commission and the country's National Development Bank provide loans to many applicants denied by commercial purveyors.[342] Yet as private banks have expanded their capacity the government has receded. The former now hold loans amounting to 20% of GDP, while state banks only total 4.5%.[343]

The state also established public enterprises to combat natural monopolies. State owned enterprises (SOEs) have successfully provided utilities like water and rail transport over decades past. Today, these sectors are adequately developed, suggesting government should retrench SOEs before political control introduces inefficiencies.[344] Indeed, liberalization is scheduled; however, its pace has been extremely slow. By the 1990s, public enterprise began crowding out non-state activity, reducing the private share of the nation's employment by 11% over the decade.[345] To curb this trend the pace of privatization must accelerate.

The last significant aspect of Botswana's industrial policy was importation of skilled labor. The government encouraged hiring of expatriates where necessary and attracted more foreign investment by filling gaps in its skilled labor force.[346] International capital also appreciated strong property rights that were entrenched at the expense of Basarwa nomads. Many members of the group subsisted by hunting and gathering; but enclosures made this impossible.[347] Backed by poaching and trespassing laws, private property forced the Basarwa to adopt an unfamiliar sedentary lifestyle.[348]

Autonomy was vital to Botswana's industrial policy. It permitted more discriminate lending practices and allowed government to retrench state credit supply. This is notable because industrial policies create institutions with vested interests in the status quo. As such, these structures often become obstacles to reform. In South Korea, for example, chaebols no longer rely on government for credit because of their enormous growth. As a result they have become capable of ignoring government commands.[349] In Botswana, diminished state lending was an important assertion of state autonomy that required overcoming the Development Bank and venture fund. Such resolve must be replicated with regard to SOEs or the economy may suffer. Regardless, pass successes are explicable through state embeddedness. Thorough consultation – as well as integration of traditional structures – account for the government's ability to overcome entrenched interests. Too often, embeddedness stops with the private sector. Botswana's more inclusive configuration ensured sustainability.

Cattle Sector Policy

Herding cattle is Botswana's most pervasive occupation and second largest source of revenue. Yet most individuals have minimal holdings and a privileged few own much of the nation's herd. Instead of addressing enormous inequality, state actors embraced it. They encouraged accumulation to create economies of scale, generate revenue for the government, and build the industry's strength. Economies of scale were particularly important. By reducing input costs they generated significantly more profit for the sector and, through taxes, the state. An effective long-run strategy, polarized ownership patterns produced trickle-down wealth and reduced inequality. In the short-run, however, the policy tested state capacity by exacerbating the gap between rich and poor. A 1966 drought that killed 30-40% of the national herd made accumulation's impact more severe by increasing pressure on the rural poor.[350] Still, largeholders were encouraged to accrue ever-bigger herds. Although 29% of the rural population was without cattle at independence, 45% lacked holdings by 1980.[351] "71.1, 74.4 and 76.2% of the poorest owners accounted for 37.3, 27.9, and 29.6% of the national herd respectively in 1979, 1984, and 1990."[352] Some former herders found jobs in mining, industry, or state owned enterprises; but rural poverty certainly increased after independence. Imposing policy with such high costs on the large rural voting block reveals the extent of autonomy. Because accumulation favored elites, those likely involved in politics, one might expect accumulation-oriented policy to be supported by other self-interested measures.

That other aspects of cattle policy benefited smallholders, however, suggests that elites were not merely opportunistic. They may have genuinely believed that economies of scale and increased state revenue could do more for the long-term interests of the rural poor. Moreover, redistribution would have tarnished the country's capitalist image and damaged its credibility with important financiers like the British government.[353] How, then, did the state support small actors? Largely by creating the Botswana Meat Commission (BMC), an institution dedicated to improving infrastructure and marketing output. The Commission benefited small producers by providing vaccines, building fences, and absorbing transport costs. Subsidizing transport supported poor and isolated herders, allowing them to obtain the same prices as largeholders. If government were entirely self-interested this important provision would have been absent. Instead, the policy helped smallholders earn additional income by facilitating their participation in export. Many rural Batswana subsisted by consuming livestock, but those above the margin could obtain competitive prices. The BMC also exemplified good governance by using its profits to build a stabilization fund that compensated producers during down times. Forbidden from running a deficit in consecutive years, the institution adopted prudent fiscal techniques to grow the stabilization account. For example, by purchasing the Caymen Island Insurance Company, BMC administrators saved $300,000 US by self-insuring. Once the fund was sufficiently large, the institution began returning bonuses to producers, a significant boon to smallholders for whom additional revenue had enormous impact.[354] The BMC's benefits offset frustration at inequitable distribution, demonstrating the government's ability to sense opposition and co-opt it. With concentrated resources the state could have attempted suppression, but structural restraints and good governance prevented such action.

Trade Policy

In an economy without substantial domestic production, trade was a crucial element of policy. At independence, Botswana inherited membership in the South African Customs Union. The organization prevented Botswana from setting its own tariff rates, diminishing potential for patronage and by extension, the allure of capturing the state.[355] This offered constraints on embeddedness *and* autonomy, but the Customs Union also levied costs on Botswana. Initially, the agreement assigned fixed incomes to each member country. As Botswana's diamond and cattle exports rose, the country lost an estimated 3-4 million rand in annual import revenue.[356] Seretse Khama renegotiated the agreement, securing revenue proportional to share of income.

Botswana's participation in a customs union with South Africa allowed it to reap greater benefits from the world economy. South Africa's economy was strong and its currency stable. Union with it garnered credibility and influence for Botswana internationally. Economic prudence trumped popular opinion again – the South African regime's abuse of black citizens was ignored despite anger amongst Batswana.[rrr]

Another important trade policy, though not facilitated by embedded autonomy, warrants mention. Under the Lome Convention in 1976 the government secured access to European cattle markets.[357] The agreement allowed the country's beef to enter the EU at a 90% rebate, a substantial benefit.[358] Anticipating Lome's expiration in 2000, Botswana negotiated an extension under the Cotonou agreement.[359] Privileged access halted in January 2008 and may have interesting repercussions that are discussed in chapter six.

Conclusions

The depth of Botswana's success is impressive: per capita GDP (PPP) has risen from 30$ to almost 10,000$ in 2004 according to the Penn Database. The *CIA*

[rrr] Later Khama would actively decry apartheid despite maintaining economic relations with South Africa.

World Factbook estimates it has risen still further to 14,700$ since that date.[360] The country has averaged 6 % growth over the past four decades and maintains 4.6% growth today, despite large negative spillovers from Zimbabwe.[361] Its economy is far more diverse than at independence - a manufacturing base and booming cattle industry now bolster the diamond trade. With substantial foreign reserves, the state has weathered exogenous shocks and begun attacking inequality. Originally at .7287, the gini coefficient fell to .563 by 2003 and reached lows of .537.[362] Despite recent setbacks caused by the AIDS epidemic, Botswana's rating in the human development index has also improved. Since independence, it has risen from .509 to .614.[363] Impressive economic growth has also improved capabilities. Primary school enrollment increased nearly five fold from 66,100 in 1966 to 327,000 in 2000.[364] Completion at the primary level has risen from 1.5% in 1964 to 43% in 2001.[365] Today, 83% of rural citizens and nearly all urbanites live within 15 kilometers of an operating clinic, a notable improvement for a country with few health facilities at independence.[366] Clearly, Botswana is addressing income *and* capabilities.

Botswana's economic success supports important conclusions. First, it provides further evidence that a developmental state is necessary to promote growth in today's economic environment. The country's elites maintained an active industrial policy by supplying credit to entrepreneurs. After identifying a market imperfection they attacked it, addressing high costs of financing enterprise by lowering the cost of capital and making investment more attractive. The state also maintained an undervalued currency and imposed wage restraints that prevented Dutch Disease, grew currency reserves, and supported exporters. Elites helped shift comparative advantage away from single-commodity export and towards a diverse base of export-oriented activities. In doing so, Botswana's active state facilitated the country's unprecedented growth.

Beyond further discrediting the free-market model, Botswana's development program highlights the importance of embedded autonomy. Striking the necessary balance between each element requires prodigious knowledge about society's peculiarities. This analysis has shown how the insulation and constraints introduced earlier enabled effective management of the diamond economy, as well as fiscal responsibility and sound industrial policy.

Botswana's economic success also strengthened institutions. It allowed the state to create an extensive and rational bureaucracy. Growth gave government the "ability to pay all key participants wages that are sufficiently lavish to make them choose to play by the rules of the constitution."[367] "Most", therefore "feel that there is more to lose than to gain from breaking the rules of the political game."[368] This constraint on patronage became self-sustaining as legitimate work became the most effective means for pursuing individual interests. As important, bureaucracy allowed minorities to interact directly with state actors and gain rights to land, education, and employment.[369] Access to the state enhanced government's credibility and generated trust; trust augmented by the predictability that flows from well-functioning bureaucratic organization. Entrenching means to pursue change also enhanced feelings of efficacy and so encouraged more moderate political action.[370] These key benefits, again, arose from growth that provided enough revenue for competitive bureaucratic salaries.

Why did Botswana's elites use resources created by growth to expand social and political opportunities, rather than hoarding gains for themselves? The constraints elaborated in chapters three and four created broad parameters for government action. So long as elites remained within these boundaries, their own power and wealth remained secure. Exceeding the boundaries risked provoking resistance and jeopardizing their wealth and power, a significant disincentive. To reiterate, economic growth increased individual fortunes and raised the costs of arousing anger.[sss] When groups began lobbying for increased rights, capitulation was the rational strategy. According to Solway, in Botswana "state institutions fostered the development of minority activism, not – as in the scenario most frequently depicted for Africa – by their failings but rather by their effectiveness."[371] This approximation of British development produced a gradualist culture and adaptive institutions able to accommodate change. Growth, therefore, decreased the costs of toleration by enabling peaceful transitions. It convinced the population that government was a competent vehicle for advancing societal interests and so facilitated socialization into a political culture that marginalized radical ideas.

What does this mean for development theory? Botswana's experience certainly reflects elements of each approach. It received aid for seven years after occupation concluded, allowing it to meet expenses without discouraging the quest for fiscal independence. Had added resources been less forthcoming, Botswana's formative years may have been markedly less stable. Still, aid was successful

[sss] General matrix on cost of suppression and tolerance from Dahl 15. He states there: "the more the costs of suppression exceed the costs of tolerance the greater the chance for a competitive regime."

because institutional constraints ensured effective use. Structural obstacles to corruption like the tribal administration's oversight and extensive consultation process were instrumental in preventing aid's corrosive effects. Aspects of the incentive approach were equally crucial in promoting development. A limited welfare state prevented moral hazards from overwhelming inducements and state intervention has carefully avoided thwarting the private sector. Still, Botswana is as inappropriate an example of the free-market platform as South Korea or Taiwan. It actively manipulated its exchange rate, capped wages, and created State Owned Enterprises. Clearly, Botswana's government was a "primary agent of socio-economic change."[372]

The policies above also provide interesting perspective on governance explanations for underdevelopment. Success using diamonds as a vehicle for growth illustrates that resources can augment growth rather than allaying it. Continued expansion evidences that economies can function even where bad neighbors like Zimbabwe impose large negative spillovers. Botswana's story also suggests truth in Ayittey's analysis. Traditional elements played an important role in leveling constraints on predatory behavior. Chiefs exerted oversight through their national assembly; Kgotlas constrained state opportunism by subjecting policy to public scrutiny; and the tribal administration augmented autonomy by enhancing the perceived remoteness of central government. Still, one remains guarded about the generalizability of these conclusions. After all, Zimbabwe's traditional leaders were discredited as colonial collaborators and could not help constrain predatory elites. Botswana's apparent success, meanwhile, explodes the cultural explanation for underdevelopment. Chapter three demonstrated a level of normative diversity that the theory does not address. Chapter five reinforces that inadequacy by establishing that Botswana's values were essential for success. Deference for authority, mutual criticism, and consultation were all embedded deep within Botswana's institutions and helped balance state capacity with connectedness. Clearly culture is inadequate as a primary causal mechanism. Similar problems besiege the sovereignty approach. Contracting with foreign capital – see: DeBeers – is not compatible with this explanation. Its predictive power is only valuable in a complementary role with regard to Botswana. Structural explanations, on the other hand, remain relevant given Botswana's experience. That growth has been dominated by the diamond sector – still responsible for 36% of GDP – vindicates Collier's assessment of landlocked countries with poor neighbors. The steady but gradual growth of the manufacturing sector suggests that agglomeration remains an obstacle to rapid industrial expansion.

Botswana's development strategy and success lend substantial credence to the heterodox strategy. The country pursued all of Rodrik's high-order economic principles through idiosyncratic institutions. Striving for a balanced budget demonstrated commitment to fiscal solvency and outlawing nomadic lifestyles entrenched property rights. Productive dynamism was secured through state supplied credit and a stable currency ensured by pegging the Pula to the Rand. Incentives were preserved through limited welfare spending, diversification achieved by strengthening the cattle sector, and political stability ensured by perceptive leadership. The institutions that facilitated these programs and conditioned each leader were tailored to Botswana's historical circumstances and normative inheritance. The integration of the tribal administration and use of a majoritarian electoral system made certain that norms like deference for authority were not abused but rather used to pursue collective interests. In sum, the heterodoxers appear the wiser having effectively analyzed Botswana's successful development program.

5.3 Zimbabwe

"In electoral systems where numbers count, politicians are more likely to champion causes that favor numerous, small voters." [373]

Botswana and Zimbabwe both installed democracies after achieving independence; however, as previous analysis demonstrated, Botswana's state enjoyed more autonomy and faced more durable constraints.[ttt] As a result, the BDP circumvented the trap described above. Secure in their power, the BDP did not need to buy support for structural change. It simply passed policy within the broad parameters established by institutions. Zimbabwe's structural configuration - with too much emphasis on connectedness – created a different environment. Limited state capacity created a fragile status quo. When events destroyed Mugabe's faith in the existing system, he attempted to increase autonomy and eliminate embeddedness. The following study unravels how policy expedited change. It explores which policies were championed to secure loyalty, what impact these policies had on the economy, and any reciprocal effects on institutions. Analysis will also reinforce how the inadequate institutional framework constructed at independence enabled, and even encouraged, elites to use policy for self-interested purposes.

[ttt] As opposed to Zimbabwe where constraints were systematically deconstructed.

Robert Mugabe initially pursued a gradual approach to economic change. Reconciling this strategy with his Marxist beliefs, the leader said

> We will proceed to bring about changes, but changes in a realistic manner…the economic structure of this country is based on capitalism…whatever ideas we have, we must build on that. Modifications can only take place in a gradual way.[374]

No policy better represents this early commitment or provides a better launching point for analyzing Zimbabwe's development program than land reform. Having inherited economic inequality that symbolized a legacy of racial oppression, the issue was significant for social and economic reasons. The extent of inequality was severe. At independence white farmers retained almost all the best land and employed a third of the population.[375] Their numbers were small – 200,000 in 1980 – but whites remained immensely powerful.[376] Commercial farming – dominated by the powerful minority - represented 90% of the nation's agricultural output.[377]

Advancing land reform in Zimbabwe was a logistical nightmare. The Lancaster Constitution prohibited expropriation except where land was underutilized or needed for public service.[378] Government also had to pay *full* and *immediate* compensation to the owners, requiring a significant capital outlay.[379] These stipulations further empowered an already strong white aristocracy. The world has seen few successful instances of land reform, and these circumstances complicated the process. In South Korea and Taiwan – perhaps the most successful instances of reform – Japanese colonialism had weakened the rural elite. Zimbabwe's civil war did not effect such change. The East Asian states also had sufficient capacity to pass complementary measures that expedited the process. In Taiwan, the state instituted a rent ceiling and compelled landlords to vary rent according to success of the harvest. These initiatives encouraged landlords to sell, but were not feasible options for Zimbabwe's weak state. Another factor conducive to land reform but absent from the African nation was presence of obstacles to patronage. In South Korea, the US military supervised the process and prevented clientalism. In Taiwan those losing and receiving land were ethnic Taiwanese, but state officials were KMT émigrés with no connections to that group.[uuu] This too prevented patronage during land reform. The environment in which Zimbabwean reform occurred did not level such constraints. The process began gradually, but the rural poor grew impatient.[380]

By 1990 the government had settled 52,000 families – totaling 416,000 people – on 6.5 million acres of formerly white farmland.[381] The process, however, had always been viewed as too gradual by citizens still grappling with memories of racial oppression. In actuality, reform did not fulfill the state's objective either. The government's declared goal was to resettle 13 million acres over the decade, double that redistributed.[382] Where transfers occurred, impact was limited because the least valuable white holdings were expropriated.[383] As the process stalled during the 1990s, external actors finally pledged support. In 1998 donors agreed to help Mugabe redistribute 700,000 acres by providing technical assistance and revenue.[384] Donors promised added support if the program ran efficiently. Before it began, however, Mugabe squandered foreign confidence by vowing to seize 841 farms.[385] Unilaterally expanding the project's scope was an effort to secure domestic support

[uuu] Though odd – as ethnic Taiwanese and KMT officials are both Chinese – there was no trust or familiarity between the groups (part of the reason why the private sector was forsaken for SOEs). (McGuire Class Notes Gov't 271)

for the floundering regime. By 1998 debt was rising rapidly and a bloated public sector obstructed job creation. Wages had dropped 22% since 1990, reducing average income 10% and increasing the absolute number of impoverished Zimbabweans.[386] To revitalize flagging support, the regime sacrificed external support for land reform; the subsequent process was disorganized and elicited weak gains for average Zimbabweans. Despite limited success the program built substantial support for the regime. Strong rhetoric opposing the continued domination of whites installed by colonialism resonated with wider social views. As a result, the population was mollified. Stated better,

> Populist and racial sentiment are… strong in Zimbabwe. Hence ZANU leaders, no matter how self-serving when implementing land redistribution, may well be able to whip up political support in the rural areas by pursuing confrontation with white landowners.[387]

The next program began in 2000 and primarily benefited party members with little farming experience.[388] Government paid roving gangs to facilitate the process by occupying land until whites relented. A turning point, reform became increasingly arbitrary and inefficient. While the consequences of this decline are presented more fully in chapter six, the impact of Mugabe's initial commitment to gradual land reform is discussed below.

To understand Zimbabwe, one must identify structural incentives that influenced land reform. To some extent, the gradual approach of the 1980s resulted from a desire to maintain productivity. To a greater extent, however, it reflected firmly entrenched white interests within the political system. Proportional representation and reserved seats in the legislatures permitted 200,000 members of a

12 million-person population to have a disproportionate influence on policy. Though the racial tension elaborated in chapter four caused 100,000 whites to flee by 1983, the group's significant parliamentary presence and substantial economic power provided it continued influence on policy.[389] Over time, ZANU grew wary of such inclusiveness and began using its absolute majority to facilitate change. Initially, however, a population clamoring for land reform – and structure unable to provide it – motivated elites to pursue other means of placating rural voters and maintaining power.

Agricultural Policy

Mugabe's early agricultural policies were surprisingly successful. A number of measures complemented the limited land reform by providing information, marketing, and production incentives. The Dairy Marketing Board, for example, continued to purchase diary products from peasant farmers, creating incentives for diversification and market participation.[390] The Cold Storage Commission used the same strategy to encourage production of livestock and staples like grain and cotton.[vvv] [391] A new institution - the Agricultural and Rural Development Authority - supplied crops, technical support, and market access to poor farmers across the country.[392] Bolstered by ample rains, these measures helped farmers produce bountiful harvests. The agricultural gains contributed to a substantial increase in GDP: 28% over 1981 and 1982.[393] Over time, rural farmers came under increasing pressure. Output stagnated because of weak infrastructure and recurring droughts,

[vvv] Both the Dairy Marketing Board and Cold Storage Commission were created prior to independence, most were already familiar with their operations.

both of which unraveled earlier gains. Nevertheless, some successes persisted. Smallholder output increased from 10% to 33% of production by 1995; area under cultivation expanded to 60%.[394]

Agricultural policy became increasingly complicated. By 1991, the two groups that represented smallholder interests merged into the Zimbabwe Farmers Union. The increasing presence of smallholder (communal) interests on the national level disturbed commercial farmers who had enjoyed unfettered access to policy-makers. Large producers began rejecting the pricing systems they had lobbied for in the 1960s and 70s. They complained that the marketing boards subsidized transport costs of isolated rural farmers by offering one price to all producers; a price necessarily depressed to account for the resources dedicated to obtaining smallholders' goods. For communal farmers, assistance in distribution and marketing was so crucial that lower prices were a worthy concession. Commercial interests, on the other hand, were capable of handling these responsibilities internally, and therefore sought higher prices. At this juncture, land reform becomes relevant again. Because gradualism angered rural voters, the state used agricultural policy to undue earlier damage. Despite the decline in output effected by favoring smallholders, government did so whenever possible. Only in times of economic crisis - as when severe drought crippled the economy in 1991 and 1992 – did government offer concessions to large producers.[www] After 1998, commercial farmers grew fatally tired of a government that favored communal interest while exploiting their presence for

[www] Throughout the 1980s policy consistently favored smallholders by offering all producers the lower prices that subsidized isolated rural farmers.

political gain. Whites fled in numbers similar to the early 1980s, increasing ZANU's political support even further.[395]

Whereas Botswana allowed accumulation in its dominant economic activity, Zimbabwe privileged small interests. By disrupting economies of scale the government decreased output and competitiveness. That racial lines made inequities more identifiable helps explain the divergence, but institutional capacity does so as well. With little insulation from popular opinion, Zimbabwe's politicians had to accommodate the short-term desires of constituents to ensure reelection. Reserved seats and proportional representation diminished the governing party's sense of security in power. In this environment, perceived failures of land reform forced ZAPU to adopt policies favored by large blocs of rural voters. To maintain the de-facto one party state they desired – and so build state capacity – elites pandered to the disaffected on agricultural policy. Doing so garnered support despite predatory activity like corrupted land reform. Still, agricultural policy did not assuage all alienated members of the rural poor. As a result, industrial policy was used to solidify support.

Industrial Policy

In Botswana and East Asia, industrial policy was narrowly executed. Zimbabwe's approach was more comparable to Latin America's, indiscriminate and wasteful. Following independence, the government introduced enormous subsidies for the public sector. Preventing natural monopolies was a partial motivation for this policy, but it was truly intended to create jobs for those disillusioned by land reform. Yet national corporations with artificially reduced costs undercut other firms, crowding out investment and decimating the private sector.[396] When embeddedness waned and autonomy increased in the mid 1980s, parastatals became a vehicle for advancing individual interests. By 1989, the number of civil servants tripled and enormous debts accrued.[397] That year state enterprises – including Zimbabwe Iron, Rail, and others – were subsidized for 632 million Zimbabwean dollars, 14% of the national budget and 55% of a rising deficit.[398]

Early subsidies had entrenched inefficiency and created a problematic cycle: falling competitiveness requiring ever increasing compensation. This immense and immediate spending created enormous deficits and prevented growth of foreign exchange reserves. Expenditures produced appreciation, which exacerbated the parastatal problem by rendering international competition irrelevant.[xxx] Zimbabwe's once promising economy grew weak. It could not combat exogenous shocks nor compete internationally. What began as an attempt to create jobs for dissatisfied rural constituents resulted in a bloated, corrupt, but well-entrenched, public sector. The seeds of decline were sown in an attempt to recapture voters alienated by land reform policy.

Macroeconomic Policy

Comparing Botswana and Zimbabwe using second best theory provides deeper understanding of the former's success and latter's failure. Botswana effectively reduced inflation by imposing distortionary wage constraints. Because demand for essential goods is typically inelastic, success might seem counter-intuitive. After all, limiting wages and not prices could result in more consumptive

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[xxx] Overvaluation achieved this by removing incentive to export as tariffs reduced external producers' incentive to import.

spending and less savings. At Botswana's levels of poverty, however, there is more elasticity for items like food. Consequently, prices adjusted to lower wages to enhance demand and increase profits. Selling two sacks of flour for five pula was better than selling one sack for eight. The government carefully monitored restraints to ensure income remained sufficient for saving and consumption.

Zimbabwe's strategy for fighting inflation also entailed imposing distortions. In the abstract, the program seemed capable of advancing state goals, but in reality it did not. Operating on an economy already strained by indiscriminate spending, price and wage controls exacerbated inflation.[399] That maintaining equal distortions in prices and wages produced an outcome inferior to Botswana's – where different degrees of distortions were operative – is no surprise. Second best theory specifies this possibility, stating that different degrees of departure from the optimum may be more beneficial than departures of a uniform degree. Zimbabwean elites failed to identify or simply ignored the consumption and decreased savings that accompanied restraints.[400] They also ignored the causal relationship between price constraints and shortages; the latter encouraging black market transactions that negated controls. Those failed strategies persist today. Heavy price controls fuel significant inflation by disincentivizing production and so decreasing supply. The oversight necessary to effectively implement second best policies remains conspicuously absent.

Other aspects of the government's macroeconomic policy were often inconsistent. ZANU proposed an autarkic trade regime designed to secure self-sufficiency through import-substituting measures upon independence.[401] Facing heavy opposition from domestic manufacturing, the state ultimately reversed this policy in 1983. It devalued its currency and provided limited export-subsidies. Attempting to combat the large deficits that accrued before the shift in strategy, the government limited imports. This measure was necessary because deficits had created escalating debt and put enormous pressure on current accounts. Implemented in 1983, these policies sparked tremendous gains. Unfortunately, they were undermined by near immediate reversals. The government allowed its currency – the Zimbabwean dollar – to begin appreciating so that producers could afford to import machinery. Overvaluation decreased export profits and so encouraged production for the domestic market. Subsequently, the current account surplus that emerged after devaluation began to evaporate. By 1989 it evaporated entirely, replaced with a deficit of 89 million US dollars.[402] In conjunction with an increasingly bloated public sector, and the rising debt associated with it, this incoherent approach to macroeconomic policy introduced significant structural obstacles to long-term growth. As will become evident in chapter six, Zimbabwe is still struggling with the consequences of that structural legacy.[403]

Conclusions:

In Zimbabwe, early economic policies were inadequate because of excess embeddedness. To assuage voters angered by gradual land reform, the state pursued populist agricultural and industrial policies that undermined long-term growth. While there were some immediate successes – particularly in agriculture – government response to a contracting private sector ultimately undid gains. Unending subsidies acted as a band-aid, weakening competitiveness and increasing reliance on the public sector for job creation. Even smallholder gains in agriculture were illusory, reflecting declining commercial activity more than improved communal productivity. When autonomy overwhelmed embeddedness in the mid 1890s policy suffered even further. By pacifying large blocs of rural voters, government removed the last domestic constraint on its authority, electoral accountability.

> As long as President Mugabe maintained his compact with the public to prevent starvation and to provide free food in times of drought, then they would vote for him. Party and government officials could divert their attention elsewhere and join the accumulation bandwagon, cashing in on the land deals…[404]

By placating the majority of voters, the government circumvented popular scrutiny. Guaranteed reelection so long as famine was averted, state actors became increasingly predatory. Chapter six will detail the country's downward spiral. Here, we simply identify policy's impact on structure. Public sector populism reinforced the absence of structural and normative constraints. Absent oversight, agricultural policy and land reform provided opportunities for patronage. Both operations became increasingly opaque, with the result that few average Zimbabweans benefited from them. In sum, the statist approach created informational deficiencies, eroded institutional legitimacy, and facilitated clientalism. As economic decline encouraged self-interested behavior, weak institutions proved incapable of compelling state actors to maintain their integrity.

In this context we can reassess each development theory. At first glance, the governance model appears particularly applicable to Zimbabwe's failures. The instinctive reaction to assign all responsibility Mugabe is understandable, but misguided given the institutional configuration he inherited. An inappropriate electoral system maintained a strong white presence in national structures while giving ZANU an absolute majority. Without any formal incentive to compromise, this situation created tension between the two groups. Absent norms of trust and institutions of mediation, cultivating a civic culture and creating stability was a daunting task. That the state was so firmly embedded in society also introduced other problems. State leaders lacked the capacity to override voter's short-term interests. A wise attempt to move gradually on land reform provoked widespread discontent and encouraged the government to implement populist agricultural and industrial policies to garner support. Zimbabwe's strong manufacturing sector at independence is also problematic for thinkers like Ayittey. Zimbabwean elites did not sacrifice agriculture for industry, imposing price controls to transfer rents. Small farmers, in fact, received direct subsidies on inputs and transport. Of course price constraints were introduced eventually, providing some role for governance explanations in explicating Zimbabwe's failure; however, controls notably applied to industrial *and* agricultural goods.

Because Zimbabwe had a robust and diverse economy at independence, the resource explanation also lacks compelling answers for subsequent failures. The country's impressive literacy rate – which remains one of Africa's highest despite falling to 80% - belied a commitment to human capital that further discredits the resource approach. Accounts that identify inadequate sovereignty as the primary cause of decline are equally problematic, given the poor performance of the country's autarkic growth scheme.[yyy] ZANU ignored recommendations of international

[yyy] Best identified with the disregard for international competition and incentives to produce for the domestic market, remember that the autarkic scheme led to escalating inefficiency and debt.

financial institutions throughout the 1980s and terminated a brief structural adjustment program in the early 1990s because of popular agitation.[zzz] Added sovereignty, however, has not contributed to growth but rather entrenched structural obstacles like a bloated public sector and prohibitive debt.

The incentive and cultural approaches, by contrast, fare better in the Zimbabwean example. That state interference proved deleterious to growth reinforces the importance of maintaining some commitment to market principles. The developmental state may be important, but selective intervention – evidenced in Botswana's discriminate industrial policy – appears more beneficial for long-term growth. Zimbabwe's experience also provides a reminder that prevailing norms can undermine the trust necessary to wield power effectively. Though a cultural explanation does not explain Zimbabwe's failings entirely – as discussion on governance indicated – emphasis on values is an important component of any sound development theory.

Collier's structural analysis of landlocked nations is effectively vindicated by the Zimbabwean story. The British scholar had identified effective resource management as the most likely mechanism for promoting growth in these disadvantaged nations. Unable to do so successfully – because democratic institutions encouraged consumptive spending that secured reelection – the country failed to develop. Heterodoxers also provide compelling explanations for Zimbabwe's regression. Absent the pursuit of high-order economic principles, the

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[zzz] Reforms that required downsizing the public sector were unpopular amongst the population, which relied on the state for employment opportunities. In addition to pervasive opposition to adjustment, the government's refusal to repay loans at the IMF's desired pace also contributed to the program's demise.

country also failed to design institutions that reflected local needs. With adequate form and proper function neglected, the country squandered its immense potential for growth.

5.4 Spotlight #3 - Mauritius

Many isolate Zimbabwe's colonial legacy as the cause of subsequent failures. Visible economic supremacy for the small white community created difficult circumstances; yet Mauritius contained an equally privileged and identifiable minority. About 2% of the population, the French controlled the country's lone resource at independence - sugar plantations.[aaaa] The large Hindu class consisted of low and middle class farmers and the country's substantial minorities were often farmhands.[bbbb] In addition to latent ethnic conflict generated by an ethnic division of labor, Mauritius had few economic resources. It operated on a single-commodity export model, relying on sugar rents for state income. This resource was volatile because of domestic conditions – like climate – and international ones – like increased global supply – that depressed prices. Though the country isn't landlocked, it faces high transport costs, being 25% farther away from developed markets than the average African country.[405] Despite these obstacles Mauritius achieved great success. Exploring how its institutions enabled sound policy will provide important perspective on Zimbabwe. Indeed, analysis should validate the argument that

[aaaa] For context, Zimbabwe's white population was about 1.64% of its total.
[bbbb] The middle class emerged when the British forcibly dissolved some of the larger sugar estates in 1870

convergence of bad governance, weak structures, and inadequate normative support – and not colonial legacy – are responsible for Zimbabwe's failures.

After independence Mauritian elites elected to extract rents from sugar exports to increase diversity.[406] According to Ayittey, this approach should have doomed the state to poverty. On the contrary, the strategy elicited substantial growth. To secure rents, political elites compromised with French plantation owners - who were permitted to maintain their monopoly on sugar if sufficient revenue was transferred to government.[407] The prospect of avoiding land-reform compelled assent of rural aristocrats. With subsequent income, the government constructed an extensive welfare state. Social protection included price controls on "socially sensitive items," social security for the elderly and civil servants, and a safety net that included unemployment insurance.[408] Because of favorable demographic structure and sugar rents, the government constructed these provisions without onerous taxes.[409]

Using state resources to build a welfare state instead of infrastructure or human capital seems counter-productive, as consumptive spending does not enhance a country's factor endowment. But the Mauritian state wanted to introduce an Export Processing Zone (EPZ). To make the EPZ appealing to international capital, the government needed to restrict wages. Low salaries – combined with tax incentives like the elimination of duties on imported inputs – made the zone attractive by lowering production costs.[410] Invoking patriarchal norms, the government also pegged female wages below those required for males.[411] Because women represented the majority of Mauritius' labor surplus, this further increased the EPZ's appeal. Constraints on women's wages also created a segmented labor market that prevented

EPZ activity from driving up wages in other sectors.[412] This protected import-substituting domestic industry and so helped shift comparative advantage. The welfare state supported the entire process by disarming workers. Objections to low wages or flexible hiring and firing procedures were undercut by reduced healthcare costs, unemployment benefits, and sparing but useful price constraints.[cccc]

Substantial wage restraints and very selective price controls were not the only distortions introduced by the Mauritian government. In 1980, tariffs averaged over 100%; in 1990, they remained over 65%.[413] The government also imposed quotas on 60% of imports to support infant industries.[414] These actions effectively subsidized domestic producers, allowing them to build economies of scale before being subjected to international competition.

Deconstructing the role that protection, the EPZ and welfare policy played in Mauritian development is not feasible. In concert, the program generated enormous growth. From 1973-1999, GDP growth averaged 5.9%.[415] Per capita GDP growth followed at 3.25%.[416] Progress was also remarkably equitable. The gini coefficient dropped from .5 in 1962 to .37 by 1986. [417] The EPZ generated economic diversity and large foreign exchange reserves. It grew employment from 21,000 to 90,000 from 1981 to 1986 alone.[418] Shifting women into the EPZ opened jobs outside it, reducing unemployment below 2% by 1985.[419] In fact, Mauritius has become so labor scarce that its industries are opening production in Madagascar and

[cccc] Using the welfare state to co-opt the working class is akin to ZANU's use of agricultural and industrial policy to secure support. Divergent outcomes, then, resulted from institutional differences. Mauritian elites, despite having tempered working class discontent, were still constrained by a political system that forced compromise. Zimbabwean leaders, unconstrained by coalitional politics, were free to act opportunistically.

Mozambique.[420] Adaptive companies have even shifted into value-added products, accounting for the diversity mentioned above.[421]

Conclusions

This account of Mauritian growth supports two important conclusions. First, sound institutions are essential for growth promotion. In Mauritius, structural incentives ameliorated tension between a powerful economic minority and political majority by emphasizing compromise. The electoral system promoted coalitions and so facilitated the agreement between French plantation owners and Hindu politicians. Incentive to compromise also ensured that the country's substantial Creole and Muslim minorities achieved political significance. Resulting stability increased ability to attract FDI and pursue an idiosyncratic growth program, linking institutions directly to economic constraints. The government's distortionary restrictions and consumptive spending required commitment and oversight unavailable in more tumultuous political environments. Institutions built confidence and trust, which subsequently established stability. By facilitating peaceful political transitions and creating a sound investment climate, structure opened innumerable opportunities.

The peculiarities of Mauritius' growth program support another important conclusion; that second best policies take many forms. In Mauritius, the moral hazards introduced by a welfare state were insufficient to undermine growth.[dddd] Antithetical to orthodox strategy, this program demonstrates that varied approaches

[dddd] As opposed to in Botswana, where social assistance remained minimal to prevent dependence and protect incentives. Taiwan and South Korea, also withheld welfare to better supply credit and encourage savings. (McGuire Class Notes Gov't 271)

can succeed. Development theorists must therefore refrain from ruling out any strategy.

Some programs remain more reliable than others. Mauritian growth was facilitated by heavy government interference, providing more evidence for the developmental state and against the free-market approach. Use of price controls, heavy distortion of wages, and large tariffs and quotas facilitated one of Africa's few sustainable success stories, lending further credence to an interventionist approach.[eeee] Still, any theory warrants consideration given diversity of circumstance. For every state has a unique cultural and historical legacy. Across countries, institutions vary while the temperament of leadership fluctuates. If these conditions are dynamic enough, ever-changing international constraints compound the situation. Again, context is essential in determining appropriate development strategy.

Leadership played an important role in advancing Mauritian growth. Elites negotiated privileged access to the European Union for textiles and secured sugar prices 90% above market value from the federation. Leaders also used diasporas to generate investment in the EPZ and monitored economic progress carefully.[422] Price controls were lifted when necessary and tariffs reduced as industries grew stronger. The Mauritian example presents a strong foil to Zimbabwe's experience. It suggests that ethno-class tensions can be ameliorated by strong institutions, sound policy, and good governance.

[eeee] Price controls, however, were used sparingly.

5.5 Spotlight #4 - China

Second best theory takes the limitations of human knowledge as its central premise. Prior analysis revealed that meticulous attention and deep understanding of local circumstances is necessary to effectively implement second best policy. Can second best theory provide sound prescriptions in more complex economies? Does it retain a role in more advanced systems? Brief attention to Chinese growth can provide answers to the questions and depth to our understanding of second best theory. First best recommendations for Chinese reform emphasized immediate liberalization, as economic orthodoxy requires markets that provide incentives and price signals.[423] Second best analysis, however, revealed that outright liberalization would have disrupted the economy by eliminating revenue and so throwing fiscal management into disarray.[424] Bottlenecks like taxes and production quotas generated the income necessary for state services. Simply eliminating the bottlenecks may not have been a Pareto improving reform. Instead, China pursued second best policies: two-track liberalization and town-village enterprises (TVEs).

Two track reforms entailed liberalizing at the margin while maintaining planned prices and quotas below it. This approach created incentives for small farmers to expand production and reintroduced price signals into the economy. It maintained government rents and so sustained social spending. The process did not require additional state resources and facilitated effective liberalization by allowing more gradual adjustment to the market economy. Farmers were re-familiarized with pricing mechanisms in a controlled environment. Good sequencing and pacing allowed government to modify spending incrementally, maintaining stability and permitting budget adjustments.[425]

The second strategy, town-village enterprises, effected similar changes in industry. It required local governments to share output and employment in ventures with non-state actors. The state retained control over 72% of finished goods and 58% of employment, providing incentive to support the enterprise. Interest in success also gave local government impetus to provide public goods often lacking in rural environments. Partial private ownership served two additional functions. First, it prevented government from extracting rents. Second, it offered the same controlled atmosphere for becoming reacquainted with markets as two-track liberalization. TVEs also improved information flows by decentralizing industry and entrenched private property rights absent under Communism. First best economic strategy recommended outright privatization, but the TVEs were remarkably successful. They limited predatory behavior and prepared entrepreneurs for increased liberalization in the late 1990s. The second best approach prevented shocks from permanently disrupting economic function, facilitating the country's unprecedented growth.[426]

China's experience is another reminder that institutions with different forms can achieve similar and effective outcomes. An exemplar of second-best approaches despite its complex economy, China further evidences the value of flexible and localized analysis.

5.6 Summary

This chapter demonstrated how structural incentives condition economic policy. Success in Botswana and Mauritius contrasts with Zimbabwe's failure, validating predictions that strong institutions are essential in promoting growth. Beyond highlighting the importance of institutional and normative frameworks, the chapter also informs conclusions on economic policy. Results in Botswana, Mauritius, and China were grounded in diverse programs that reflected particular circumstances. Idiosyncratic strategies produced impressive results and reinforced the presumption that economic knowledge is imperfect. All three countries deviated from orthodoxy by introducing significant distortions into their economies. Subsequent successes demonstrate that second-best approaches are essential components of sound development schemes. No standard model for growth yet exists, and the fallacy of false analogy strengthens the assertion that none will be identified.

Chapter 6 - Structure, Agency, and Equilibrium: Potential for Reversal in Botswana and Zimbabwe

6.1 Introduction

Individual action has enormous power to erode gains and mitigate losses. Though norms and institutions constrain leaders to varying degrees, there ultimately remain decisions to be made. Botswana has enjoyed good governance. Its leaders have adroitly perceived and addressed economic difficulties and obeyed broad institutional parameters. Doing so has strengthened the structural equilibrium that emerged from the electoral system, use of traditional government, and cultivation of a remote image. Yet Kenneth Arrow demonstrated that the number of conceivable political coalitions is immeasurable. This possibility implies that any equilibrium can be disrupted by exogenous shocks that alter the orientation or composition of leadership. Shifting economic conditions or minor institutional adjustments can effect drastic change.[427] This chapter investigates such potential in Botswana and Zimbabwe. Are Botswana's institutions so strong that even drastic externalities do not allow emergence of radical governance? How do circumstances in Zimbabwe present or limit opportunities for new leadership? These are difficult questions that development theory must address. Any policy alters the status quo and so contains inherent potential to effect large reversals. Neglecting this possibility leaves prescriptions susceptible to staggering if unintended consequences. To mitigate the likelihood of negative outcomes developing countries – and those that guide – them must create structures capable of containing political equilibrium within moderate boundaries.

6.2 Botswana

In the United States, structure exerts constraints so powerful that polarizing wedge issues are necessary to catalyze any coalitional shift.[ffff] [428] Restrictions of *this* magnitude may not be desirable but the relevant question is whether Botswana's institutions are strong enough to inhibit the emergence of a radical political agenda (as those in the U.S. are). Further, one wonders how the BDP – having been in power for over four decades – will perceive and react to any opposition that defeats it.

For this query to become relevant some condition would have to facilitate a shift in the existing political equilibrium. In Botswana, a number of emerging forces are capable of becoming the enabling mechanism. Women's empowerment and increased mobility, for example, are weakening the legitimacy of the traditional system.[429] If the tribal administration loses credibility, the impact may recalibrate political possibilities. Whether the central government has cultivated enough legitimacy to assume the responsibilities of the traditional government – and so weather the shock – is unclear. Another potential impetus for change is inequality. Though accumulation-oriented cattle policies have had little detrimental effect, growing polarization in cities threatens stability. As evidence, take Botswana's deconstructed gini coefficient. In the 1990s, the rural gini coefficient declined from .477 to .414, but the urban figure rose from .536 to .539.[430] Inequitable growth became a prime cause of recession in Venezuela by making credit scarce and decreasing per capita output.[431] Botswana's declining total factor productivity raises

[ffff] This practice might entail using social issues to fracture a party united around economic ones; gay marriage and abortion are potent contemporary examples. The process can operate in reverse as evidenced by the Democrats' use of the minimum wage increase.

analogous concerns.[432] If polarization of wealth is not adequately addressed, the country could suffer similar circumstances. Meanwhile, any economic stagnation could provoke urban agitation. Whether Botswana's norms of mutual criticism and consultation can mitigate pervasive and severe dissent is unknown. Many scholars also disregard HIV's economic impact, usually citing its identical impact on GDP and population growth (1%).[433] Such assertions neglect potential for a disproportionate effect on the poor. If the lower class is more strongly affected by the disease, might the issue affect a change in sentiment towards the BDP? Though the state's program to combat the disease is Southern Africa's strongest – and includes free treatment – its efficacy is yet unknown.

The most plausible structural change capable of shifting the political equilibrium is a transfer of power. If Botswana's population elects a non-BDP regime, will shifts in policy be severe? Will the BDP peacefully relinquish power? On the second question one can surmise that mutual securities have had time to emerge, providing the BDP with faith that their interests are not threatened by a new regime. Indeed, the possibility that their perception will be hostile grows less likely as institutions grow older - age begets strength. Still, as agriculture continues to shrink as a proportion of GDP, the BDP's base grows smaller.[434] The party has long held an odd coalition of rural poor and rich herders, owing initially to Khama and more recently to relative success.[gggg] If the BNF ascends to power through urban support, will the odd bedfellows part along class or ethnic lines? How would new

[gggg] When viewed in comparison to neighboring regimes the BDP appears particularly competent and benevolent.

parties impact political dynamics? The BDP is probably strong enough to adapt its platform to shifting demographics, but one cannot be certain.

The first question, whether policy shifts would be severe, is more difficult to assess. As public goods become more plentiful, their impact on each individual is diminished.[435] Now that Botswana has constructed a solid infrastructural base, provided rule of law, and entrenched property rights, government has begun to pursue policies targeted at specific groups.[436] If the BNF achieves power, there is a possibility that attempts to target their constituents could shift crucial policies such as minimum wage. The extent of differences, motivation behind them, and research that informs them, will determine whether there is a negative impact on the developmental state. If the new coalition is motivated by self-interest rather than societal interest, progress might be reversed. If due consideration to unintended consequences is absent, the economy could be damaged substantially.

Development theorists do not select leaders. In Botswana's case, representatives are selected through fair and competitive elections. Yet in crafting a development program, one must remember that public opinion can be aggregated in infinite ways.[437] This situation suggests immutable instability that can only be constrained by sound institutions. Botswana's institutions are well suited to fulfill this responsibility. An electoral system based on single-member pluralities empowers centrism while marginalizing radicalism. Traditional institutions continue to encourage oversight and central government continues to build credibility. A civic culture molded by pragmatic and farsighted leaders demands selflessness of its politicians. Simple actions like transferring mining rights to the central government have created expectations that all elites will be as objective and as dedicated to collective interests. The ever-increasing force of these expectations allows Botswana to absorb inevitable shocks. Its institutions have proven adaptive enough to expand civil liberties and provide strong buffers against radical policy reversals. In circumstances where growth remains fragile, these constraints are invaluable public goods. Though their form will necessarily diverge in other circumstances, similar restrictions warrant consideration in any development program.

6.3 Zimbabwe

Many have given up on countries like Zimbabwe, countries with bad governments that are staunchly entrenched. Arrow's impossibility theorem provides abstract hope that the circumstances can be rectified, hope that may become reality in Zimbabwe soon. To understand how, the depths of political and economic decline must be elaborated.

Political decline may have begun with the selection of proportional voting or perhaps with the structural changes of the mid 1980s. Voter intimidation, however, signaled to the population that decline had commenced. It began in 1990 when ZANU used startling campaign tactics to coerce voters.[438] One of their ads likened voting for the opposition to being in a car crash: apt to kill you.[439] Mugabe funded thugs to assault members of the opposition and their staff during the campaign, pardoning the assailants after securing victory.[440] In 1995 his government began restricting civil liberties more severely. First, the formation of women's groups was prohibited.[441] Responding to a coalition of organizations that successfully campaigned against proposed constitutional amendments in 1998, the regime introduced severe restrictions on freedom of assembly.[hhhh] [442] At that time, Mugabe also secured the military's continued support by increasing its presence in the Congo.[443] The 1998 invasion allowed military leaders to loot diamonds under the guise of supporting the Congolese government, thereby assuring their affections.[iiii] [444] In 2000, the Supreme Court ruled against the constitutionality of land seizures, government's monopoly on broadcasting, and election results.[445] ZANU ignored their edicts and began applying pressure on the justices to resign.[446] After persistent threats to the chief justice, party elites secured his resignation and replaced him with an ardent supporter.[447] Mugabe then expanded the court to eight and appointed three more party members.[448] Verdicts against government edicts or actions were subsequently overturned.

The 2000 elections included opposition born from the constitutional campaign. Mugabe began authorizing violence against supporters of that opposition - Morgan Tsvangirai's Movement for Democratic Change (MDC) - six months before the election. To lend credibility to the contest, Mugabe permitted international observers to enter the country three weeks prior to the polls. By that time the violence had successfully coerced the population into supporting the incumbents. Some intimidation continued; monitors were ejected from polling stations, thugs confiscated the identification cards required for voting, roadblocks were erected to prevent MDC cohorts from reaching the polls, and voter roles doctored to exclude known opposition supporters. Despite these actions, elections were orderly enough to

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[hhhh] The consortium was called the NCA, an umbrella organization for over 100 civil society groups including unions, specific interests, and religious bodies. The constitution was rejected 54% to 44%. (Dorman 856)

[iiii] Economic consequences of the war discussed below.

dissuade international action. ZANU managed only 48% of the vote and sixty-two of the 120 contested seats, the MDC receiving 47% of the vote despite tampering and intimidation. Mugabe began preparing for the 2002 presidential campaign immediately. He continued manipulating voter rolls and gerrymandering districts. His lead commander, General Zvinavashe, declared that the military would not recognize any result except the President's reelection. When voting began, MDC officials were forbidden from traveling with ballot boxes and 1,400 of the country's election monitors were arrested.[449] The President returned for his 23rd year in power.

As expected, political decline expedited economic disaster. Struggling with escalating debt and a cumbersome public sector by the early 90s, the economy began to unravel. Remember that the 1990s witnessed a 10% average decline in income and 22% drop in wages. Downturn encouraged increasingly predatory action, as opportunities to accumulate wealth diminished.[450] Over the decade 250,000 Zimbabweans entered the work force to compete for only 25,000 new jobs.[451] Already in crisis –with 70% of the population mired in poverty – economic decline was expedited by the erosion of remaining political constraints.[452] Mugabe spent 200 million US dollars propagating war in the Congo to secure the military's electoral support, further straining the state's ability to provide services.[453] By 1999 five of the country's sixteen hospitals were closed because of inadequate funding.[454] To fight inflation and augment food supply for urban workers, Mugabe reverted to price fixing. Farmers sold grain on black markets to bordering nations. Those nations resold the produce to international organizations that returned it to Zimbabwe as food-aid that the government lacked capacity to distribute.[455] The country exhausted its foreign exchange, defaulted on foreign loans, and seized 95% of former white land by June 2001.[456] Without production from appropriated commercial estates, the economy continued to contract.

In total crisis, the regime passed oppressive legislation to secure added revenue. In 2002 it required pension funds to invest 45% of revenue in treasury bills at 25% interest; with inflation at 114%, the policy effectively confiscated income.[457] Despite the added revenue, government could not provide sufficient support for manufacturing to continue overcoming inefficiencies. Industry declined from 27% of a burgeoning economy at independence to 13% of a substantially smaller one.[458] The country became entirely reliant on food imports, which the government distributed to political supporters.[459] Over the next three years the pace of decline quickened. In 2004, the Heritage Foundation ranked Zimbabwe 153-155 in economic freedom, reflecting government control over economic activity.[460] In 2006, a law that obliged mining companies to transfer 51% of their profits to the state crippled any remaining operations.[461] Unable to sustain operations on 49% of profits, and uncompensated for transfers, most of the mining companies closed.[462] Zimbabwe's crisis worsens even today. GDP declined 12% in 2007 and promises to do the same in 2008.[463] Inflation, difficult to calculate because goods are largely absent, is estimated to have surpassed 100,000%.[464] Goods regularly double in price overnight, unemployment approximates 80%, and the government has only enough revenue for 15% of its budget.[465]

Political and economic decline has already thrown the state into disequilibrium. Each passing election is more oppressive than its predecessor and constraints on elites have been completely eroded. Unless legitimacy is restored to the electoral process, civil unrest will emerge. When elites deconstruct institutional restrictions as severely as Zimbabwe's have, citizens abandon existing means for pursuing change and resort to extra-legal means like violence. The presidential election cycle, which begins March 29th, has enormous implications for Zimbabwe's immediate future. With two strong candidates opposing Mugabe, it is unlikely that anyone will receive the majority needed to avoid a run-off. If the incumbent is declared the winner in the first-round of voting, violent agitation is expected. Finally, it seems a new coalition may break the oppressive equilibrium that emerged in the past decade; one presidential contestant – Simba Makoni – is a former member of ZANU who was expelled in February for pledging to run. The anti-corruption candidate limited the President's capacity to coerce the electorate during the campaign by fracturing his party.[jjjj]

Zimbabwean's have great interest in securing a peaceful transition of power. Violence would explode any remaining trust between state and society. If institutions finally reflect the populations' will, perhaps they could garner sufficient credibility to provide a foundation for new structures. While added constraints will be necessary, a legacy of success and a starting point for change will help. After all, Zimbabwe remains a country with great potential for growth. Despite recent decline, the country maintains a high literacy rate (80% in 2002).[466] A growing diaspora is anxious to return and apply its ample skills to growth. With ample resources and a growing

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[jjjj] These circumstances are very fluid. With little transparency in the calculation of results, this analysis may become antiquated quickly. The text above reflects that status quo as of final edit: April 7th 2008. I apologize for any inadequacies that result from insufficient duration between the elections and time of writing.

appreciation for effective democracy, Zimbabwe is poised to rectify past mistakes. If existing institutions lend stability, this process could begin quickly. With a reformed balance of embeddedness and autonomy it might even be sustained.

6.4 Conclusions

In ideal structural environments, poor decisions can still derail growth. This chapter investigated the impact of institutions on transitions between leadership. Its point of departure – that political equilibriums are inherently unstable – levels important demands on development theory. While its practitioners must promote embedded and autonomous government apparatuses, they also *must* construct durable and adaptive ones. Without these traits institutions can fail because of exogenous shocks. So how can such structures become entrenched? Largely by preventing radical swings in leadership. Accomplishing this requires filtering the agents that emerge from popular votes. Doing so ensures stability, continuity, and moderation, all of which help build strong institutions. In developing nations - where gains are fragile and declines protracted - securing this order without sacrificing information and accountability is paramount. Limiting the viable number of coalitions can secure that outcome. Doing that may justify some restrictions on individual rights but only where context and circumstance prevent more democratic solutions.

Chapter 7 - Generalizability and Development Theory: Concluding Remarks

7.1 Introduction

I embarked on this study with an ambitious goal: to conduct empirical analysis capable of identifying a development theory that effectively addresses endemic poverty. In retrospect, I was naïve. The idiosyncrasies of development provide support for aspects of each strategy introduced in chapter two, though some theories remain more effective guides than others. Sound theories account for the limitations on our knowledge and importance of context; for the role of institutions and also of norms. Theories that incorporate the political, maximize options, and do not generalize are most helpful. A review of conclusions reveals that one theory accomplishes all of these goals. Before revealing it, the goals are addressed via the premises outlined in chapter two.

7.2 Applying Empirics to the Three Premises

The following questions were posed in chapter two:

4) Can states strike a balance between autonomy and embeddedness, and how might this be accomplished?
5) Can states surmount internal *and* external obstacles to growth without international assistance?
6) Does insight into Botswana and Zimbabwe support generalizable conclusions about development theory?

The first premise

Botswana's experience suggests that embedded autonomy is indeed feasible. The electoral system afforded substantial insulation, as did delegation of local responsibilities to the traditional government. Elections and local institutions also combined with norms of mutual criticism and participation to secure embeddedness. Thorough consultation processes – and willingness to withdraw policies denounced in the Kgotla – illustrate connectedness. Embeddedness in Botswana was sufficient to secure information but avoided creating incentives to capture the state. Autonomy exerted another check on capture but remained confined by broad structural parameters. That Botswana achieved this configuration through its unique institutions suggests no single model of embedded autonomy exists. All one can do is remain mindful of balance, attempt to predict undesired consequences, and do so by maximizing knowledge about the society in question. Maximizing knowledge is of particular importance. It increases the likelihood that institutions will reflect or enable creation of norms and become sustainable. A localized understanding must be central if theorists are to build structures that procure information and generate state capacity.

Botswana built structures, both insulated and accountable, by incorporating traditional norms and institutions into its government. This experience contrasts significantly with that of Mauritius, a country that installed an unfamiliar system predicated on foreign norms. That the latter was successful demonstrates that the existence of supportive norms and institutions is not a necessary condition for initiating growth. That Mauritian leaders cultivated transparency, built trust, and developed mutual security, however, suggests that a civic culture that augments loyalty to the state *may* be necessary for sustaining achievements. Further investigation of this claim would be extremely valuable but is beyond the scope of this essay.

The experience of Somalia highlights another important aspect of building embedded autonomy; namely, that traditional norms and institutions are not sufficient for establishing it. Recall the substantial continuity in Somalia's pre and post-colonial social structure. Cultural values analogous to those of centuries past were the basis of independence institutions. The country's failure reinforces the idiosyncratic nature of Botswana's experience. Scarcity, security threats, and individual decisions converged to produce norms able to support sustainable institutions capable of initiating growth. The country's experience does not provide a model for replication.

Zimbabwe better informs other development programs. It suggests circumstances in which proportional elected democratic governments are inadequate vehicles for growth. Where the system enables the presence of radical voices but empowers those that would ignore them, an unstable equilibrium emerges. It is possible that a similar environment, with or without better leaders, might use the system effectively; but one would be compelled to first consider other approaches and then demonstrate why success is more feasible than precedent suggests. Zimbabwe also illustrates how precarious political equilibria are and obliges development theorists to thoroughly assess how mechanisms for securing accountability and information impact trust. Zimbabwe and Botswana also suggest one similar conclusion about embedded autonomy: its form must be uniquely tailored to circumstance.

The Second Premise

Botswana's experience suggests ambiguous results regarding a state's capacity to initiate and sustain development without international assistance. Though the country's leaders implemented effective macroeconomic policy, took advantage of resources without succumbing to common excesses, and negotiated prudent policies, they also received aid and technical assistance throughout post-independence years. From 1966-1973, Great Britain supplied significant assistance, allowing the state to meet expenses. Yet the country balanced its budget within seven years of independence, despite beginning as the world's second poorest nation. Though countries with better endowments might replicate Botswana's achievements with less substantial aid, we cannot state definitively that growth can occur with *no* external support.

Zimbabwe ,meanwhile, demonstrates the perils of withdrawing from the global economy. Its macro-economic policies discouraged domestic producers from exporting and foreign ones from importing. This autarkic framework amplified the inefficiencies wrought by subsidies and expedited economic decline. Again, one cannot be certain that similar policies would fail elsewhere, yet evidence suggests that outcomes would be negative. Any theorists' recommending such policies would need overwhelming evidence that a country's circumstances were conducive to harnessing the strategy effectively.

7.3 The Third Premise: Towards A Heterodox Approach

The empirical evidence accumulated throughout this essay strengthens one important claim: growth programs are unique to individual states. While the lessons above can inform other action, any application must adapt them to local conditions. With respect to development, any single model is necessarily a false analogy, as leadership and factor endowments are not uniform. Pursuit of an economic program changes the circumstances under which programs operate by shifting demand, illustrating the myth of the model.

If promoting economic growth and development of capabilities is not a generalizable process, where does that leave development theory? In Botswana, elements of each approach elaborated earlier can be identified. Aid played a powerful role in the country's formative years and preservation of incentives dominated welfare policy. Good governance allowed inexpensive foreign policy; privileged access for cattle exports; and sound macroeconomic policy; while norms supported a developmental state and contributed to establishing credible institutions. The country overcame structural constraints because the value of diamonds compensated for high transport costs. Botswana even circumvented the predatory elites that sovereignty theorists fear, doing so through traditional institutions and norms. Still, the theory best suggested by the country's experience is heterodoxy, particularly given pursuit of high-order principles through idiosyncratic institutions. Fiscal solvency, property rights, and stability were entrenched, solid currency created and diversification secured. Incentives were preserved as well. Second best strategies played an important role in sustaining growth, as in Mauritius and China. Undervaluing the Pula to contain Dutch Disease, imposing distortions to promote the EPZ, and liberalizing at the margin to introduce market signals, all advanced growth. Empirical analysis therefore suggests that a heterodox approach to development is best. It encompasses the other strategies by conceding that each is relevant in certain circumstances.

Emphasis on context suggests that comparative institutional analysis is the best path forward for development theory. Only when structures and their underlying norms are understood, will economic theory succeed. Case by case analysis will secure the knowledge necessary for devising sound policy. It will also reveal new strategies for growth and better inform future prescriptions. Though no sufficient condition for growth exists, differential analysis can ensure effective and responsible application of theory to practice. Once recommendations are tempered to reflect imperfect knowledge, abstract answers to poverty can operate without fear of deepening the breadth of despair. When humility trumps ego, theory will fulfill the promise of promoting uplifting action.

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