

EXPLAINING BOTSWANA'S SUCCESS: THE CRITICAL ROLE OF POST-COLONIAL POLICY

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Most economists agree that private property, the rule of law, and free markets are crucial for economic development, but there is still disagreement over what other factors determine why some nations are rich while others are poor. Jeffrey Sachs (2001) and Sachs and Warner (1995, 1997) argue that climate, geography, proximity to the coast, and distance from the equator are significant determinants of economic growth (see also Diamond 1997). By contrast, North (1981), North and Thomas (1973), and Rosenberg and Birdzell (1986) insist that a particular set of institutions—namely, polycentric governance, the rule of law, and a rich respect for private property—have led to the West growing rich.

More recently, Acemoglu, Johnson, and Robinson (2001), hereafter AJR, argue that geography and demography matter because they affect the quality of institutions: During colonialism, low-quality institutions were established in regions with high-population densities and low life expectancies. By contrast, regions with low-population densities and high life expectancies established better institutions. Thus, sub-Saharan Africa was left with bad institutions because colonists in Africa faced low life expectancies and tried to colonize areas with large populations. The incentive for colonists was to expropriate rents as quickly as possible rather than think of the long run.

Each theory has some explanatory power, yet each has its problems. As Gregory Mankiw (1995: 303–7) points out, our traditional econometric tools cannot sort out the causes of economic growth because our models are constrained by multicollinearity, simultaneity,

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and other problems. The limitations of econometrics leads Mankiw to conclude: "It is not that we have to stop asking so many questions about economic growth. We just have to stop expecting the international data to give us all the answers."

Rodrik (1998, 2003) also recognizes the limitations of econometric evidence. He argues that if we concentrate too much on aggregate macroeconomic data, we will fail to appreciate the outliers (see also Boettke 2001). This study is inspired by Rodrik's (2003) call for more case studies and "analytic narratives." By limiting ourselves to the study of growth in a particular country, in this case Botswana, we can learn much about the process of development.

Botswana's History

Botswana is a landlocked nation roughly the size of Texas (220,000 square miles) with a population of nearly 1.6 million people. Botswana borders Zimbabwe to the northeast, South Africa to the east and south, Namibia to the north and west, and touches Zambia at one spot on the Zambezi River in the north. Most of Botswana is uninhabitable with the Kalahari Desert accounting for 84 percent of Botswana's land mass. Consequently, 80 percent of the population lives along the fertile eastern border of the state (Parson 1984: 4).

According to AJR (2003: 94), indigenous conditions in Bechuanaland (modern-day Botswana) exhibited a fair amount of cultural and ethnic homogeneity. Tribal chiefs were highly respected. They determined whether land should be allocated to hunting, farming, or residences, and resolved conflicts within the tribe and with other tribes. Despite their immense political power, chiefs were not regarded as above the people, but rather as their equals.

One crucial institution in guaranteeing equality between the chief and his constituents was the custom of tribal gatherings called the *kgotla* (Ayittey 1992: 325). *Kgotlas* helped the chief stay closely connected to his people. Like the New England town meeting, *kgotlas* were the main forum for political discussion. A *kgotla* gave all adult males the opportunity to criticize and advise the chief.

Relative to other African tribes, Botswana's pre-colonial tribalism was quite tolerant of dissent. While *kgotlas* created a political connection between the chief and his people, the people also had an important economic connection with their chief. Most chiefs were large cattle owners and had a strong incentive to increase the value of their private herds by making sound economic decisions that also benefited the entire tribe.

In addition to administering internal affairs, the chiefs also con-

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

Shortly after the Zulu invasions, the Boers challenged southern and western Tswana tribes. The Boer-Tswana conflict continued until the Tswana tribe mounted a successful defense at the Battle of Dimawe in 1852. In 1853, after the Tswana had put a temporary end to Boer invasion attempts, Tswanan chief Sechele organized a meeting with British officials. Sechele wanted Great Britain to protect Bechuanaland if the Boers attacked again, but the British quickly rejected Sechele's proposal. British diplomats were attempting to appease the Boers through peaceful diplomacy, and they did not want to damage this relationship by supporting Sechele. Moreover, British public opinion supported full-blown colonization of Bechuanaland rather than granting it protectorate status.

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

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

Since the British were not actively involved in Bechuanaland, historians maintain that the British had a policy of "benign neglect" (Dale 1995). The British did not take many resources from Bechuanaland, nor did they leave much in the way of social and physical

infrastructure. Seventy-five percent of British spending on the protectorate went to “administrative expenses” and another large portion was spent on upgrading tribal militants. The British armed Botswanans to protect against the Germans to the west and the Boers to the south (Parson 1984: 22), but beyond this defense spending, the British did not engage in any kind of nation-building project in Bechuanaland. The British simply did not see any promising returns to investing in Bechuanaland.

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

More important, Chief Seretse Khama of Bechuanaland was banned from the protectorate in 1948. He studied in England and was not allowed to return to Bechuanaland because he had married a white Englishwoman. The British hoped the ban would ease tensions in South Africa. South Africa’s white leadership found the interracial marriage to be repulsive, and they insisted that Khama be prohibited from ruling Bechuanaland. Since most people in Bechuanaland supported Khama, this political issue divided South Africa and Bechuanaland. In 1956, Khama rescinded his claim to chieftainship and returned to Bechuanaland. By 1960, an anti-apartheid, anti-colonial party, the Botswana People’s Party (BPP) had been formed. In response, Khama helped to form the Botswana Democratic Party (BDP), which unlike the urban based BPP appealed to the rural commoners and tribal chiefs alike.

With political parties and nationalism on the rise, Britain was losing control of the protectorate. In the spring of 1965, Britain officially recognized Botswana’s national independence and, in the fall of 1965, elections were held. The BDP, led by Khama, enjoyed a landslide victory, and he became Botswana’s first president. Since 1965, the BDP has controlled both the presidency and the National Assembly. The BPP never became a serious political rival, and by 1969 the Botswana National Front (BNF) became the main opposition party. Led by Kenneth Koma, the BNF was an explicitly socialist party. The BNF enjoyed early success, as it captured three seats in the National Assembly in 1969. Its popularity grew in the 1970s, but declined in the 1980s. More recently, support for the BNF is once again on the rise.

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

In addition to their Western political system, Botswana also inherited a British common-law legal framework. Criminal courts use a precedent-based legal code, and civil law incorporates customary practices into the legal framework. Thus, Botswana's post-colonial legal framework has managed to preserve some of the important features of tribal law while incorporating important aspects of the British common law.

Explaining Botswana's Success

From 1965 to 1995, Botswana was the fastest growing country in the world. During that 30-year stretch, Botswana's average annual rate of growth was 7.7 percent, and Botswana moved from being the third poorest nation in the world to being an "upper middle income" nation. In 2001, Botswana's real per capita income was \$7,820, nearly twice as high as the average East Asian tiger's per capita income of \$3,854, and more than four times the \$1,826 average per capita income of an individual living in sub-Saharan Africa (World Bank 2002). How can this impressive growth be explained?

The AJR Explanation

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

1. Botswana possessed relatively inclusive pre-colonial institutions, placing constraints on political elites.
2. The effect of British colonialism on Botswana was minimal, and did not destroy inclusive pre-colonial institutions.

3. Following independence, maintaining and strengthening the institution of private property was in the economic interests of the elite.
4. Botswana is rich in diamonds. This resource wealth created enough rents that no group wanted to challenge the status quo at the expense of “rocking the boat.”
5. Botswana’s success was reinforced by a number of critical decisions made by the post-independence leaders, particularly Presidents Khama and Masire.

At first glance, the AJR explanation of Botswana’s development seems like a plausible story. After all, economic historians usually make a similar argument when attempting to explain U.S. development after the Revolutionary War—namely, that the United States adopted the good legal and political institutions of Great Britain and, with those in place, experienced strong economic growth.

Although that explanation might seem compelling, it does not succeed in explaining Botswana’s development. For one thing, the good British institutions argument cannot explain the strong disparity between Botswana and other former British colonies in sub-Saharan Africa. If all that sub-Saharan African nations needed were good British institutions, then many other former British colonies should be growing like Botswana. Yet, when we look at countries like Zambia and Zimbabwe (both former British colonies), we see that their per capita incomes are considerably lower than Botswana’s. Adjusting for purchasing power parity, Zambia’s per capita income in 2001 was \$780, and Zimbabwe’s was \$2,280. Moreover, when one compares former British colonies with countries ruled by other colonial powers in sub-Saharan Africa, economic growth rates are actually lower in former British colonies (Beaulier and Subrick 2003: 6).

Problems with the AJR Explanation

When we look closely at the AJR explanation of Botswana’s development, we can see that their account does not tell us why good British institutions took hold in Botswana but failed to take hold in many other former colonies.¹ To be fair to AJR, their explanation of Botswana’s development does not depend solely on the adoption of British institutions; leadership, culture, and credible commitments

¹Boettke (2001) examines the cultural preconditions necessary for rules to “stick.” According to Boettke, formal rules must closely match the culture and customs of the people.

also matter. However, AJR view those factors as secondary, and AJR's discussion of them is sometimes inconsistent and begs many questions.

For example, AJR argue that Botswana's "inclusive pre-colonial institutions," such as kgotlas and other tribal customs, were crucial in constraining tribal leaders and contributed to post-colonial growth. Yet, if the "inclusive pre-colonial institutions" effectively constrained elites, why did Botswana perform so poorly *before* independence? Remember, Botswana was the third poorest nation in the world before its independence. If Botswana's elites were constrained, then Botswana should have experienced steady growth and development during colonialism as well as after. Despite a relatively favorable tribal environment, there does not seem to be any evidence suggesting that Botswana enjoyed strong pre-colonial growth.

The AJR argument that "minimal British involvement" or "benign neglect" contributed to Botswana's development also seems problematic. Although most historical accounts maintain that British involvement in Botswana was minimal, there were a few harsh British policies. The most severe policy was the "hut tax," which was introduced in 1899 (Hermans 1974) and required all Botswanan families in possession of a hut to pay a one-pound tax. This tax remained in place throughout most of Botswana's colonial history. The effect of the tax was severe. A large share of the population was unable to pay the tax out of their subsistence budgets. Many chose not to comply with the tax; others responded by entering the formal labor market.

Following the tax, there was a massive increase in male job-search activity, but few jobs were available in Botswana. The result was massive emigration into South Africa where Botswanans were guaranteed employment in Britain's colonial mining operations. At its peak in 1943, the emigration of Botswanan men into South Africa for employment reached nearly 50 percent of the adult male population (Schapera 1947: 1–39, Parson 1984: 27).

With up to one-half of Botswana's adult male population gone, the physical, economic, and social infrastructure was dealt a serious blow. Generations of children were raised without a male influence at home. Skilled artisans and entrepreneurs were no longer able to service the missing male population. With less consumer demand, entrepreneurs were probably a significant fraction of the emigrating population. The fabric of civil society was also strained, and women were forced to take on a larger role in the household. Most important, Botswana's political institutions were crippled, with up to half of the adult male population spending up to 11 months of each year in South Africa. Thus, when we look closely at the effect of the "hut

tax,” we see that Botswana’s colonial experience was hardly one of “benign neglect.”

Another problem with the AJR explanation of Botswana’s success based on the “benign neglect” argument is that Botswana had failed to grow *before* British colonial rule. Perhaps it is more correct to say that Britain, while not active in the provision of public goods, did significantly alter the political and legal institutions in colonial Botswana. After all, Botswana did end up adopting a Westminster style parliamentary system and a British common law legal code.

The strong leadership of Khama and Masire clearly contributed to Botswana’s success. When Khama faced the challenge of establishing a post-colonial transitional development plan, he seemed to do all of the right things. Immediately following independence, he set out to establish Botswana’s government as a “financially viable entity” (Republic of Botswana 1966). Diamond mines were opened to foreign investors (Hartland-Thunberg 1978) and strong international ties were established.² Botswana’s good policy choices at the time of independence signaled a genuine commitment to long-term development.

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

After gaining its independence, Botswana remained dependent on the British Exchequer for international aid. Picard (1987) estimates that some 90 percent of overseas aid funds in 1966 came from Great Britain. By 1972, Botswana was able to sever financial ties with the British Exchequer. The discovery of diamonds and rapid post-colonial growth helped Botswana cut its financial ties with Britain. Botswana’s leaders did not want to depend solely on natural resources for development, so they embarked on a massive program in search of more diverse foreign aid, more private capital investment, and more guarantees of protection if Botswana were to be pulled into a conflict with one of its disruptive neighbors.

Botswana was successful on all three fronts. It gained support from the United Nations and became a member nation in 1966. The IMF

²For accounts of Botswana’s strategic international positioning immediately following independence, see Potholm and Dale (1972), Carter and Phillip (1980), and Herbst (1992).

and World Bank also aided Botswana throughout the 1980s. Traditionally, any connection to the IMF and World Bank has proven the kiss of death for developing countries (Easterly 2001, Bando and Vazquez 1994, Boettke 1994). Botswana's leadership seemed to recognize the danger involved in depending on the IMF and World Bank. Instead of borrowing heavily from those organizations, Botswana allowed them to play an advisory role.

As Botswana improved its credibility and lowered mining taxes to 10 percent, large amounts of foreign direct investment poured in. The government seldom altered the tax structure of the mining industry so investors gained confidence.

Finally, Botswana was committed to a free society and noninvolvement in foreign affairs. As George Ayittey (1992: 220) points out, "Botswana is an example of an African country that affords its people freedom of expression. . . . Botswana can find solutions to its economic problems because it permits free debate and freedom of expression." Racial tolerance and a toleration for dissenting opinions produced many beneficial results—both domestically and internationally. First, it led to an extensive inflow of political refugees from both South Africa and Zimbabwe. Many of the immigrants were talented and contributed valuable advice to Botswanan officials and businessmen. Second, an explicit commitment to a nonracial, noninterventionist program guaranteed Botswana financial and military aid from the West if any regional conflicts broke out. Furthermore, a commitment to Western principles of equality before the law and noninvolvement in foreign affairs attracted more foreign direct investment into Botswana's relatively stable economy.

An Alternative Explanation of Botswana's Development

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

We need not abandon the "good institutions" account provided by AJR. After all, it is a compelling explanation, and it serves a useful purpose. If we are to make the story of Botswana's explanation a more accurate one, however, the story of "inclusive pre-colonial institutions" and hands-off British policy needs to be downplayed. More emphasis needs to be placed on the responsible and prudent policy choices made by Khama and his administration at the time of

Botswana's independence. AJR do mention the role leadership played in Botswana's development, but "exceptional leadership" seems to be a secondary factor in their analysis. Good leadership, in fact, could be *the* key factor in Botswana's development.

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

The African leaders' rejection of colonialism and Western institutions was an understandable reaction. But in their overzealousness to eradicate all the vestiges of Western colonialism, virtually all sense of purpose and cultural direction was lost. After independence, many African leaders, proclaiming themselves "free and independent under black rule," hauled down the statues of European monarchs and erected, not those of Martin Luther King, Jr. or Kankan Musa, but of another set of white aliens—Marx and Lenin [Ayittey 1992: 10].

If we accept Ayittey's interpretation of post-colonial African history, post-colonial leadership must be recognized as the key determinant of a country's economic development. Each sub-Saharan African nation faced a crucial choice after independence: either adopt free-market institutions and limited government, or implement Marxist ideas and central planning. If the new leaders chose pro-market policies, colonialism's dark past would not necessarily block their efforts.

Botswana's crucial moment came in 1965 when the BDP and Seretse Khama won their elections. The future of Botswana depended on the decisions made by Khama and his administration. At the moment of crisis, Botswana's future depended on the people in power rather than on Botswana's past. Unlike other African leaders, Khama adopted pro-market policies on a wide front. His new government promised low and stable taxes to mining companies, liberalized trade, increased personal freedoms, and kept marginal income tax rates low to deter tax evasion and corruption. In addition, Khama preserved the *kgotlas* and many elements of customary law.

Economist Robert Higgs (1987) has pointed out many periods in U.S. history during which a crisis has led to a "ratcheting up" of the size of government. It certainly appears that there are also critical moments in history during which the state's role in the economy can "ratchet down." One example of downward ratcheting was the post-communist privatization throughout Eastern Europe and the former Soviet Union in the early 1990s. Likewise, in post-colonial Africa, each nation had the opportunity to decide on the proper role for government. Every African nation could have turned out like

Botswana, but most newly elected leaders chose reform paths that were not conducive to long-term economic growth. Khama, by contrast, made good policy decisions during Botswana's post-colonial transition. The wise choices made by Khama have kept Botswana on a high growth path for more than 30 years.

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

What was it about Khama that led him to adopt good policies? There appear to be two important factors that explain why Khama made good policy choices. First, he was educated at Fort Hare University in the 1940s. During the 1940s, Fort Hare was an anti-apartheid university with an explicitly Eurocentric vision for Africa. African nationalism had yet to emerge as a popular strand of African education, and Khama received a decidedly Western training. Moreover, in 1945, Khama began attending Oxford's Balliol College to pursue a law degree. While attending Oxford, he was introduced to the British common law. Thus, relative to many other African leaders, Khama's training was more sympathetic to markets and Western law.

In addition, Khama's toleration of white commerce was another key aspect of his personality. Unlike Robert Mugabe's policies in Zimbabwe or South Africa's apartheid policy, Khama's policies were successful in establishing a strong bond with white commercial interests. His government never got hung up on the past. Colonialism was an ugly scar in African history, but the best way to proceed was to move forward as quickly as possible. In fact, Khama even went so far as to seek the support of white ranchers. As Morrison (1993: 41) notes, "By the 1970s, white cattle ranchers held strategic government positions [that included] assembly speaker and minister of commerce and industry." From early on, Khama had an extremely cosmopolitan attitude toward the whites and viewed them as an asset in development, not as a reminder of the past. This attitude is perhaps reflected in Khama's interracial marriage to Ruth Wilson.

There are probably other factors responsible for Khama's commitment to good policy. Whatever the reason, the fundamental point of this analysis is that leadership—that is, policy choice at a critical point in time—was the key factor determining the wealth and poverty of

African nations. Seretse Khama's policy decisions could serve as a useful guide for other African nations.

Conclusion

This study has attempted to explain Botswana's success. The analysis has raised some questions related to the Acemoglu, Johnson, Robinson (AJR) account, but the primary aim has been to fill in a few more pieces of the Botswana growth puzzle.

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

Douglass North (1990: 131) offers a nice summary of the economic historian's task when he writes:

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

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

Botswana's success was the result of good post-colonial policy choices. Khama's market-friendly policies led to high growth, and high growth produced better policies that led to more growth. Thus, Khama's policies were the exogenous shock that helped Botswana get on a sustainable high-growth path.

This conclusion has far-reaching implications for the way we approach struggling nations in sub-Saharan Africa. If the wealth and

poverty of most sub-Saharan African nations is largely the result of colonial and historical factors, then countries might be trapped by their past—even if they adopt good policies, their history and culture will not allow them to escape the poverty trap. If, instead, the story of sub-Saharan Africa is one in which anti-market policy decisions were made by Marxist leaders at the end of colonialism, then there is far more hope for struggling nations. One good leader, like Khama, is all it would take for an African nation to escape poverty. Policy choice—not historical determinism—is the real story of Botswana's development in particular and sub-Saharan Africa's stagnation in general.

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