

“Mr. Hayek, I Presume? Can Economists Explain African Underdevelopment, or Are They Lost in the Bush?”

Scott A. Beaulier
Assistant Professor of Economics
Stetson School of Business and Economics
Mercer University
1400 Coleman Ave.
Macon, GA 31207
e-mail: beaulier_sa@mercer.edu
URL: www.scottbeaulier.com

Abstract: This paper explores the evolution and emergence of post-colonial states in sub-Saharan Africa. Many of the successful African states had leadership that allowed for the workings of voluntary exchange and occasionally intervened to “pick off” undesirable or dangerous evolutionary outcomes. When post-colonial, “formal” institutions meshed with pre-colonial norms and institutions, better outcomes resulted in newly formed African nations. Thinking of newly formed states as a hybridization of informal and formal institutions helps us answer the Madison question (1963 [1788]) of how a state strong enough to protect property rights can be expected not to abrogate those rights.

“The successful politician owes his power to the fact that he moves within the accepted framework of thought, that he thinks and talks conventionally...His task in a democracy is to find out what the opinions held by the largest number are, not to give currency to new opinions which may become the majority view in some distant future.” (F.A. Hayek 1978 [1960]: 112)

I. Introduction

When it comes to understanding African state formation and policies, economists’ theories of the state are lacking. Rather than try to get our hands dirty trying to understand the state’s actual workings, we tend to lean on a “contractarian” model of the state (Brennan and Buchanan 2000 [1985]), rational choice model of the state (Barzel 2002), or “predatory” model of the state (Grossman 1996). Sometimes the Tiebout (1956) and “stationary bandit” (Olson 2000) models of the state work well. But, in many cases, these theories are based on theoretical states with single rulers, and they fail to explain pluralist states, which, it may be argued, include most countries. Moreover, they do not even come close at explaining African underdevelopment and state failure. We are desperately in need of a better theory of the state—a theory that can explain these pluralist states (North 1981: 68).

By basing our understanding of the state on simplistic and unrealistic models, rather than on the complex realities of existing states, we are giving far too much credit to the state, assuming it has some level of rationality. To improve our understanding of the state and its relationship to the market order, this paper explores the evolution and emergence of post-colonial states in sub-Saharan Africa. The post-colonial period in African history was a fascinating “natural experiment” in political economy where rapid institutional change occurred. Things were truly up for grabs in each African state. Yet,

the outcomes of African efforts to create new states and build growth-enhancing institutions varied widely and have, as a whole, been disappointing. However, when new leaders worked hard to incorporate tribal institutions into their modern states, as they did in the “miracle” nation of Botswana, far better economic outcomes resulted. Why?

As we will see, many of the successful African states had leadership who behaved in ways that were generally consistent with the Hayekian idea that planners should act like gardeners. That is, the planner should not be trying to control the social order but, rather, observe the workings of voluntary exchange and occasionally “pick off” undesirable or dangerous evolutionary outcomes.¹ When post-colonial, “formal” institutions meshed with pre-colonial norms and institutions, better outcomes resulted in newly formed African nations. “Coercion constraining institutions” (Greif 2005; henceforth, CCIs) existed in pre-colonial Africa, and they helped protect private agents against predation from other individuals in a relatively stateless pre-colonial environment.² In this paper, I maintain that these informal mechanisms, which were designed to mitigate private coercion absent state enforcement, form the basis of robust political institutions when formal states were created in the post-colonial period.

Thinking of newly formed states as a hybridization of informal and formal institutions helps us answer the Madison question (1963 [1788]) of how a state strong enough to protect property rights can be expected not to abrogate those rights. It is neither constitutional constraints (North and Weingast 1989) nor the imposition of a

¹ Boettke (2001 [1996]: 257) distinguishes the “rational constructivist” from the “critical rationalist.” The latter “realizes that social experimentation takes place against a backdrop of the customary beliefs and traditions of society.” Vernon Smith (2003) also makes use of the gardener/engineer metaphor when discussing constructivism and the “ecological” insights gained from experimental economics.

² Leeson (2007) describes how farmers in pre-colonial West Africa were able to use credit and tribute to change the terms of trade with bandits, thereby turning violent theft into voluntary exchange.

common law system (Glaeser and Shleifer 2001) nor some kind of “veil of uncertainty” (Brennan and Buchanan 2000 [1985]) that limits government power, but, rather, the government’s ability to incorporate the pre-existing CCIs into the more formal institutions formed as nations emerge. The paper is an exploration, then, of a question that intrigued Hayek (1979: 163) at a more general level: how did the “[t]he basic tools of civilization,” particularly customary institutions of governance and law, get “thoroughly corrupted by the nation state”? And, in contrast, how did some states—such as Botswana—incorporate CCIs instead of corrupting them?

II. Illegitimate Leaders, Illegitimate States

There is widespread agreement among political scientists that modern states are more effective when they are viewed positively by their members, when they are said to have emerged legitimately, when they mesh with informal institutions and norms, and when they attempt to respect tradition (Linz and Stepan 1989; Whitehead 1989; Di Palma 1990; Huntington 1991). Effective states are less predatory, less corrupt, and tend to create an environment conducive to economic growth (Collier and Gunning 1999). The tremendous amount of variation in the quality of states in Africa has a first-order effect on their growth prospects. By providing public goods, such as education, healthcare, infrastructure, and minimal dietary needs, to their citizens, effective states can encourage economic growth.³ However, today, most states in sub-Saharan Africa are far from effective, and a majority of nations are either classified as “weak” or “failing”; in fact,

³ While many development economists believe that a strong state is needed to help promote economic growth (e.g., Rodrik 1996; 1998), Easterly and Rebelo (1993) show that public investment has no robust relationship with economic growth.

eight of the world's 10 most at risk of failing can be found in sub-Saharan Africa (*Foreign Policy* 2007).

Sub-Saharan Africa's post-colonial political and economic performance has been explained as the result of differences in colonial origins (Bauer 1981; North, Summerhill, Weingast 2000; Ferguson 2003). Colonies who were lucky enough to be occupied by the British Empire are said to have done relatively well compared to countries colonized by other European nations.⁴ However, it is not where the institutions come from that determines economic outcomes, but, rather, how well these institutions mesh with indigenous, pre-colonial institutions and norms. That is, successful experiments in statehood in Africa depended crucially on how well new leaders stated "what the laws had always been," as opposed to "creating new law" (Hayek 1973: 81).

In pre-colonial Africa, many forms of collective decision-making existed. Some regions were dominated by empire; others relied on local village elders to govern public affairs. While the specific political arrangements varied across the region, Africa's tribal elders, who were generally considered legitimate by the people they governed, were involved in decisions regarding the allocation of land rights and many economic resources. These legal rules and systems of governance were often complex, but chiefs were well respected within their communities because they listened to the people and had interests that were compatible with those they governed.

The new African leaders that came onto the scene at the end of colonialism paid lip service to the chiefs and village elders, while fully embracing the orderliness, clarity, and efficiency of modern nation states. While relations between Africa's post-colonial

⁴ Beaulier and Subrick (2006: 106) dispute this claim and find that from 1970-2002, there is no statistically significant difference in growth rates between former British and French colonies in sub-Saharan Africa.

governments and tribal chiefs have not been uniform across all African nations, the general pattern has been for the post-colonial governments to weaken or completely abolish traditional systems of authority (Herbst 2000: 173-197). The new, charismatic African leaders, who were influenced by the writings of Marx and Lenin, viewed the customary institutions as antiquated and contrary to their progressive programs (Aiyithey 1998; 1992). For example, in Ghana, private trading was banned and punishable by death (Herbst 1993), and indigenous markets were destroyed by dynamiting and burning in 1982 and 1983 (Aiyithey 1992: 10).

The European nation state, combined with Marxist ideology, became the organizing principle of African politics. African leaders accepted the boundaries that had been passed down to them by Europe, and there were few voices advocating a return to pre-colonial borders. Pre-colonial states and tribes were viewed as too disorganized, nomadic, and primitive to be formalized into firm national boundaries. In addition, given the monetary and administrative constraints they faced, new leaders had little desire to fight for land if it meant that public coffers would be drained. As a result, it was easier to simply go along with the boundaries created by Europeans.

While grabbing power from the chiefs, the new leaders still had to find a way to gain and keep the approval of the general public. They recognized the fragility of their ruling coalition and knew that they could not simply run roughshod over the chiefs; the chiefs still had too many groups loyal to them for the central government to simply ignore them. The chiefs and village elders proved to be a frustrating obstacle for the new leadership, since the chiefs were often opposed to many of the basic laws that were coming from the one-party states that were emerging in the 1960s. Eventually, many

African nations attempted to reach a compromise with the chiefs by offering them token positions in the new government, buying them out, or gradually phasing out their positions of authority.

While an efficiency rationale can be given for highly authoritarian, one-party states in unstable, impoverished areas, many leaders were not interested in promoting efficiency. Their concerns were first and foremost on maintaining power and concentrating authority. It was for this reason—and not for the sake of efficiency—that the traditional leaders, who were dispersed across rural areas, were not given voice in the new parties.

Even though traditional leaders were, for the most part, kept out of the new political machine, African leaders were unsuccessful in completely silencing tribal leaders. They wanted the support and legitimacy of the tribal leaders and knew that such support was a crucial determinant of their own success. When an indigenous institution could not be destroyed or absorbed, the government would finally concede some fairly insignificant tasks to the chief and monitor his every move. Hastings Banda of Malawi and Jomo Kenyatta of Kenya were the first to rely on this tactic, but governments in Ghana and Nigeria also adopted this tactic to marginalize the indigenous influence (Ayttey 1998: 167)

In some places, chiefs were marginalized but remained in existence. In other places, all tribal law was abolished. In nearly every new nation, at least some steps were taken to usurp power from the decentralized tribal institutions in favor of the formal institution of the state. The shift from tribal governance to the formal machinery of the state left most individuals less involved in the political process. Opportunities to voice

concerns to local leadership virtually ended with the advent of national leaders, interest groups, and party politics. The chance to “opt out” or “vote with one’s feet” if local leadership proved to be corrupt was no longer a possibility with national leadership, unless citizens were willing to move out of their country. And, even though, chiefs were often despotic in their own right, there was more overall “wisdom” in the traditional institutions and more accountability when compared to the bureaucratic and somewhat anonymous alternative.

Leaders of these failing nations are considered illegitimate and tend to be deaf to the general public’s concerns. They are separated and different from the people they are trying to rule. While they try to impose the institutions of modern states, which have been inherited from Europe, on reluctant populations, they have neither the legitimacy of tribal rulers nor the military might and wealth of the European colonizers. They are often viewed as products of the colonial system and somehow corrupt because of that affiliation. Moreover, even the leaders who emerged after previously serving as tribal chiefs have struggled to gain national legitimacy because such legitimacy must extend beyond more local tribal legitimacy. Furthermore, illegitimate leaders generally fail to bridge the gap between policies they wish to implement and indigenous norms, increasing the populations’ sense that they are illegitimate.

The gap between the rules being laid down by post-colonial leaders and the indigenous norms that already prevail has posed serious challenges to the stability of one African state after another. The leaders simply could not overcome the problem of knowledge, which Hayek (1980 [1945]) described as the fundamental problem facing any society. For Hayek, there is no such thing as a well-behaved social welfare function

where “society’s preferences” can be rank-ordered and policy mechanically determined. Instead, knowledge is dispersed throughout society and the sum of this knowledge cannot possibly be comprehended and articulated by any one mind. As a result, even the most well-intentioned attempts to manage an economy are destined to fail. The fact that African leaders often had questionable intentions and a lack of knowledge produced predictable and devastating economic results.

As leaders continued to meddle in the economic affairs of their new nations, parliamentary battles, budget crises, military rule, civil war, and conflicts over natural resources resulted. For example, General Samuel Doe’s military coup in Liberia in 1980 was the direct result of income inequality and battles over natural resources between government leaders and the general population. Terrorist acts by the United Front for Nigeria’s Liberation (UFNL) in the mid-1990s can be attributed to preferential hiring within the public sector and frustration with the government’s fiscal policies. In resource rich countries, such as Angola, Kenya, Nigeria, and Zaire, the line between public and private ownership of natural resources has been blurred after endless disagreements about whether mineral wealth should benefit local stakeholders or the country as a whole.

Political turmoil weakens the authority of African leaders, creates a sense of vulnerability, and makes them less likely to pursue long-run, growth-enhancing policy because they are not sure they will remain in power long enough to reap the benefits. Rather than slowly strengthen their power by encouraging economic growth, leaders pursue short-term, quick-fix policies that help them stay in power. This short-run thinking makes them less likely to act according to the “conditionality”

guidelines laid out by aid organizations, such as the World Bank and United States Agency for International Development (USAID).

As their legitimacy weakens due to poor policy decisions, and the threat of an overthrow escalates, weak rulers find that, instead of pursuing sound economic policies, it is easier to act as though all resources of the nation are in the hands of the central government. Once economic resources are centralized and controlled by the ruling party, they are then allocated to gain loyalty and silence dissenters. The resources are expropriated from some people and given to family members, party supporters, or military elites protecting the corrupt party. This buys the leadership precious time and short-term stability. Highly nationalistic, centralized policies should be understood, then, as the *natural and predicted* outcome of illegitimate post-colonial leaders.

III. The Case of Botswana

Post-colonialism in Africa can generally be described as an environment in which African nation states subordinated indigenous institutions and individual experimentation in favor of more centralized, aggregate units of authority. During a period of tremendous uncertainty, African leaders tried to control the social order by passing new laws and imposing new political institutions. In so doing, they distorted and eliminated valuable information about market prices, contracts, and legal arrangements that is crucial to a well-functioning social order. Political and legal institutions cannot be imposed from above; instead, they must be discovered and arrived at through a process of social experimentation and learning. Lasting, effective institutions build up gradually, and as Hayek argued, can never be imposed from above.

Botswana's post-colonial experience serves as a stark contrast to that of most sub-Saharan African nations. While far from perfect,⁵ Botswana's leadership had a deep appreciation of the indigenous institutions that were already in place at the time of independence. By paying attention to these institutions, Botswana's reforms and its post-colonial nation state were much more effective in promoting economic growth and maintaining political stability. Botswana's remarkable post-colonial development is well-documented (Acemoglu, Johnson, Robinson 2003; Beaulier 2003; Leith 2005; Beaulier and Subrick 2006). From 1966-1995, Botswana was the fastest growing country in the world, averaging nearly 7.7% annual economic growth. It went from being the third poorest nation in the world in 1966 to an upper middle-income nation free from most foreign aid today. Former colonial officials from Great Britain made dire predictions that Botswana would either end up being absorbed by South Africa or struggle to produce subsistence levels of income. But, by consistently pursuing pragmatic, free-market policies, Botswana was able to enjoy steady growth and emerge as Africa's most economically free nation (Gwartney and Lawson 2007).

Botswana's modern-day political institutions emerged from traditional institutions that existed in pre-colonial Botswana. In pre-colonial Botswana, chiefs controlled most economic resources. Society was fairly hierarchical and stratified (Holm 1988). Citizens owned their own cattle but were often required to give up some of their cattle to the chief as gifts or in return for defense from invasion. The chief's powers were checked, however, by *kgotlas*, which were an important and relatively unique tribal institution.

⁵ See Kenneth Good (1992, 1994) for criticisms of the hierarchical nature of Botswana's political institutions and concerns about the inequality that has come from Botswana's rapid economic growth.

Kgotlas were places for the dominant Tswana men of a tribe to gather and discuss concerns raised by the chief or other important members of the tribe. The powers of the committee were only advisory, but the chief used the forum to generate consensus. While the chief always remained the ultimate authority, the *kgotlas* gave the chief valuable local information about tribal concerns and alerted him to possible interest groups that might resist a particular policy.

One must be careful not to paint an overly romantic picture of the *kgotlas*. The *kgotlas* were a primitive democratic institution that gave citizens some indirect voice in village affairs, but this voice was a soft voice at best. Opposition groups were not allowed to speak until the end of a *kgotla*, after the chief and his advisors had already articulated their position on the relevant issue. Knowing where the chief stood and given his ultimate authority, the minority voice was often guarded and sometimes altogether silent. Yet, freedom of expression was an important aspect of these meetings and consistently upheld.

While *kgotlas* were far from perfect in welcoming the voices of minority groups, and though they kept most women out of discussions, they did explicitly set a precedent for *politics based on consensus*, rather than politics based on the arbitrary whims of dictators or majority-rule politics. The Batswana (the proper term for people of Botswana) had a primitive form of participatory democracy long before the British system of representative democracy was introduced. People were allowed to be involved in the public sphere of life in a way that only specialists, lobbyists, and party loyalists are involved in Botswana's government today. Local villages were allowed to run their affairs as they saw fit, and there was plenty of Hirschman's (1970) exit, voice, and

loyalty in the political process. As I have suggested in previous sections, the tribal rules and laws that existed in Botswana were not exceptional or unique to Botswana. In fact, one can find similar systems throughout most of pre-colonial Africa (Ayittey 1992; 1998).

The chiefs in pre-colonial Botswana were, clearly, the strongest unit of authority, but they were still constrained by customary law. Many of the constraints aimed at checking the chief's authority. Any violations of customary law could result in a chief's immediate dismissal. If a chief was unwilling to leave the tribe and continued to violate customary law, members of the tribe could easily exit.

The politics based on consensus that was slowly emerging in pre-colonial Botswana offered some clear advantages to the alternative of an unchecked autocrat. The argument in favor of consensus is fairly straightforward (Buchanan and Tullock 1962). If everyone were to agree on something, nobody is harmed by a particular policy. The decision of the group, in this case, is in the best interest of all members of the group. The problem with trying to base all collective choice on consensus, though, is that there are few issues over which all members of a group agree. A unanimity rule would, therefore, limit groups from pursuing actions that might not be in the interests of all members, but would—on net—benefit the group overall.

Even though many people were kept out of *kgotlas*, the efforts by chiefs in pre-colonial Botswana to reach consensus on issues that affected their tribes set a precedent for Botswana's future political institutions. In particular, politics based on consensus created an expectation among the general public that their leaders would reach agreement and compromise, rather than get bogged down in battles over party ideology. The

consensus-based approach to politics also took many projects off of the table that might have been passed with weaker democratic rules, such as a majority or super-majority rule.

The important principle to take away from the *kgotlas* is that they were, first and foremost, institutions that sought consensus. They were not democratic, in the contemporary sense of the term, nor did they pretend to be. They were often slow to deal with the pressing issues of the day and sometimes ridiculed by local citizens. But, as a consensus emerged, something close to an optimal decision was reached and the chief walked away with a better understanding of the issues.

From 1885 to 1966, Botswana was a protectorate of the British Empire. As Botswana moved towards independence in 1966, the Batswana had their pre-colonial system of government to use as an example of a decision mechanism where power was limited and free speech was encouraged. Their system of government sought consensus, which limited the costs that collective action imposed on citizens. At the same time, they could also look to the British model, which they had some familiarity and experience with from their time as a protectorate.

Britain's parliamentary system, where powers were separated and authority was checked, had features that seemed both compatible with CCIs and desirable to the post-colonial rulers. The rulers went about establishing an upper house, the House of Chiefs, which was staffed with appointed tribal chiefs and served an advisory role. The lower house, the National Assembly, is staffed with 63 elected members. While bills are voted on in the National Assembly, they are first submitted to the House of Chiefs for review and comment. The creation of an independent judiciary and an explicit endorsement of

customary law in the Constitution further guaranteed protection from arbitrary government interventions.

In matters of constitutional design, then, the political elites in Botswana had two distinct political systems from which to draw. Britain's system was a hierarchical one that attempted to separate powers, check the powers of the executive, and provide some voice to the general public. Botswana's pre-colonial system, as we discussed earlier, was based on consensus and sought political equality, minimizing the costs of collective decision-making. The transitional government was pragmatic and took some elements from each model to create a new government.

Thus, the post-colonial government that became independent of Great Britain in 1966 was not created *de novo* but, rather, emerged out of a long evolutionary process. The government that was created in the image of Britain's government at the time of independence drew on a long tradition of consensus-based politics that pre-dated colonialism. It was this long-held appreciation for consensus that filtered down to modern-day institutions.

We see links to Botswana's customary norms when we look at Botswana's spending rules, which require that any amendments to five-year spending goals must receive unanimous support from all members of parliament. The tradition of communication, consensus, and openness can also be seen in Botswana's toleration of free speech and open criticism of the government. Botswana's ruling party, the Botswana Democratic Party (BDP), not only accepts criticism but also responds to opposition groups. For the Botswana, these are features of public life which are taken for

granted. In order to succeed, the modern nation state needed to incorporate these features of pre-colonial life into formal institutions.

One perplexing question remains: Why did Botswana's post-colonial leaders and elites embrace the indigenous pre-colonial institutions at a time when most other leaders were rebuffing anything that had to do with traditional customs?

The decision by Botswana's post-colonial leaders to codify pre-colonial institutions is a huge puzzle for those working on comparative politics and development economics in Africa. Luck probably played a role—the good post-colonial leadership of Seretse Khama and Quett Masire certainly could have been a historical fluke.⁶ Beyond a doubt, Botswana's early leaders were public-spirited individuals who worked to keep the nation's best interest in mind when creating a new nation state. Khama, especially, had this “noblesse oblige about him that was an accident of history.”⁷ He was legitimate in that he was the chief of Botswana's largest tribe, the Bamangwato. He was well-educated, charismatic, and pragmatic. His training in law in the United Kingdom and controversial marriage to a white Englishwoman, Ruth Williams, could have made him more appreciative of the common law and minority rights.⁸

But, more than anything else, Botswana's leaders carved out a market niche in the international arena that forced an early commitment to liberal policies. At the time of independence, southern Africa was being ripped apart by apartheid policies and racial disagreements. The outside world watched closely to see if Khama's Botswana would

⁶ Jones and Olken (2005) argue that leaders play a crucial role in economic performance.

⁷ Interview with Professor Clark Leith, Economic Consultant to the Minister of Finance and Development Planning and Professor of Economics at the University of Western Ontario. Interview took place in his office on June 24, 2004 at 11 am.

⁸ For more on the role that post-colonial leadership played in Botswana's development, see Beaulier (2003).

become a nation where racist policies extended or a nation that served as a barrier to racism. Khama and the Botswana Democratic Party (BDP) decided to take the moral high ground by criticizing the atrocities that were occurring in Rhodesia and South Africa, welcoming political refugees and dissidents and insisting that basic human rights and self-determination needed to be upheld. By drawing a line in the sand against racism in Botswana, Khama and the BDP were given special status within the United Nations, were able to avoid sanctions that were placed on many apartheid regimes, gained early support from the World Bank, and received United States financial support for major road projects. Through careful political entrepreneurship, Khama was able to turn Botswana into the Switzerland of sub-Saharan Africa.

Whether Khama and the BDP truly believed in the rhetoric of their liberal policies, or whether they were political opportunists, is beside the point. The unstable international environment in southern Africa gave Botswana an opportunity to differentiate itself from other sub-Saharan African nation and thus to benefit—by credibly committing to economic, legal, and political institutions that were growth-enhancing and largely consistent with pre-colonial institutions. Botswana’s long history of consensus, openness, and toleration reinforced its leaders’ liberal rhetoric. Openness and consensus were values that had remained in the hearts and minds of ordinary citizens and leadership from the pre-colonial period to the present; when mixed with British institutions during the post-colonial period and with Khama’s international rhetoric of “realistic liberalism,” these norms were reinforced.

The case of Botswana is an illustration of Hayek’s claim (1973) that policies based on rules, rather than discretion, produce desirable economic outcomes. Botswana’s

early leaders had their hands tied after they made a verbal commitment of liberal policies to the international world. As they gradually took additional measures to signal their commitment to the rule of law and nonracial humanitarianism, their citizens were able to form better expectations about the government's future course. Over time, this became a virtuous circle where expectations and policy were closely aligned, producing high levels of coordination and rapid economic growth.

Botswana's leaders' zealous commitment to liberalism based on consensus, for example, led them to seek widely agreed upon solutions to problems like poverty and low economic growth. This underlying desire for consensus was reinforced by explicit public policies that targeted national goals in Botswana's five-year spending initiatives. These initiatives, which are called National Development Plans (NDPs), constrain government spending and make the government prioritize. Once written, they are not easy to amend. The plans create a focal point that must be aligned with the belief systems of the people. Today, Botswana is on their ninth NDP, and the main focus of this plan is prosperity for all and diversification of the economy; earlier plans focused on infrastructure development, education, and healthcare.

Botswana's home-grown, pre-colonial institutions were not unique to that part of Africa. Most pre-colonial African societies had primitive forms of collective decision-making and law that could help them resolve disputes. These systems were hierarchical and were often cumbersome, but as we look back on Africa's post-colonial underdevelopment, slower political decision-making may have benefited many nations.

IV. Conclusion

Hayek's social and legal theory can provide important insights into African underdevelopment and point the way to post-colonial reform. African development largely depends on reformers proceeding with caution and being careful not to disrupt *de facto* workings of the economic order. Or, as Hernando de Soto (2000: 168) puts it, "governments need to listen to the barking dogs [i.e., extralegal institutions] in their own communities and find out what their law should say."⁹ As we saw in the previous section, Botswana's successful post-colonial transition serves as a nice model of leadership respecting traditional customs and institutions.

Understanding African underdevelopment as a series of successful and failed efforts in "rational constructivism" at the level of leadership has important implications for future policy. On the one hand, it implies that African nations are not "trapped" because of some kind of geographic, resource, ethnic/linguistic, or social capital deficit. If leaders can simply "listen" and "discover" the natural arrangements of the social order, positive reforms can occur. On the other hand, understanding the African tragedy as a series of failed central plans is depressing in that there is no reason to expect reformers to abandon central planning any time soon.

Most work in modern growth theory fails to appreciate this insight because it is not easy to incorporate into standard growth models. The models simply do not do well at capturing sudden change, which is the kind of change occurring all over sub-Saharan Africa—whether it be Zimbabwe's economic collapse or the remarkable economic turnarounds of countries like Tanzania and Mauritius. The fact that economic

⁹ Boettke, Coyne, et al. (2005: 36) go further than de Soto by saying that governments must do more than "listen" to the dogs: governments must recognize that "...the only path [to progress] is an indigenous one."

performance depends crucially on the interaction between the social order as a whole and the state within that order seems like an obvious and trivial point. But, it is a point that has largely gone unnoticed in contemporary growth theory.

Bringing Hayekian insights to the table leads us to abandon simplistic analysis and model building, as well as simplistic solutions. It encourages us to operate with greater analytical sensitivity and to recognize the “wisdom” in indigenous institutions and traditional norms. The most important lesson that comes from Hayek is one of humility—peace and prosperity can come from the bottom up if post-colonial leaders abandon the idea that they know best.

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