



Colonial taxation and government spending in British Africa, 1880–1940: Maximizing revenue or minimizing effort?

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ABSTRACT

Colonial state institutions are widely cited as a root cause of sub-Saharan African underdevelopment, but the opinions differ on the channels of causation. Were African colonial states ruled by near absolutist governments who strived to maximize revenue extraction in order to strengthen their grip on native African societies? Or did European powers build 'states without substance', governed with minimal resources and effort, failing to invest in basic public goods? This paper develops an analytical framework for comparing colonial tax and spending patterns and applies it to eight British African colonies (1880–1940). We show that colonial fiscal systems did not adhere to a uniform logic, that minimalism prevailed in West Africa, extractive features were more pronounced in East Africa, and that Mauritius revealed characteristics of a developmental state already before 1940.

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1. Introduction

Modern economic growth in the West and, more recently, East Asia, has come hand in hand with the rise of the nation state as the supreme unit of political organisation. To reap the benefits of labour division and market integration these states secured a stable macro-economic environment, removed internal trade barriers and invested heavily in physical infrastructure. State intervention in schooling and health care have guaranteed higher rates of human capital accumulation than private markets normally provide (Lindert, 2004: p. 230). Indeed, rapid growth in countries like South Korea, Singapore and China was not due to democratic institutions, but effective fiscal institutions and a capable state administration were a *sine qua non* (Glaeser et al., 2004).

Among the numerous explanations for the lack of catch-up growth in sub-Saharan Africa, the failure of states to provide citizens with a minimum level of economic security and public goods has received ample attention (Manning, 1998; van de Walle, 2001; Meredith, 2005). Many African states were ruled by predatory regimes during the post-independence era. Instead of supporting the accumulation of human and physical capital, rent-seeking politicians often redistributed resources from the rural poor to urban elites (Lipton, 1977; Bates, 1981). The record of state failure in the late twentieth century is so impressive that it is hard to escape the idea that there is something specifically 'African' in the nature and history of African state formation. Scholars widely agree that the process of *colonial state formation* in Africa embodied some typical features, if only because African state boundaries were drawn on the European drawing table in almost complete neglect of the prevailing social, political, economic and cultural dividing lines (Ayittey, 2005). But the question how colonial state institutions impacted on long run African state development remains contested.

Acemoglu et al. (2001) have argued that without significant European settlement, colonial governments were not committed to the development of growth-promoting institutions. Instead, 'near absolutist' governments imposed 'extractive institutions' to facilitate the exploitation of indigenous labour and natural resources through trade, land appropriation, excessive taxation or outright

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plunder. Much of their story about extractive institutions is based on the African experience. Fiscal policy fulfils an important role in their argument as one of the main channels of revenue extraction.¹ According to Crawford Young (1994) the 'revenue imperative' of African colonial governments was a precondition for establishing European hegemony as it not only provided the necessary resources, but also symbolized the authority and legitimacy of the colonial state. Bush and Maltby (2004) have also stressed that colonial fiscal systems were functional in turning Africans into 'governable people'.

But the portrayal of colonial governments as 'near absolutist' overlooks much of the practical limitations to their political, economic and military power. Many studies pointed out how African economic and political agency constrained European hegemony (Bayart, 2000; Austin, 2008). Harsh environmental and geographical conditions not only made the colonial conquest itself more problematic than in other parts of the world, but also complicated the administration of large territories with little manpower. According to Cooper (2002) the post-colonial 'gatekeeper state' in Africa evolved due to such practical constraints. But the comparative power and capacity of the African colonial state power was, at least to some extent, also a matter of deliberate political choice.

Jeffrey Herbst (2000, p. 73) describes the African colonial state as a form of 'administration on the cheap'. Rather than facilitating extraction, Herbst argues, the colonial state in Africa was a prototype Night watchman state, performing a minimum set of tasks at minimum costs. Low population densities raised the marginal costs of controlling large territories above the marginal revenues of trade and taxation. Hence, African states developed soft boundaries which, contrary to European nation states, focused on the control of people rather than land (Tilly, 1990). Imposing their own views of state organisation, Europeans created hard territorial boundaries in Africa, but with little means (financial, military, and logistic) to control them. Borders were protected by treaties designed in Europe (e.g. the Berlin conference), rather than by military and economic investments in the frontier areas.

Bayart (2009) introduces the concept of 'extraversion' to explain how African elites (ab)used the information asymmetry between themselves and the colonial rulers to mobilize resources. Minimalist rule resulted in increasing political competition for resources, aggravating corruption and social-ethnic cleavages (Berry, 1993; Reno, 1995). For Mamdani (1996) the British invention of indirect rule was basically a system of 'decentralised despotism'. It corrupted local authorities because it left native chiefs with almost unchecked powers of revenue collection. Lange (2009) lends support to this view, showing that the indirect ruled British colonies have performed significantly worse than the direct ruled. Inspired by Kirk-Greene's (1980) study of 'the thin white line', Richens (2009) finds that the number of European state administrators predicts post-colonial economic performance.

But what matters here is that the different interpretations of the nature of the African colonial state have produced contrasting views on the effectiveness of colonial fiscal systems. Mamdani argues that "*District level autonomy at times reached the level of a fetish [...] The result was a pervasive revenue hunger all along the chain of command, from the central to the local state, leading to efforts to tax or impose fees on anything that moved.*" (1996, p. 56). But Herbst observes that "*Not surprisingly, the colonial governments were unable to solve the revenue problem [...] Reflecting their modest motivations for ruling in Africa, the states the Europeans created did not develop impressive institutions for collecting revenue.*" (2000, p. 116).

The interpretation of colonial spending patterns also part of this discussion. Proponents of both, the 'minimalist' and 'extractive' perspective, agree that colonial public expenses were geared towards securing colonial order, but for different reasons: the allocation of public resources could either be the result of underdeveloped fiscal systems leaving little resources for social spending, but it could also be that alternative spending options were deliberately neglected. Besides, a more benign view of colonial government spending is called for by authors who take the rapid reduction of child mortality rates and unprecedented gains in life-expectancy into account (Warren, 1980; Sender and Smith, 1986, pp. 61–6). Moradi (2009) and Austin et al. (2009) have shown considerable increases in stature of Kenyan and Ghanaian army recruits. Frankema (2010a) shows that educational enrolment rates were impressive in many African colonies, and especially British African colonies, although these are not correlated with colonial government expenses.

In view of this discussion we explore three interrelated questions for the case of British Africa. First, to what extent did colonial governments strive for fiscal revenue maximisation: were colonial tax levels comparatively high or low? Second, how much of public revenue was spent on securing colonial order, and how much invested in human resources? Did this change much over time? And third, did colonial tax and spending patterns adhere to a similar logic throughout British Africa, or did varying local conditions lead to major differences?

In Section 2 we introduce an analytical framework that can be used to systematically compare tax and spending patterns. In Sections 3 and 4 we apply this framework to British Africa in the period 1880–1940. This period covers most of the colonial era, but stops at a crucial turning point in colonial state finances during and after the Second World War. In the 1940s and 1950s colonial states start to receive significant subsidies (grants-in-aid) to carry out colonial development and welfare programs. Although the period up to formal independence was brief, we believe it warrants a separate study. The colonies include Gambia, Sierra Leone, Gold Coast (Ghana) and Nigeria in West Africa; Uganda, Kenya, Nyasaland (Malawi) in East Africa and the sugar-island colony of Mauritius.² These colonies differ in geographical and economical characteristics, but share their identity as British ruled territories. In Section 5 we discuss the main results. Section 6 concludes.

¹ Acemoglu et al. illustrate this with references to excessive taxation in Tunisia, Northern Rhodesia and Belgian Congo, which they implicitly hold to be representative for colonial Africa as a whole (2001, p. 1375).

² The names refer to colonies and protectorates. We will use the encompassing term 'colony' henceforth. For simplicity, Uganda, Nyasaland and Kenya are all categorized as 'East African'. Kenya was named the East Africa Protectorate until 1920 and Nyasaland was called the British Central Africa Protectorate until 1907. Nyasaland became Malawi and the Gold Coast became Ghana after independence. These territories were administered by civil authorities and not by private companies such as the British South Africa Company in Southern and Northern Rhodesia. The Union of South Africa has been excluded because it became a self-governing dominion before WWI.

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