Journal of Economic Behavior & Organization 71 (2009) 669–689

Contents lists available at ScienceDirect

Journal of Economic Behavior & Organization

journal homepage: www.elsevier.com/locate/jebo

Institutional obstacles to African economic development: State, ethnicity, and custom

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ARTICLE INFO

Article history:
Received 27 May 2008
Received in revised form 27 February 2009
Accepted 2 March 2009
Available online 20 March 2009

JEL classification:
A13
A14
O17
P48
Z10
Z12
Z13

Keywords:
Africa
Culture
Religion
State failure
Legal dualism
Social norms
Ethnicity

ABSTRACT

To account for the African growth tragedy and, in particular, for its causes rooted in governance problems, the institutional legacy that African countries inherited from pre-colonial and colonial times must be considered. Three aspects are examined here. First, the relationship between ethnicity and state performance is bi-directional: if strong ethno-regional identities prevent the emergence of modern citizenship, they themselves constitute an endogenous outcome of continuous state failures. Second, the persistence of informal rules and social norms causes legal dualism, which undermines the credibility of modern statutory law. Third, social customs and norms that hinder socio-economic differentiation and individual capital accumulation lower the performance of indigenous enterprises.

1. Introduction

A well-known and troubling feature of economic growth in Sub-Saharan Africa (SSA) since the end of the second World War is the divergence of African incomes from those obtained elsewhere the southern hemisphere. Noting the statistically significant and negative effect of the African dummy in their cross-country growth regressions, Easterly and Levine (1997) have talked about a "growth tragedy" to characterize the long-term economic performances of the African region. In actual fact, average real income per capita for SSA as a whole barely increased between 1960 and 2000, an outcome largely resulting from the dismal performance of African economies during the 20-year period from roughly 1974 to 1994. As evident from the World Bank's Tables, a negative annual average rate of growth of income per head prevailed during the latter period whereas a very low average positive rate of less than 0.5 percent was observed during the subsequent years, until the beginning of

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0167-2681/$ – see front matter
doi:10.1016/j.jebo.2009.03.006

this century.[1] It is, therefore, no exaggeration to say that African populations "missed out on the unprecedented economic transformation that took place in the rest of the developing world after 1950" (Ndulu and O'Connell, 2008, 17).

In accounting for the African growth tragedy, it is tempting to cite the geographic isolation of many countries in the region: more than a third of its population lives in countries that are both landlocked and poorly endowed with natural resources, as against a mere one percent for the other developing regions, where areas with unpromising opportunities have seldom become countries (Collier and O'Connell, 2008, 84). This explanation does not stand up to scrutiny, however: many of the worst performing African countries turn out to have abundant natural resources, whether oil, natural gas, diamond, or mineral resources (e.g., the Republic of Congo ex-Zaïre, Nigeria, Angola, Sierra Leone). Moreover, another third of the African population lives in these resource-rich countries.

In fact, there is growing agreement that inefficiencies in African economies, and the consequently low returns on investment and aid projects, result from an impressive array of governance failures. It is especially worrying that, in contrast to measures of policy and political institutions, measures of the institutional environment showed no tendency to improvement in SSA during the 1990s. Worse, a number of indicators such as the ICRG indexes of government corruption, the rule of law, and the quality of the government bureaucracy suggest a deterioration, both in absolute terms and relative to other developing regions (Ndulu and O'Connell, 2008, 55–56). It is thus revealing that all the "anti-growth syndromes" singled out by the Africa Growth Project, the first comprehensive assessment by African research economists of the growth experience of SSA in the post-independence period, have their origin, to a significant extent, in serious governance problems.

These syndromes are (i) regulatory regimes that severely distort productive activity and reward rent-seeking, (ii) regimes of ethno-regional redistribution that compromise efficiency through resource transfers to sub-national political interests, (iii) regimes of intertemporal redistribution that transfer resources from the future to the present, and (iv) state breakdown, which refers to civil war or marked political instability (Collier and O'Connell, 2008, 89–96; Fosu, 2008). The picture that emerges is one in which SSA suffers not only from physical remoteness, but also from the so-called natural resource curse and varied sorts of rent-seeking, corruption, and subversion of political choices by ethno-regional forces (Collier et al., 2008a,b).

The central question addressed in this paper is the following: to what extent do the governance problems of SSA have something to do with the institutional legacy of the region? Africa's bad performance on the level of its institutional environment must be somehow traceable to non-geographic factors specific to the region. The particular history of the continent, which includes the colonial experience and the manner in which its institutional environment has been shaped over the longer period, must take us some way towards gaining a better understanding of the present Africa's growth tragedy.

The paper comprises three central sections. Section 2 starts with the widely accepted idea that failure of the state accounts for much of Africa's difficulty to respond effectively to the challenge of modern economic growth. The question of whether such a failure has a cultural origin is specifically addressed. In particular, is it true that in SSA ethno-regional identity rooted in a deeply entrenched culture has prevented the emergence of modern citizenship and the bureaucratic (Weberian) state, or has the former been an endogenous outcome of continuous state failures that themselves need to be elucidated? In Section 3, attention is drawn to the persistence of informal norms and institutions, and the discrepancy between them and the modern law system. The consequences of this 'legal dualism' are explored, along with the possible role of religion as a bridge between tradition and modernity. In Section 4, another aspect of Africa's ill-fated development is considered: the lack or low performances of indigenous enterprises. Again, an exploration into the possible cultural roots of this phenomenon is attempted. More specifically, to what extent do social customs and norms that stress collective well-being and traditional order based on status ranking hinder socio-economic differentiation and private capital accumulation? The role of religion will again receive special attention. In concluding the paper, Section 5 attempts a contrast between Africa and Asia.

It is argued that in SSA institutional and cultural traits such as ethnicity, kinship, redistributive norms, magical beliefs, and distrust of centralized state agencies tend to be reproduced over time and remain resistant to fundamental reshaping under conditions of decolonization and political liberalization. Since ethnicity/kinship is perhaps the single most important factor in the above list (bear in mind that redistributive norms operate only within a kinship network), the analysis proposed in this paper appears to go against the tide of recent econometric studies according to which ethnicity ceases to influence the probability of conflict and violence once material determinants such as per capita income, access to raw materials, and the like are duly controlled for (Fearon and Laitin, 2003; Collier and Hoeffler, 2004). These works nonetheless suffer from a serious flaw inasmuch as they rely on a highly unsatisfactory measure of ethnicity, the so-called ethno-linguistic fractionalization index (ELF). Leaving aside the fact that a single index is under-equipped to capture the multidimensional quality of ethnic identities and that nationwide measures fail to capture variations occurring at the sub-national level,[2] a fatal weakness of the ELF is that it treats violence as random and is generated in a completely bottom-up fashion. It is therefore silent on the role of the state, and it overlooks the critical fact that violence is organized in most if not all instances of civil wars and conflicts.

Cederman and Girardin (2007) have tried to overcome the latter shortcoming by constructing an alternative index, the so-called index of ethno-nationalist exclusion, which introduces state-centric, rather than symmetric, ethnic configurations and postulates group-level, rather than individual-level, micro-mechanisms of mobilization. The underlying hypothesis is that escalation to violence is more likely where the dominant group is a demographic minority. What the authors show is that,

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[1] In the early years of this century, economic performances have markedly improved in SSA. It is too early to say, however, whether present rates of growth are sustainable or are largely due to the rise of international prices of raw materials.

[2] When such variability is captured in the measurements, ethnic differences appear to be more significant (Murshed and Gates, 2003).