

Introduction to the Special Issue on colonial institutions and African development

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Abstract. This special issue, devoted to the analysis of colonial institutions in the economic performance of countries both pre- and post-colonialism Africa, aims to be a contribution, in the vein of North (2005), to the field of colonial studies in comparative institutional perspective. The papers in this issue combine the history of economic thought, econometrics, economic history, cliometrics and the analysis of colonial institutions. These approaches shed a new light on the question of path-dependence and historical dynamics. They suggest that as former African colonial countries move away from the colonial period, the shadow of colonial institutions is less marked and is now rivalled in importance by the extent of democracy, which now plays a crucial role in their economic development.

The papers in this special issue address the impact of colonial institutions on African economic development. Addressing a number of themes, they bring together ideas from the history of economic thought, econometrics, economic history and cliometrics.¹ One aim is to illustrate the richness of institutional economics and cliometrics in assessing the economic performance of African countries both pre- and post-colonialism. Given the complex legacy of colonialism, the authors are well aware that it is extremely difficult to embrace all the aspects of the topic. Nevertheless, it is hoped that the approaches presented in this special issue will facilitate further research on these topics and help engage in deeper interdisciplinary exchanges (Alam, 1994; Cooper, 2010; Easterly and Levine, 2003; Engerman and Sokoloff, 1997, 2010; Johnson *et al.*, 2001; Lacoste, 2010; La Porta *et al.*, 1997; Rajan and Zingales, 1998, 2001; Young, 1994).

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1. To avoid possible confusion, it must be noted that the concern of the papers here is unrelated to the so-called ‘post-colonial’ critique of mainstream economics. In this literature, mainstream economics is disavowed as a ‘colonial and hegemonic discourse of modernity’ that allegedly shuns important developments in the modern social sciences. The new economic history is viewed as an attempt at ‘consolidating colonial and contemporary cultural hegemony’ (Zein-Elabdin and Charusheela 2004, p. 14). Instead we are concerned with post-colonialism in a more literal sense and we avoid any debate with this other literature.

Colonial studies in comparative institutional perspective

This special issue adds to the existing literature on the impact of colonial institutions on African development. It provides new insights on colonization as a factor in the long-term economic slowdown within former colonized countries. Prominent in this tradition are the ‘legal origins’ and ‘extractive’ institutions debates. Three currently influential schools of thought on colonial institutions and their impact on economic growth can be identified in this literature. From an institutional perspective, there is first the work of Daron Acemoglu and his colleagues on the roles of ‘extractive’ *versus* ‘inclusive’ institutions. Second, there is the work of Rafael La Porta and his colleagues on the role of different forms of colonial legal system on subsequent development. There is also work on the influence of other factors, such as geography (Gallup *et al.*, 1998).

Acemoglu *et al.* (2001) developed the concept of ‘extractive’ institutions as opposed to ‘constructive’ or ‘inclusive’ institutions. They suggested that when the environment was favourable to European colonists they came in vast numbers and reproduced European economic institutions (checks and balances on state power, property rights, etc.). In contrast, when the environment was unfavourable (revealed by a high rate of mortality among the first settlers), Europeans created ‘extractive institutions’, which endowed large powers to the state and transferred natural resources to colonizers. Acemoglu *et al.* (2001) assumed that settler mortality is a good predictor for the quality of both early and current institutions. They conjectured that high settler mortality led colonizing powers to introduce ‘extractive’ institutions, which set the economy on a long-term path of low and volatile growth. Moreover, settler mortality should correlate well with conventional institutional measures such as the risk of expropriation and democracy. In response to low settler mortality, the adequate non-extractive institutions introduced by the colonizers should be the colonial origin of comparative development.

In the thesis of ‘legal origins’, La Porta *et al.* (1998), Djankov *et al.* (2003) and Glaeser and Shleifer (2002) distinguished between colonial institutions originating in different national legal systems (British common law and French or German civil law). Should these systems remain constant, their legal origins will determine the quality of current institutions. Under French civil law, ‘professional judges, legal codes, and written records are typical, while British common law is characterized by lay judges, broader legal principal and oral argument’ (Glaeser and Shleifer, 2002, p. 1193). In the studies by Djankov *et al.* (2003), Glaeser and Shleifer (2002) and La Porta *et al.* (1998), differences in legal origins are correlated with better performances in former British colonies in terms of property rights, quality of government, political freedom and financial development. These in turn have had a positive impact on the rate of economic growth.

Another set of studies refers to geographical factors, which explain the patterns of economic development. Four kinds of factors are put forward as

sources of sustainable growth: natural endowments, soil fertility and agricultural productivity, diseases and plagues, and transport costs (Bloom and Sachs, 1998; Diamond, 1999; Gallup *et al.*, 1998; Sachs, 2001; Sachs and Warner, 1997). Testing these four factors in the case of Africa, and notably in the former French colonies, Bolt and Bezemer (2009) did not find any to be statistically significant. They provided evidence that the origins of Africa's comparative development relied on education and more broadly on human capital.

Beyond institutional controversies, the period of colonization is understood to have implied distortive effects and to have induced persistently low economic growth in most former colonized countries. In the literature explaining the current increasing discrepancies in per capita income between former colonies and the North, two main channels are identified: colonization has destroyed the societies, and exploitation has had a direct consequence on resource distribution. Extending the African colonization analysis to Asia, Bertocchi and Canova (1996) identified direct and indirect channels through which colonization acts negatively on long-run growth. The direct link relies on taxes, tariffs and trade restrictions, forced labour and enslavement. The indirect link refers to extracting surplus consequences. Notably, repatriated profits reduce wealth accumulation and, therefore, slow down the accumulation of human capital. Using an augmented Solow growth model, Price (2003) estimated that colonial heritage was nearly entirely responsible for the growth path of Sub-Saharan African countries. Thus, this set of studies focuses on the relevancy of institutional indicators of colonization to explain the differences in levels of per capita income across former colonized countries.

The different approaches in this issue make it possible to deal with the complex question of colonial institutions and African development in history and particularly to shed a new light on the questions of path-dependence and historical dynamics. Some of the articles in this issue provide evidence that as the former African colonial countries move away from the colonial period, the influence of colonial institutions has become less marked. Newer institutions, including political and financial structures, are now playing a role in their economic and political development.

The contents of this special issue

Alan Green's article (2016), 'Democracy and institutions in postcolonial Africa', argues that, since decolonization, the impact of democratization on economic growth through improved institutions has taken over and become the main channel for economic development in former colonized African countries. The author seeks to assess empirically the impact of democratization in African countries, which has been ongoing since the end of the Cold War. Green examines the impact of democratization on economic growth and civil conflict through panel instrumental variables. By measuring the weighted average of

democracy in neighbouring countries, this variable provides time and country level variations, under the exclusion restriction that democracy in neighbouring countries does not directly impact economic growth or civil conflict in a given nation. The existence of such waves indicates that there is a relationship between democracy in neighbouring countries and in a given country. Estimates show a strong impact of democratization on economic growth through improved institutions. The results also show that democratization reduces civil conflict through improvements in political participation and civil liberties. Combined, these estimates suggest that civil liberties have significant positive effects on both economic growth and civil conflict in African countries.

Roger D. Congleton and Dongwoo Yoo (2017) contribute an article entitled 'Constitutional bargaining and the quality of contemporary African institutions: a test of the incremental reform hypothesis'. The incremental reform hypothesis implies that constitutions are rarely adopted wholesale but instead emerge gradually from a series of reforms. The starting point, scope for bargaining and number of reforms thus jointly determine the trajectory of constitutional history. The authors test the relevance of this theory for Africa by analysing the formation and reform of the independence constitutions negotiated and adopted during the 1950s and early 1960s. They provide historical evidence that independence occurred in a manner consistent with the incremental reform hypothesis. After independence, constitutional bargaining continued, although the alignment of interests inside and outside government initially favoured illiberal reforms. Liberal trends re-emerged a few decades later. The authors find that in general, the African countries that experienced the fewest constitutional moments and narrowest domain of bargaining in the first decades of independence tend to have better contemporary institutions than states that began with less restrictive constitutional rules and experienced more constitutional moments.

Robbert Maseland (2017), in his article entitled 'Is colonialism history? The declining impact of colonial legacies on African institutional and economic development', investigates the thesis that the colonial legacy has left enduring scars on institutional and economic development in Africa. Institutional theory stressing path-dependence suggests that one-time shocks such as colonialism put societies on a permanently different development path (Acemoglu *et al.*, 2005; North 2005; Spolaore and Wacziarg 2013). Maseland studies the persistence of the effects of these dimensions of colonial rule on institutional and economic. He regresses institutional (economic) development on the three dimensions of colonialism, including a set of geographical and historical controls and year effects. He repeats this for each year (i.e. each country age) since independence, and plots coefficients and confidence intervals over time. Results show that the different dimensions of colonial legacy influence institutional quality (operationalized as the degree of expropriation risk implied by the executive constraints measure of the Polity IV index) shortly after independence,

but that these effects become insignificant within one or two decades. The author does not observe any effects of colonial rule on economic development, while the effect of settlers is falling over time but remains significant throughout the period of study. Maseland also conducts a panel analysis as a robustness check of previous estimates by interacting the three colonial legacy dimensions with country age. Results again show that the effects of the various dimensions of colonial rule on institutional development decline over time. Interestingly, results also show that effects of some of the geographical controls increase over time, suggesting that the effects of colonialism are gradually being replaced by a long-term geographically determined equilibrium. Maseland argues that while the nature of colonialism has left an imprint on post-colonial institutional development, this effect has worn off gradually. Consequently, variation in institutional quality in African countries is less systematically determined by colonial legacies than it was previously.

Valentin Seidler (2017) in his article entitled 'Institutional copying in British Africa: the presence of overseas officers and the quality of governance in former colonies' focuses on the copying of institutional rules. The literature on this subject reports that institutional copying often fails, but we know very little about the reasons why this occurs. This article argues that while formal law and formal institutions can be copied rather easily, the complementing informal norms and conventions, on which the formal law rests in the host country, are hard to transfer into the receiving country. The article can be seen as a contribution to the debate on the role of human capital and institutions in economic development (Glaeser *et al.* 2004 *versus* Acemoglu *et al.* 2001). The author exploits a natural experiment around colonial employment contracts during the period of decolonization of British Africa. There is substantial variation in the number of years British officers remained in service after independence. The Treasury in London initially refused to compensate officers for the loss of their career in the case of independence. Such a compensation scheme entered into force only in 1961. This scheme compensated officers for the loss of their career and included a substantial bonus if they agreed to remain in service for five more years after independence. British officers serving in colonies that gained independence before 1961 faced a higher degree of career uncertainty and had fewer incentives to remain in the service of the former colonies. The author then investigates the degree to which legal provisions stipulating the meritocratic appointment of civil servants were copied into nine former British colonies in Africa. The author compares these provisions with existing legal provisions and with how far these provisions are practised in reality. The paper finds that the formal British legal provisions stipulating the meritocratic appointment of civil servants were duly copied into all British African territories and – with some variation – still exist today. However, only those colonies with a strong British official presence in the years after their independence effectively follow these legal provisions today. These countries are also perceived to have more effective governance and

lower rates of corruption, which in turn is reflected in their post-independence economic performance.

Dácil Juif and Ewout Frankema (2016), in their article entitled 'From coercion to compensation: institutional responses to labour scarcity in the Central African Copperbelt', explore how European mining companies in the Central African Copperbelt, which encompasses the province of Katanga in the Belgian Congo and the Copperbelt province of Northern Rhodesia, secured scarce supplies of African labour by combining coercive labour recruitment practices with a considerable investment in living standards. The authors reconstruct real wages of mining workers from both sides of the border between the 1910s and the 1960s.

The results show that copper mine workers lived at barebones subsistence levels in the first quarter of the twentieth century, but experienced rapid welfare gains from the mid-1920s onwards and became among the best paid manual labourers in Sub-Saharan Africa from the 1940s onwards. The compensation levels of African copper mine workers rose impressively at the same time as coercive labour recruitment practices were replaced by voluntary migration and stabilized workforces. However, there were important variations between different colonies, depending on the institutions and policies involved. By showing how solutions to labour scarcity varied across space *and* time, the authors stress the need for dynamic conceptualizations of colonial institutions as a counterweight to their oft supposed persistence in the historical economics literature.

Chukwunonye O. Emenalo, Francesca Gagliardi and Geoffrey M. Hodgson (2017) assess the 'Historical institutional determinants of financial system development in Africa'. This article aims to investigate the extent to which the historical institutional determinants of cross-country variation in financial system development identified by legal origins, disease endowment, religion-based and ethnic fractionalization theories explain current differences in financial system development across African countries. The paper uses two dimensions of financial system development: financial system depth, a size measure of financial systems, and financial system access, capturing access to finance by firms. In the econometric analysis, when using measures of financial system depth as proxies for financial system development, none of four prominent theories proposed in the literature (legal origins theory, disease endowment theory, religion-based theory and ethnic fractionalization theory) received empirical support. But the ethnic fractionalization theory, the legal origins theory and the disease endowment theory are supported in the data when measures of access to financial systems are used as a proxy for financial system development. A possible explanation for this finding is that financial system depth measures may be driven primarily by a few large and highly connected firms that do not necessarily depend on well-developed current institutional factors with strong historical links to obtain credit for their operations. Policy makers need to be aware of the

fact that poor access to financial systems in Africa may have links to detrimental institutional structures inherited from colonial times. Therefore, the design of policies aimed at improving financial system development in African countries needs to consider that path-dependence and institutional complementarity effects are likely to impact on the outcome of such reforms.

Abdallah Zouache's (2017) contribution, entitled 'Institutions and colonization of Africa: some lessons from French colonial economics', assesses the links between institutions and colonization in French colonial economics in the perspective of history of economic thought. He asks what we can learn from French colonial economics in the 19th century to better understand the colonial legacy in Africa. In particular, what do these writings of French economists tell us about institutions? Should institutions be created by the settlers or by the state? This article develops a new view on the role of land in terms of property rights in the colonization process. From this investigation of French colonial economics, the author sheds new light on the interpretation of institutions as cultural values, norms or even racial attributes. He concludes that development economists, who recognize the impact of the colonial legacy, should examine the cultural behaviours inherited from colonial times to explain the persistence of inefficient economic and political institutions.

Antoine Parent and Robbie Butler (2017), in their article, 'Clément Juglar and Algeria: three pillars of a modern anti-colonial criticism', recall the forgotten opposition of Juglar to the colonization of Algeria, the originality of this position, and his contributions to the genesis of analysing colonial institutions. Juglar was not a theorist of colonialism, but a liberal economist, who opposed colonization on economic grounds. The issues of returns of investment in the colonies, French colonialism as mercantilism and protectionism and the role of colonial institutions in economic development are all addressed by Juglar. He identifies property rights and colonial institutions as central issues in his explanation for the predictable failure of colonialism, and in doing so can be regarded as a forerunner of the neo-institutionalist analysis of colonialism. Juglar used what is now commonly called 'atemporal' and anachronistic neoclassical arguments to forecast the ultimate failure of colonialism. In doing so he adopted an unpopular, yet logically consistent position that proved to be viable many years after his death.

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