Is Development Path Dependent or Political? A Reinterpretation of Mineral-Dependent Development in Botswana

AMY R. POTEETE
Concordia University, Canada

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ABSTRACT Poor management of earnings from valuable natural resources results in a syndrome known as Dutch Disease, characterised by real exchange rate appreciation, high labour costs, and structural imbalances in economic development. Often a product of rentier politics, Dutch Disease undermines long-term economic performance in resource dependent economies resulting in a ‘resource curse’. The conventional wisdom argues that institutions and state development at the time of a resource boom lock countries into divergent developmental trajectories. I argue that political coalitions lay the foundation for development of state and other institutions, and that changes in coalitions drive changes in policy responses to resource booms. Botswana’s experience illustrates the argument. Botswana has not entirely avoided symptoms of Dutch Disease, but has kept them largely in check despite the fragility of state institutions when diamonds were discovered. A broad and stable political coalition during the first decades of independence encouraged adoption of pro-growth policies and institutions. Rather than lock the country into a persistent development trajectory, these institutions left room for changes in political coalitions. As political coalitions change, economic policies and performance are also likely to change.

I. Introduction

Can valuable natural resources facilitate economic and political development? The evidence is not promising. Several studies find a negative correlation between natural resource abundance and sustained economic growth known as the resource curse (Sachs and Warner, 1999, 2001; Auty, 2001a, b). A political resource curse associates valuable natural resources with rent seeking, authoritarian rule and political instability (Karl, 1997; Ross, 1999, 2001; Collier and Hoeffler, 2005). The often sudden and dramatic fluctuations in commodity prices certainly pose problems for political and economic development (Cashin et al., 2001; Howie, 2001). Revenues
from valuable natural resources are often funnelled through the state and attract demands for increased expenditures (Karl, 1997; Ross, 2001). Meeting those demands often leads to increased labour costs, an appreciated currency, and consumption of economic rents. The broader literature concurs that rentier politics undermines economic development, state development, and prospects for democratic governance (Boone, 1990; Reno, 1999; Tornell and Lane, 1999; van de Walle, 2001). These problems tend to be more severe in countries with valuable natural resources because of the larger scale of state controlled resources.

Rapid acceleration in domestic spending and real currency appreciation during a resource boom feeds rapid growth in non-traded sectors combined with rapid decline in traded sectors (Corden and Neary, 1982). Many observers believe that this dynamic, known as Dutch Disease, contributes directly or indirectly to the economic resource curse (Sachs and Warner, 1999, 2001; Auty, 2001a, b; Shaxson, 2005; but see Tornell and Lane, 1999). Currency overvaluation and sectoral imbalance exacerbate the need for economic restructuring during bust periods and drive down long-term economic performance. Dutch Disease thus links political responses to commodity booms with economic outcomes.

Yet neither Dutch Disease nor the broader resource curse is inevitable. Governments choose whether to consume, invest, or save additional revenues from a booming sector. In theory, restricting the immediate flow of new revenues into the domestic economy can limit the effects of Dutch Disease (Usui, 1997; Ross, 1999; Auty, 2001b; World Bank, 2002). Commodity stabilisation funds, foreign reserves, and international lending can help buffer economies against the vicissitudes of international commodity markets and prevent or limit currency appreciation. Consumption and some forms of investment, on the other hand, do not prevent and may exacerbate Dutch Disease (Karl, 1997; Atkinson and Hamilton, 2003; compare Auty, 2001a). Under what conditions are governments able to overcome political pressures to spend their new income now and adopt macroeconomic policies that protect long-term economic growth? In essence, the answer lies in variable susceptibility to rentier politics. The explanation should identify conditions that favour sound macroeconomic management and speak to their stability during the long-term.

Analyses of Dutch Disease and the resource curse have focused on policies (World Bank, 2002; Shaxson, 2005), institutions (Acemoglu et al., 2003; Wright and Czelusta, 2003), and state building (Karl, 1997; Auty, 2001a, 2001b; Ross, 2001). These are nested explanations: state building accounts for institutions, which in turn account for policies. That the best management of resource booms should occur in countries with well-established state structures and transparent processes is not surprising (Karl, 1997; Auty, 2001a). Yet how can we account for variation in state building? Behind policies, institutions, and state building lie political coalitions. Politicians with narrow and unstable coalitions see rentier politics as an attractive coalition building strategy; their responses to this political problem hinder state building. When severe, rentier politics undermines existing state institutions and can contribute to state collapse (Reno, 1999). Politicians with broader and more stable coalitions are less likely to turn to rentier politics to bolster political support, in part because they are more apt to believe that they will reap the benefits from investments in state building. Since they are products of politics, policies and institutions are subject to change with political conditions.
To be sure, institutionalisation slows the influence of changing political coalitions and constrains the direction of political change. However, institutions do not eliminate the effects of changing political coalitions. As underlying politics change, outcomes can change dramatically even in the context of stable institutions (Scharpf, 1989; Tsebelis, 2002).

This article discusses standard explanations for responses to resource booms and makes the case for grounding those explanations in an analysis of political coalitions. The case of Botswana illustrates the argument. As an exporter of gem quality diamonds since the early 1970s, Botswana is a prime candidate for Dutch Disease and the resource curse yet it has experienced limited symptoms. Botswana receives—and deserves—special attention because of its developmental accomplishments (Samatar, 1999; Auty, 2001b; Acemoglu et al., 2003; Leith, 2005). Given that Botswana’s state institutions were new and fragile when diamonds were discovered, its relatively successful management of diamond revenues cannot be attributed to the extent of past state development without stretching that concept beyond recognition. On the other hand, I show that politicians built a broad and stable electoral coalition that supported both the development of state institutions and the adoption of policies conducive to long-term economic growth and political stability.

I do not contend that domestic factors alone explain responses to resource booms. Botswana’s vulnerability to South Africa, especially during the apartheid era, and its membership in the Southern African Customs Union (SACU) represented significant constraints. These international conditions reinforced the importance of growth as a source of security (compare Doner et al., 2005) and limited options for monetary and trade policy. Nor do I assume that past success guarantees future success. In fact, Botswana’s more recent economic performance has been ambiguous (Harvey, 1992; Love, 1994; Auty, 2001b; Molaodi 2005a). My approach offers greater insight into sources of change than current alternatives. Economic growth generates structural changes, increases the variety of interests in society, and opens up possibilities for new coalitions. Likewise, constraints and opportunities change with regional political and global economic developments.

II. Policies, Institutions, and Coalitions as Nested Explanations

Reference to a resource curse suggests an inevitability to poor economic and political outcomes in countries with valuable natural resources (Sachs and Warner, 1999, 2001). Yet Dutch Disease, an important mechanism linking resource booms to poor developmental outcomes, can be avoided by smoothing intertemporal expenditure and preventing overvaluation (Usui, 1997; Ross, 1999; Auty, 2001b; World Bank, 2002). Too often, countries experiencing resource booms either fail to set up mechanisms for smoothing intertemporal expenditures or do not fully utilise existing mechanisms. Many do little or nothing to prevent or compensate for real currency appreciation. When new revenues surge into an economy and its currency appreciates in real terms, that country consumes its economic rents during the boom period and remains as undeveloped as ever once the boom ends. The imbalance in economic structure caused by currency overvaluation magnifies the shock of adjustment. The extent to which a country suffers from Dutch Disease, then, depends on policy choices. Most explanations of policy choices focus on institutional development and state building. The importance of political coalitions,
however, is implicit in both policy based and institutional accounts. The breadth, stability, and interests of dominant political coalitions shape state building, other aspects of institutional development, and policy choice.

The new institutional economics attributes economic development, regardless of resource endowment, to policies and institutions that provide transparency, accountability, and tenure security. Institutions with these characteristics lower risk, increase time horizons, and encourage investment (North, 1990; De Soto, 2000). Cross-nationally, institutions that provide protection from expropriation are positively correlated with economic performance (Tornell and Lane, 1999; Acemoglu et al., 2001; compare Bardhan, 2005).

If policies or institutions contribute to variation in economic performance, what explains cross-national variation in policies and institutions? Institutional theorists favour path dependent arguments that trace institutions today to institutions in the past (North, 1990; Pierson, 2004). Path dependency occurs when an institutional choice generates increasing returns to retention of similar policies and raises the costs of institutional change. Colonial legacies, for instance, may contribute to divergent development trajectories (Young, 1994; Mamdani, 1996; Acemoglu et al., 2001, 2003). A recent variant of this approach notes that colonial powers were more likely to introduce protections for private property in settler colonies; those institutions tended to stay in place after independence and promote economic development (Acemoglu et al., 2001).2

Path dependency features prominently in political analyses of resource booms (Karl, 1997; Ross, 2001). In the absence of highly valuable natural resources, the imperative of accessing a broad tax base drives the development of state structures that extend throughout the territory (Tilly, 1975; Levi, 1988; Olson, 2000). Dependence on the domestic economy for state revenues also encourages the adoption of policies that promote economic growth. During a resource boom, the relative ease of capturing mineral rents discourages the development of institutions for broad-based taxation if they do not exist already (Karl, 1997).3 Once a government becomes dependent on a booming resource, it becomes difficult to switch to alternative revenue sources and countries get locked into a trajectory associated with the resource curse.

Thus, the state building argument contends that natural resource wealth is more likely to be squandered in countries with weak states at the time of a resource boom (Karl, 1997). Weak states are weak because they lack legitimacy and have thin and unstable state-society relations. In the absence of stable political support, politicians may attempt to create a political base through the provision of rents (Bates, 1981; Boone, 1990; van de Walle, 2001). Government control over revenues from highly valuable natural resources facilitates a political strategy of rentier politics, which in turn decreases the political viability of policies to limit Dutch Disease. As the portion of society dependent on mineral rents increases, so do the political costs of fiscal restraint (Karl, 1997). Rentier politics demands the conversion of ever larger shares of government controlled revenues into patronage. Since resource booms either leave the underlying structure of the economy unchanged or promote the creation and expansion of a rentier class, there is little prospect that an independent middle class will emerge that could push for a shift in the political trajectory (Ross, 2001).

Both economic and historical institutionalism identifies prior institutional development as the most important predictor of policy responses to a resource
boom. Even when concerned with socioeconomic and state development, these path dependent arguments are essentially structural and deterministic. They suggest an inevitability of decisions and outcomes that, at the time, seemed highly uncertain to the actors involved (Peters et al., 2005). Predictions that policies during natural resource booms prompt the pursuit of rentier politics assume that a country’s balance of power flows directly from its economic structure (Shafer, 1990; Karl, 1997). The emphasis on structural constraints and institutional legacies obscures the strategic challenges and opportunities politicians face while competing for power. The analytical challenge is to recognise the influence of both structure and agency.

Political coalitions link social actors to institution building and policy adoption. The paper’s focus on political coalitions echoes recent work on the implications of social fractionalisation and coordination for development. Social fractionalisation has been associated with poor economic and political development (Migdal, 1988; Easterly and Levine, 1997; Yashar, 1997; Tornell and Lane, 1999). Bardhan (2005), for example, argues that the degree of institutional stickiness increases with the severity of free-riding and distributional conflicts; these problems of collective action are aggravated by social fragmentation and inequality.

Unfortunately, cross-national analyses of social fragmentation generally rely on measures with numerous problems. Reliance on the Herfindahl concentration index – the probability that two randomly selected individuals from the entire population will be from different groups – assigns the same figure for societies with substantially different numbers and distributions of social groups (Posner 2004; Cederman and Girardin 2007). The standard data count latent but inactive groups as equivalent to mobilised groups and fail to differentiate between groups involved in longstanding rivalries despite common or related languages (Posner, 2004). Consequently, these data sometimes underestimate and sometimes overestimate the number of politically salient groups. The move to develop more suitable measures underlines the subjectivity involved in identifying ethno-linguistic groups. A comparison of six sets of indices reveals sharply contrasting interpretations of ethnic diversity in African countries; along an index that ranges from 0–1, the mean difference between maximum and minimum scores is 0.46 (Posner, 2004: 856).

Social fragmentation is not an exogenous factor. Rather, it is a product of strategic interactions among individuals and groups and their success in institutionalising cooperation. Migdal (1988) depicts social fragmentation as a product of low political consolidation in the past as well as an obstacle to state-building. When groups form and sustain broad coalitions, economic predation becomes less likely (Tornell and Lane, 1999; Olson 2000) and sustained democratic development more likely, even in sharply divided societies (Horowitz, 1991; Yashar, 1997). I argue that the stability and breadth of political coalitions at the time valuable natural resources are discovered or experience a boom helps account for variation in the severity of rentier politics.

The (in)stability of political coalitions cannot be assumed even in newly independent polities. In countries with narrow and unstable political coalitions, revenues from valuable natural resources are likely to feed a strategy of rentier politics that both interferes with state building and increases the likelihood of Dutch Disease and attendant problems with long-term economic growth. Rentier politics represents a strategic response to unstable political coalitions. This strategy brings
together supporters united only in their competition for a share of government largess (Boone, 1990; Reno, 1999; van de Walle, 2001). Political support depends on the continued distribution of rents, not aggregate macroeconomic performance. In countries with stable political coalitions, however, politicians face fewer doubts about simply staying in power and are less tempted to squander natural resource earnings on rentier politics. When coalitions are also broad or encompassing, politicians may use earnings from valuable natural resources to provide public goods (Olson, 2000), including the adoption of pro-growth policies (Tornell and Lane, 1999) and democratic institutions (Yashar, 1997).

The shift in attention from structural factors to political processes of coalition formation suggests a less deterministic relationship between natural resource endowments and development. Relative avoidance of Dutch Disease in less developed countries like Botswana appears inexplicable only if one assumes political coalitions are unstable. Even after that assumption is dropped, successful management of resource booms in less developed countries should be rare since politicians have to overcome more severe structural impediments. However, it is not impossible. Variable developmental performance should reflect diversity in political coalitions.

III. Botswana’s Responses to a Resource Boom

At independence in 1966, Botswana was a poor country dependent upon cattle exports, remittances from migrant labour at South African mines, and foreign aid. Diamond mining began in the early 1970s and has generated between one-third and half of the GDP since the early 1980s (CSO, 2002; Bank of Botswana, 2005a). Although the development of diamond mining in a newly independent country offers classic conditions for Dutch Disease and the resource curse, the country avoided the worst symptoms. Instead, the World Bank ranked Botswana ‘best in class’ among mining countries for its economic performance (World Bank, 2002: 9). The country boasted the fastest growing economy in the world for the period 1960–2004 (World Bank, 2005) and, according to Auty (2001b), achieved meaningful diversification and avoided severe structural imbalances. Auty (1999) identifies Botswana, along with Indonesia, Chile and Malaysia, as an exception to the general pattern of poor economic performance in mineral rich economies. Botswana’s success relative to other resource dependent countries can be seen in: (a) the relative stability of its real exchange rate; (b) its accumulation of foreign reserves; (c) a relatively balanced pattern of growth; and (d) the survival of its multiparty electoral system.

The following sections discuss domestic and international factors that shape policy preferences and options. First, the policies that contributed to Botswana’s economic performance are outlined. What explains Botswana’s relative success? Signs of economic problems in recent years warn against explanations that depend on fixed characteristics. I demonstrate that the timing of developments is inconsistent with an understanding of good policies as a reflection of prior state building. Then I show how the formation of a broad, stable political coalition in the early years of independence provided the basis for pro-growth macroeconomic policies – and state building. Changes in economic activities and patterns of political competition over the past three decades are traced and their policy implications are drawn out. I also
highlight policy constraints resulting from Botswana’s dependence on South Africa, Botswana’s primary source of imports and the dominant member of the SACU. The analysis draws on interviews conducted in 2004 and 2005 in Botswana with current and former government officials, politicians associated with the three major political parties, and relevant academics and consultants.

**Policies and Performance**

When the first diamond mine opened at Orapa in 1971, Botswana was unable to experience the exchange rate appreciation associated with Dutch Disease; as a member of the Rand Monetary Area, it had no independent currency. Nor could Botswana substitute tariff policy for exchange rate policy because of its membership in the SACU with South Africa, Lesotho, Namibia and Swaziland. In 1976, a year before a second diamond mine opened at Letlhakane, Botswana introduced its own currency, the Pula, to gain greater control over the economy and address increasing divergence between the needs of the South African and Botswana economies (Harvey and Lewis, 1985; Hermans, 1997).

With the Pula came the possibility of real currency appreciation, the primary mechanism behind the Dutch Disease. Initially, Botswana made fairly frequent but small adjustments to the nominal exchange rate (Hermans, 1997; Gaolathe, 2004, 2005). As seen in Figures 1a and 1b, Botswana maintained a stable real exchange rate with the South African Rand until the late 1990s, except for a couple of years in the mid-1980s. Depreciation of the Rand against the US dollar prevented the appreciation of the Pula against the US dollar (Granberg, 1998). Divergent movement of the Rand and Western currencies contributed to the Pula’s depreciation vis-à-vis the US dollar. Nonetheless, real stability vis-à-vis its main import currency and sustained real depreciation against an important export currency represents an unexpected achievement for a resource dependent country like Botswana.

In the late 1990s, the regular small adjustments that had characterised exchange rate policy during the previous two decades stopped (Interview data (2005) 66DP). Strong appreciation of the Pula against the Rand coincided with equally dramatic depreciation against the US dollar and standard drawing rights (SDR), driven by the precipitous drop of the Rand. Botswana simultaneously gained competitiveness in export markets and increased purchasing power in its main import market. The trend changed in late 2001, when the Pula began to appreciate steadily against export currencies. Evidence of currency overvaluation and growth of non-traded sectors began to accumulate, suggesting that the country might yet become a victim of Dutch Disease (Molaodi, 2004, 2005a).

Following a depreciation of 7.5 per cent in February 2004 (Gaolathe, 2004), real exchange rates stabilised at a moderately appreciated level for six to eight months (Bank of Botswana, 2005a). The Pula then began to appreciate against export market currencies despite maintaining stability against the Rand. In May 2005, the government combined a steep 12.5 per cent devaluation with the introduction of a crawling peg (Gaolathe, 2005). These moves addressed existing overvaluation and sought to decrease the probability of future overvaluation (Gaolathe, 2005). The devaluation hit traders and consumers hard, prompting a popular outcry (Anon,
As the crawling peg adjusts automatically to shifts in the basket of currencies, exchange rate stability should increase in real terms without the need for dramatic readjustments. The reliance on small, automated adjustments should depoliticise exchange rate policy, undoubtedly making the crawling peg attractive for politicians.

Thus, unlike many resource dependent countries (Corden and Neary, 1982; Shaxson, 2005), Botswana maintained a relatively stable real exchange rate with its main import currency, the Rand, and enjoyed a trend of real depreciation against its main export currency until the late 1990s. A stable or depreciating real exchange rate should limit imbalances between booming and lagging sectors, but does not guard against revenue fluctuations. If a country builds up foreign exchange reserves, its consumption need not fluctuate as severely as its revenues (Corden and Neary, 1982; Karl, 1997). Foreign reserves should be large enough to smooth expenditures

in the event of a commodity price bust or resource depletion that causes current revenues to plummet. In many booming countries, expenditures expand more rapidly than earnings, favour consumption over investment, and lead to the accumulation of substantial debt (Karl, 1997; Usui, 1997; Atkinson and Hamilton, 2003).

Botswana accumulated foreign reserves rapidly, as seen in Table 1. By the mid-1980s, despite increasing government expenditure on development projects, foreign reserves could cover imports for up to a year and a half. Import cover continued to increase through the 1990s. Capital accumulation in Botswana, both in terms of national and domestic savings, far exceeds that of other African countries that have experienced periods of sustained economic growth (Berthélemy and Söderling, 2001: 335). As intended, Botswana’s reserves helped stabilise domestic spending when diamond prices dropped in 1980–82 (Hermans, 1997: 215) and again in the wake of 11 September 2001. Accumulation of foreign reserves also limited expansion of the monetary base and thus alleviated some of the upward pressure on the exchange rate (Hill, 1991).

Cautions exchange rate policies and foreign reserves are supposed to guard against Dutch Disease in countries experiencing a resource boom (Usui, 1997; Ross, 1999; Auty, 2001b; World Bank, 2002). If these policies were inadequate, one would expect to find accelerating expansion of non-traded sectors combined with accelerating contraction of non-mineral traded sectors during the boom. Although the structure of its economy could be better balanced, Botswana does not exhibit the increasing imbalance associated with Dutch Disease.

During a period of dramatic overall growth driven by the expansion of diamond mining, other traded sectors held their own. Figure 2 shows that mining’s share of GDP rose over three decades before stabilising at just over a third of GDP in the 1990s. The previously dominant agricultural sector declined, from 30.3 per cent of GDP in 1971–72 to 2.5 per cent in 2001–02. Manufacturing kept pace with sustained and rapid aggregate growth, although it rarely expanded beyond 5 per cent of GDP. Often considered part of the non-traded sector, the trade, hotels and restaurant category also includes the increasingly important tourism sector. Like other traded sectors, international tourism is highly sensitive to changes in exchange rates and perceptions about political stability. Non-traded sectors have also grown and

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Note: SDR, standard drawing rights.
become more diversified with the development of professional and financial services. Nonetheless, the government’s share of GDP stabilised at 15–17 per cent in the mid-1970s\(^8\) and expansion of other non-traded activities has not outpaced overall economic growth.

Viewed as shares of GDP, manufacturing’s stability and, especially, agriculture’s decline could be interpreted as signs of problems (Love, 1994). One should be cautious, however, since the transformation from an agricultural to a mineral based economy dominates these data. The emergence of a new and booming sector implies a decline in the proportion of GDP represented by other sectors, even if these sectors grow in absolute terms. Figures 3a and 3b provide sector specific rates of growth to control for the effects of overall structural change. All sectors experienced positive rates of growth after 1976–77. The evidence suggests possible Dutch Disease effects in the 1980s but also reveals strong growth in traded sectors during the 1980s.

Agriculture has declined in absolute terms. The number of livestock in the country decreased from 3 million in the early 1980s to approximately 1.7 million in 2005 (BOPA, 2005a). The decline of agriculture precedes recent exchange rate appreciation and is at least partially a response to unfavourable prices and environmental conditions. The Botswana Meat Commission (BMC), a monopsony purchaser of livestock for beef exports, has long offered unattractive prices (McGowan International and Cooper and Lybrand, 1987; BOPA, 2005b). Many farmers turned to growing domestic markets in the 1980s, but low BMC prices pushed down domestic prices (BOPA, 2005c; see also Mogapi, 2000). Harsh environmental conditions, including frequent droughts and livestock diseases, constrain the agricultural sector by raising risks (Auty, 2001b). Indeed, according to Berthélemy and Söderling (2001: 33), the rapid decline of agriculture has enhanced Botswana’s productivity.

Although the rate of growth for the manufacturing sector has been positive since 1976–77, it has decreased steadily. This gradual decline of manufacturing probably

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reflects exchange rate appreciation during the late 1990s. For sustainable economic
development, Botswana needs to ramp up manufacturing dramatically (Auty,
2001b). Rapid expansion of construction in the late 1980s into the 1990s also raises
warning flags; a construction boom is a classic symptom of over-consumption of
mineral revenues. Much of the new construction involved productivity enhancing
infrastructure including roads, schools and clinics. Such investments are associated
with sustained growth (Atkinson and Hamilton, 2003). However, the government
also built many new administrative buildings, and the scale of government-financed
construction created opportunities for rent-seeking. Since the mid-1980s, adminis-
trative control of land, insider knowledge of impending government construction
plans, and slippery lines between the private and public sector have contributed to
recurring scandals (Good, 1999; Kalabamu, 2000; Tutwane, 2004; Werber, 2004:
chap. 4).

Figure 3. Rates of real growth in GDP per economic activity, 1976–77 to 2003–04. (a) Traded
sectors. (b) Mining and nontraded sectors. Notes: The category ‘Trade, Hotels and
Restaurants’ was introduced in 1986/1987, before that year the Bank of Botswana (BOB)
used ‘Commerce’, this graph retains the older name. To calculate real GDP, constant prices
are based on January 1976 = 100. Sources: Ochieng, 1981; Central Statistics Office, 2002; Bank
of Botswana, 2005a.
According to the conventional wisdom, Botswana has thus far avoided or limited symptoms of Dutch Disease (Hill, 1991; Samatar, 1999; Auty, 2001b; Leith, 2005). Real exchange rates, foreign reserves and, to a lesser extent, changes in economic structure confirm that Botswana kept Dutch Disease in check. Botswana’s performance is not perfect, by any means. Limited expansion of manufacturing and a substantial construction boom signal potential problems. Yet, the strength and duration of Botswana’s economic boom belie these concerns. Between 1960–2003, Botswana had the highest average growth rate of growth in GDP per capita (World Bank, 2005). Although Oman (6.28%), China (5.99%), and South Korea (5.81%) were not far behind Botswana (6.31%), no country in Latin America, South Asia, or Africa even came close (World Bank, 2005). Technically sound macroeconomic policies undoubtedly contributed to Botswana’s relatively strong performance (Harvey and Lewis, 1990; Auty, 2001b; Leith, 2005). Likewise, more dubious recent policies have contributed to unbalanced economic development (Auty, 2001b; Werbner, 2004). The following sections consider the relative influence of institutions and political coalitions on policy adoption.

An Ambiguous Institutional Legacy

Institutional approaches link policy choices to state and other institutional characteristics (North, 1990; Pierson, 2004). All too frequently, path dependent explanations downplay ambiguities in institutional legacy, ignore or minimise the difficulty of building new national institutions, and emphasise stability to the point that sources of political and economic change are obscured. Acemoglu et al.’s (2003) widely cited institutional narrative of Botswana’s successes features manifestations of each problem.

Like other institutional theorists, Acemoglu et al. (2001, 2003) see policies that foster economic prosperity as products of ‘institutions of private property’ (compare North, 1990; Tornell and Lane, 1999; De Soto, 2000). They attribute the variable nature of institutions across the developing world to patterns of institutional development during and after colonial rule. Their cross-national analysis suggests that colonisers were more likely to introduce institutions that protected private property and, thus, encouraged economic growth in settler colonies (Acemoglu et al., 2001). In a later publication, Acemoglu et al. (2003) recognise Botswana as an anomaly in that institutions of private property were adopted despite limited colonial interest in the territory. They argue that, in the case of Botswana, lack of colonial engagement allowed the survival of precolonial institutions that involved broad-based checks on political authority and gave the political elite an interest in protecting private property (Acemoglu et al., 2003). These institutions were somehow incorporated into postcolonial institutions and, in combination with key decisions by Botswana’s first two presidents, provided the basis for sound macroeconomic management following independence. Acemoglu et al. also claim that ‘revenues from diamonds generated enough rents for the main political actors, increasing the opportunity cost of, and discouraging, further rent seeking’ (2003: 113). This claim runs directly counter to the usual expectation that mineral rents encourage rent seeking; it is neither justified nor substantiated.
This account (except for the effects of mineral rents) seems plausible but does not withstand careful assessment. Acemoglu et al. (2003) exaggerate the extent to which precolonial institutions in Botswana were unique in providing checks on political authority (Phillips, 1989; Berry, 1993; Herbst, 2000), overstate the effectiveness of those checks and the importance of assimilation (Tlou, 1985; Mgadla and Campbell, 1989; Morton, 1996; Schapera, 2004 [1938]) and understate the influence colonial rule had on traditional systems of authority (Tlou, 1985; Mgadla and Campbell, 1989; Wylie, 1990; Morton, 1996). Precolonial politics were marked by frequent divisions and shifting alliances (Tlou, 1985; Schapera, 2004 [1938]). Indeed, exit provided the most obvious check on precolonial political authority in Botswana and elsewhere in Africa (Herbst, 2000). Abundant land and the difficulty of controlling the movement of people meant that dissenters could simply leave a polity; when dissenters exited with many supporters, they could try to establish a new polity. In this manner, precolonial Tswana polities multiplied as succession crises prompted splits (Tlou, 1985; Schapera, 2004 [1938]). Under colonial rule, the British fixed tribal boundaries and interfered in the selection and retention of chiefs. Colonial influence varied across the territory, reinforcing the power of some chiefs and undermining the authority of others (Tlou, 1985; Wylie, 1990; Morton, 1996).

Even if one accepted their rosy interpretation of precolonial institutions, Acemoglu et al. (2003) do not explain how these institutions were incorporated into postcolonial arrangements. Botswana brought together several related but distinct precolonial polities in which co-operation coexisted with rivalry. Although postcolonial national institutions certainly drew upon patterns of political organisation that predate independence, they were new and malleable when diamond revenues began to pour into government coffers some six years after independence. The openness and stability of Botswana’s political system was in no way foreordained.

An explanation based on state building does not offer a credible explanation for Botswana’s economic performance, especially when the scope for divergent interpretations of tradition is taken into consideration (Comaroff and Robert, 1981; Hobsbawm and Ranger, 1983). An institutional explanation for policy choices and economic performance requires a political anchor. Analysis of political coalitions provides that anchor. Because the structure of the economy and the representation of interests in political coalitions can change, an explanation based on political coalitions allows for change over time.

Building Coalitions and Institutions

Post hoc, it may be difficult to imagine Botswana with anything other than a one party dominant political system. And yet, this outcome was in no way guaranteed. A broad political coalition formed behind the Botswana Democratic Party (BDP) despite economic inequalities, ethnic competition, tensions over the role of traditional leaders, and the potential for radical mobilisation. Disparate groups coalesced behind the BDP to block alternatives; they stayed with the BDP because the party adopted policies that balanced appeals to different constituencies. Botswana’s economic and political vulnerability to South Africa, especially during the apartheid era, reinforced the importance of unity as a source of security
(compare Doner et al., 2005) and bolstered support for the BDP (Molomo, 2000). The BDP’s electoral coalition brought together groups with potentially disparate interests by building on economic interdependencies, bringing in potential rivals, and marginalising radical challengers. Policies critical for maintaining the BDP’s political coalition also contributed to the country’s economic success. Once established, the breadth and stability of the BDP’s coalition created a relatively long time horizon that encouraged the adoption of policies for sustainable economic growth.

At independence, Botswana was an agrarian society. Through at least the 1980s, the political elite consisted largely of chiefly families and other large-scale cattle owners (Parson, 1981; Harvey and Lewis, 1990; Charlton, 1991; Harvey, 1992). Quett Masire, president from 1980 until 1998, for example, liked to describe himself as ‘a farmer on loan to politics’ (Interview data (2005) 71PO, 72PO). At least two-thirds of the members of the National Assembly between 1966 and 1978 were medium to large-scale livestock farmers (Samatar, 1999). Livestock interests were even more pronounced among MPs from the ruling BDP, at least 57 per cent of whom owned large herds during this period (Samatar, 1999).

Even during the 1960s and 1970s, livestock holdings were highly inequitable (Tordoff, 1973). Most Batswana owned little or no livestock and relatively few sold livestock to the BMC. Yet support for the BDP extended far beyond the few large-scale livestock producers. In part, this support might reflect interdependency between elite livestock owners and the less well to do rural residents charged with tending their cattle as a form of patronage (Schapera, 1970; Wylie, 1990; Parson, 2004). The BDP adopted policies that reinforced interdependencies. Government exchange rate policies not only protected the competitiveness of beef and other exports; they also stabilised the prices of imported staples. These policies attracted support from elite livestock producers and less elite consumers of imported staples.

Ethnic politics was perhaps more important than economic interdependency between elite and masses. Ethnic identity in Botswana, as elsewhere, is not straightforward.14 The Tswana ethnolinguistic group encompasses a plurality of Botswana’s population but includes several organisationally distinct merafe. The constitution recognises eight Tswana merafe: the BaKgatla, BaKweneng, BamaLete, BamaNgwato, BaNgwaketse, BaRolong, BaTawana and BaTlokwa. Historical relations among the merafe featured leadership struggles, division and competition (Tlou, 1985; Schapera, 2004 [1938]). There is no consensus on how to measure Botswana’s combination of ethnolinguistic diversity and assimilation. Depending on the counting rules adopted, the probability that two individuals randomly selected from the population will be from different groups ranges between 0.00 and 0.51 (Posner, 2004: 856). The lower scores, which focus on ‘politically relevant groups’ (for example Posner, 2004), indicate the BDP’s success in preventing or weakening ethnolinguistic mobilisation.

Ethnic influence in electoral politics is widely recognised (Rule, 1995; Holm and Darnolf, 2000; Molutsi, 2000). The BDP is closely associated with the Tswana, and particularly with two of the most numerous and influential Tswana tribes: the BamaNgwato based in Central district and the BaKwena in Kweneng district (Rule, 1995; Holm and Darnolf, 2000). Historically, BDP support has been lowest in areas with concentrated non-Tswana populations, such as the North East and North West districts (Rule, 1995; Tlou and Campbell, 1997). Yet, the BDP had to overcome
competition between Tswana groups as well (Ramsay and Parsons, 2000). Hostility to government policies to reduce traditional authority prompted intra Tswana challenges to the BDP, especially in Southern and Kgatleng districts (Rule, 1995; Holm and Darnolf, 2000). Early regional differences in electoral support for the BDP, as depicted in Figure 4, reveal that intra Tswana competition in these districts presented as significant a challenge for the BDP as opposition from non-Tswana voters in the North East and North West.

A pledge to nationalise mineral resources in the 1965 campaign helped the BDP build and maintain support across ethnic and regional divisions (Leith, 2005). The extent of mineral reserves was unknown in the 1960s, although significant deposits of copper-nickel had been discovered in Central district. Under the colonial era arrangement, the BamaNgwato could reap the proceeds for Central district. The leader of the BDP, Seretse Khama, converted the situation into a political resource. His pledge to nationalise mineral rights amounted to an offer to share mineral revenues with potential competitors in other parts of the country. As the hereditary chief of the BamaNgwato, Khama could extend this offer without antagonising the BamaNgwato. Most other chiefs apparently opted for a share of known wealth over

![Figure 4. Botswana Democratic Party (BDP) share of valid votes: nationally and by district, 1969–2004. Notes: Lack of data on vote counts led to exclusion of the 1965 elections and the 1994 results for Thamaga constituency, Kweneng district; the Thamaga election was postponed following the incumbent’s mid-campaign death. These figures understate BDP dominance in districts where seats were uncontested. The BDP faced no challengers in one constituency in Southern district and two in Central in 1969; one each in Kgalagadi and Kweneng districts and two in Central in 1974; one each in Central and Kgalagadi districts in 1979; the Kgalagadi constituency in 1984; and one constituency in Central district in 2004. Sources: Republic of Botswana, 1969, 1974, 1979, 1984, 1989, 1999, 2004.](image-url)
total control of possible but yet to be discovered wealth in their own territories. A policy that defused potential ethnoregional competition also enabled the state to control patterns of mineral development and investment of mineral revenues. The government negotiated favourable shares of diamond proceeds, a long-term strategy for extraction, and ongoing investment in mineral prospecting (Leith, 2005). It also directed mineral revenues into infrastructure investment throughout the country.

Colonial rule left Botswana with hardly any public infrastructure. Missionaries and private initiatives had established a few schools, mostly in the east (Parsons, 1988). In 1972, 88.6 per cent of local workers in the formal sector had a primary school education or less (Republic of Botswana, 1990). By 2004, Botswana had created a public network of 717 primary schools, 210 junior secondary schools, and 23 senior secondary schools (CSO, 2006). Investment in education preceded the diamond boom, with 252 public primary schools established throughout the country in the 1960s; there was another surge in the 1980s, when fully 23.8 per cent of current public primary schools were registered (Ministry of Education, 2004). Of the schools registered in the 1980s, 38 per cent were in the historically disadvantaged West, Central North, and North education regions (Ministry of Education, 2004). The government invested heavily in other forms of public infrastructure as well. By 2000, the national health system included more than 30 hospitals and well over 200 clinics, 300 health posts, and 700 mobile health stops (CSO, 2007a). The numbers of doctors per 100,000 residents rose from 15 in 1980 (Leith, 2005) to 30.2 in 2000 (CSO, 2007a). There was an even stronger expansion in nursing staff, from 124 per 100,000 in 1980 (Leith, 2005) to 261.6 in 2000 (CSO, 2007a). Likewise, between 1966 and 2006, the government expanded 12 kilometres of paved road in the east into a national network of 8920 kilometres of bitumenised highways (Ministry of Works and Transportation, 2006). Paved highways now link the western districts to each other and to the more populous east.

The third leg of the BDP’s coalition building strategy emphasised the international threat represented by the apartheid regime in South Africa to marginalise domestic parties striving for radical change. The first political party with national aspirations, the Botswana (originally Bechuanaland) People’s Party (BPP), called for an end to racial discrimination and a complete dismantling of traditional authority (Tlou and Campbell, 1997). The BDP formed as a more moderate proponent of independence, advocating racial neutrality in contrast to the racial nationalism of the BPP (Tlou and Campbell, 1997). Another party, the explicitly socialist Botswana National Front (BNF), formed soon after independence. It developed a strong base among union activists and, later, the urban unemployed (Wiseman, 1998). The BNF also drew support from defenders of traditional authority, as well as Tswana concerned about Ngwato dominance and advocates for non-Tswana ethnic groups (Tlou and Campbell, 1997: 328; Wiseman, 1998). Despite its appeal to diverse constituencies, the BNF’s identification with the Soviet Union and the ANC scared off some potential supporters. The BDP played up these fears by repeatedly warning that the BNF was a threat to peace and stability (Molomo, 2000).

The BDP built a broad electoral coalition by appealing to exporters of livestock producers and consumers of imports, investing mineral revenues for national development, and appealing to very real international threats to marginalise radical domestic parties. As can be seen in Figure 5, the result was a very broad and
persistent electoral coalition that gave the BDP firm control over the government, at least during the 1980s. The stability of the BDP’s coalition fostered a long-term perspective. BDP politicians adopted policies and created institutions that favoured long-term development with confidence they would be around to enjoy the benefits.

Coalitions and Change

Any explanation of macroeconomic policies in Botswana must account for both Botswana’s long period of success and its more ambiguous performance in recent years. I point to changes in political coalitions as the drivers of changes in policy and political development more generally. At independence, the BDP constructed a broad coalition by: (1) protecting the interests of both livestock exporters and importers of stable foods; (2) defusing ethno-regional political competition; and (3) depicting the opposition as a threat to national security. As discussed below, socioeconomic changes have eroded the political weight of the BDP’s rural base. International threats subsided with the end of apartheid and decreased the perceived risk of voting for the opposition. The opposition initially found support in rapidly growing urban areas but has gained increasing traction in rural areas with appeals to ethnic minorities and promises of greater local self-determination (Solway, 2002; Werbner, 2004). As a result, the BDP found itself increasingly associated with and dependent upon voters in Central district, and has been forced to look for new sources of electoral support. The narrowing of the BDP’s political coalition and the dynamics of increased political competition since the 1990s created new opportunities for policy change and help account for Botswana’s more ambiguous macroeconomic performance.

Botswana has experienced rapid urbanisation and, as discussed above, a dramatic decline in the significance of agriculture. The transformation into an urban society is dramatic. The vast majority of Batswana (82%) lived in rural areas as recently as
1981 (CSO, 2004). Urban residents composed 46 per cent of the population a decade later however and, by 2001, were in the majority (54%) (CSO, 2004). Urbanisation reflects the decline of an agrarian economy. Meanwhile, population growth and rapid urbanisation accelerated demand for urban real estate.\textsuperscript{16}

Government investment in infrastructure and services, as discussed above, contributed to socioeconomic diversification. Government projects fed growth in construction (see above) and created new demand for expert consultants (for example Werbner, 2004). The expansion of education, healthcare, and the public sector created new economic interests with little stake in agriculture or exports more generally. As an educated labour force emerged and the country developed a reputation for stability, Botswana competed for international tourism and investment in financial services. By the 1990s, private wealth, especially in urban areas, supported the expansion of commerce and professional services. Rapid real currency appreciation since the late 1990s further encouraged investments such as land, construction and commerce.

The shift from a relatively homogenous rural society to a more diverse urban society has political implications.\textsuperscript{17} As its rural base shrank, the BDP’s vote share declined from 77 per cent in 1974 to 68 per cent in 1984 and 55 per cent in 1994 (see Figure 5). Two developments increased the BNF’s electoral viability in the 1990s. First, the party demonstrated its effectiveness by governing the capital city, Gaborone, for a decade (1984–94). Second, the BNF’s association with the ANC seemed more advantageous than threatening after the end of apartheid. A wide variety of interests coalesced behind the BNF in the 1994 elections: union members, ethnic minorities and the urban unemployed joined with supporters of traditional authority and new entrepreneurs (Wiseman, 1998). This coalition collapsed in 1998, however, when 12 of the BNF’s 13 MPs left and formed the Botswana Congress Party (BCP) (Molomo, 2000). In subsequent elections, the BNF and BCP have split the opposition vote. Even so, the BDP’s vote share continued its slide to 54 per cent in 1999 and 52 per cent in 2004.

As discussed above, the BDP’s ethnoregional coalition was never complete. Regionally concentrated non-Tswana ethnic groups in northern Botswana (North East and North West districts) have voted for regional opposition parties since independence (Rule, 1995; Tlou and Campbell, 1997). Defenders of traditional authority in Kgalagadi and Southern district turned to the opposition by 1969 (Rule, 1995; Tlou and Campbell, 1997; Molomo, 2000). At least since the late 1980s, the BNF has appealed explicitly to ethnic minorities with promises of greater legal equality and enhanced local autonomy (Wiseman, 1998; Solway, 2002). Ethnic minorities in both the north and west began to support the BNF in the 1980s, although regional parties retained supporters in the north.

Perceptions of regional competition for leadership positions within the BDP threatened to deepen ethno-regional divisions. Some suspected disproportionate southern influence over key ministries during the presidency of Quett Masire, who came from Southern district (Werbner, 2004). When Masire resigned in 1998, he was replaced by Festus Mogae from Central district. Mogae selected Ian Khama, son of the first president and hereditary chief of the BamaNgwato, as his vice president.\textsuperscript{18} Thus, perceived control over leadership positions shifted from the south under Masire to the more northerly Central district under Mogae. In addition, Mogae
actively courted ethnic minorities by taking up issues such as the legal equality of ethnic groups in the constitution (Solway, 2002; Werbner, 2004). Non-Tswana critics had long complained about recognition of eight Tswana merafe in sections 77, 78, and 79 of the constitution (Mpho, 1989). Mogae appointed the Balopi commission in July 2000 to consider whether the constitution must be amended to achieve ethnic neutrality and, if so, how. Since the most influential ethnic minorities are concentrated in the north, the constitutional review reinforced the sense of a regional shift in political influence.

During the ensuing constitutional debates, both sides engaged in radical discourse that fed a polarisation dynamic (BOPA, 2000; Ngakane, 2001; Solway, 2002; Werbner, 2004: Chap. 3). Ultimately, mobilisation in defence of Tswana dominance resulted in partial reforms; institutions were renamed to emphasise ethnic neutrality but the Tswana merafe retained special standing in the constitution (Werbner, 2004: Chap. 3). Perhaps Mogae hoped to shore up support among Tswana voters vice presidential choice while attracting new non-Tswana voters with the constitutional review. In practice, however, both actions threatened to narrow rather than broaden BDP support. Tswana traditionalists resented threats to their status. Minorities were disappointed by incomplete reforms. And Tswana and non-Tswana questioned Central district’s disproportionate representation among the leadership.

The voting patterns in Figure 4 indicate the BDP’s uneven success in building and sustaining its cross-regional and multi-ethnic coalition. Since the late 1990s, erosion of the BDP’s aggregate support has coincided with decreasing regional variation. The decline in regional variation reflects both the BDP’s gradual loss of support among Tswana voters and its success in attracting new support in the North East and North West. In 2004, the BDP retained its super majority only in Central district, the BamaNgwato heartland, where it received 62.9 per cent of the vote for contested seats. The BNF presented a strong electoral challenge in southern and western Botswana (Ghanzi, Kgalagadi, Kweneng, and Southern districts). Gaborone and South East and Kgatleng districts represent the urban fulcrum of socioeconomic transformation in Botswana. It is in urban areas that support for the BDP is lowest, although all three national parties have substantial support in these tightly contested constituencies.

The BDP’s electoral position would be quite dire had it not attracted significant new support in the North East and North West districts. These districts house spatially concentrated non-Tswana ethnic groups that have historically voted disproportionately for opposition parties. The transformation of the North East is especially impressive. The North East represented a centre of BDP opposition for decades. Then, in 1999, the BDP won a majority of the vote (52.2%) in the North East. In 2004, the North East provided the BDP with its greatest level of electoral support outside Central district. The BDP vote also jumped upward in the North West in 1999 and 2004, albeit with considerable variation across constituencies. It seems that the BDP’s appeals to non-Tswana rural voters on non economic policies have had some success.

Political competition also increased within the BDP. A consultant identified factionalism as an important contributor to the BDP’s poor performance in 1994 (Molomo, 2000). The party responded with a variety of internal reforms and
generational change. President Masire and several long standing cabinet ministers resigned in 1998. Festus Mogae ascended to the presidency in part because he was seen as a clean handed technocrat aligned with neither faction (Werbner, 2004: 90). Likewise, the BDP hoped that Ian Khama could bridge the factional divides and, as son of the first president, bring much needed charisma to the party leadership.

Within a few years, however, factionalism resurfaced. Competing factions even ran campaign ads for internal elections in the Botswana Daily News in 2005 (Matlaloso, 2005a). Party leaders depict factionalism as superficial competition for leadership positions (BOPA, 2005d; Moeti, 2005). To some extent, internal competition aligns the north against the south (Solway, 2002; Werbner, 2004) and may be interpreted as a struggle for influence. However, the factions also pit career party activists (for example, Daniel Kwelagobe) against younger members (for example, Jacob Nkate) and those recruited directly into cabinet level positions (for example, the current vice president Momphati Merafhe as well as Mogae, who retired in 2008, and the current president, Ian Khama). Yet, this is not strictly a generational power struggle. The conflict taps a persistent cleavage over technocratic decision-making (Wiseman, 1998; Holm and Darnolf, 2000). In the context of the party’s declining vote share, the factions present competing populist and technocratic visions. Populists worry that the party is overly technocratic and out of touch with rural voters (Matlaloso, 2005b). Despite their depiction as newcomers, technocrats defend the BDP’s traditional approach to policy making. While some may value technocratic decision making because it promises better policies or seems more modern, BDP politicians have long depoliticised issues by presenting them as technical matters (Picard, 1987; Holm and Darnolf, 2000; see also Ferguson, 1990).

The situation is fluid and political coalitions in Botswana are still changing. To some extent, the changes in political coalitions reflect structural changes. The decline of agriculture and rapid urbanisation decrease the electoral value of the BDP’s rural base, while a less threatening international situation makes the opposition a more credible alternative. Yet strategic behaviour also plays a role. Opposition parties actively attack the BDP’s cross-regional and multi-ethnic coalition with appeals to both ethnic minorities and supporters of traditional authority (Wiseman, 1998; Solway, 2002). The BDP has countered with its own appeals to ethnic minorities (Werbner, 2004). Factions within the BDP offer competing visions of how to halt its electoral decline. Thus, political agents work creatively within structural opportunities and constraints to build, sustain and reshape political coalitions.

As political coalitions change, opportunities for policy change and new patterns of political development emerge. In Botswana, divergent economic interests combined with increasing political competition decrease the likelihood of anti-appreciation policies. Except when dramatic devaluations have attracted populist outrages, political debate rarely focuses on exchange rate policy. Yet heightened political competition makes a conservative and technically oriented approach to macroeconomic management and other policy areas more difficult to defend. Both the opposition and internal dissenters criticise the government for its technocratic image and seeming lack of sensitivity to the concerns of ordinary people. Heightened competition encourages mobilisation along new lines, such as ethnic identity, and may decrease the priority policy makers give to macroeconomic management. Such dynamics may have contributed to Botswana’s more ambiguous macroeconomic
performance over the past decade. These developments do not suggest that Botswana’s economic performance will collapse, although less consistent policies and performance seem likely.

IV. Implications and Extensions

Path dependent analyses of responses to resource booms make implicitly deterministic predictions that provide no insight into cross-national variation or changes in performance. An explanation rooted in political coalitions allows for divergent outcomes in structurally similar situations and provides a mechanism for change over time (Yashar, 1997; Bardhan, 2005). Most explanations of Dutch Disease and the resource curse ignore external constraints. Although I emphasise domestic coalitions, I acknowledge that external conditions constrain effective choices. Botswana’s relatively strong economic performance ceases to be anomalous once political coalitions and external conditions are considered. Political coalitions and geopolitical conditions initially guided Botswana away from policies biased against the traded sector. During the first diamond boom, broad involvement in livestock production for export provided a broad and stable anti-appreciation coalition. Dependence on South Africa, which was reinforced by membership in SACU, constrained policy choices. Despite favourable development through the mid-1980s, Botswana’s performance has been more ambiguous since the 1990s. The future holds no guarantees. Future macroeconomic policies in Botswana depend on the relative representation of increasingly diverse economic interests in positions of political power. As the political importance of non economic issues increases, policy makers can be expected to make more trade-offs between economic and non economic considerations. An analytical framework that directs attention to political coalitions provides a better fit to the facts in Botswana than does a standard state building explanation. It also offers greater insight into sources of change over time.

The pattern of coalition building in Botswana was not inevitable. The BDP could have opted to reinforce its base of support among the BamaNgwato instead of appealing to other regions and merafe. Botswana’s adoption of a racially neutral stance cannot be considered inevitable given the pursuit of racial nationalism in neighbouring countries facing an equally inhospitable international climate. At the same time, the influence of leadership and choice should not be overstated. Politicians within the BDP operated strategically within a political opportunity structure. Institutional legacies, ethnic identities, and socioeconomic conditions did not ensure success in Botswana but they did limit the options facing politicians.

With progressive economic diversification and integration with the rest of the world, the economic interests and the structure of political coalitions that have kept the symptoms of Dutch Disease in check are now changing. Botswana’s economy has diversified, multiplying the investment possibilities available to politicians, international investors and the public. The relative prosperity of Botswana and the circumstances that have affected traditional investments are therefore altering investment preferences and modifying political coalitions, which can affect the growth trajectory of the country. How stable are political coalitions that enhance growth? Can they last in the long term? Are coalitions a direct result of the structure
of the economy, or can they emerge exogenously? Just as I reject structural determinism in understanding how Botswana embarked on its prodevelopment trajectory to date, I believe that a range of outcomes could emerge from current conditions.

How general is the case of Botswana? The argument is certainly general. There is no reason to believe that my main claim – that susceptibility to rentier politics reflects the breadth and stability of political coalitions – applies only in resource dependent countries. Differences in economic and political development have long been linked to whether a country embarks on a path of rentier politics or builds a developmental state (North, 1990; Evans, 1995), yet an explanation for these divergent political trajectories has been elusive. Emphasis on path dependency provides no insight into dramatic changes in developmental trajectories. As political coalitions are more variable than other political conditions, they may help account for both initiation of developmental paths and changes in directions (Yashar, 1997; Bardhan, 2005). Ultimately, the generality of the argument awaits further empirical examination. How do political coalitions operate in countries with different combinations of resource endowment and prior institutional development? Is the prevalence of rentier politics more closely associated with the nature of political coalitions, as argued here, or with known resource endowments as suggested by the scholarship on the resource curse? Tests of the extension of our arguments in such directions promise to advance understanding of political and economic development.

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Notes

1. Compare with Tornell and Lane’s (1999) argument that political fragmentation encourages rent seeking activities that undermine economic growth. They note that weak institutions exacerbate this dynamic but do not address the implications of political fragmentation for institutional development.

2. Bardhan (2005), however, contends that the influence of colonial institutions is mediated by interactions with the level of pre-colonial state development and the degree of congruence between pre- and postcolonial state boundaries.

3. This argument assumes that the minerals are concentrated or that points of access limited. For less easily controlled resources, see Reno (1999).

4. These figures were calculated from data in Posner (2004: 856). The maximum and minimum fractionalisation scores differ by at least 0.75 for six African countries (Equatorial Guinea, Guinea Bissau, Madagascar, Somalia, Tanzania, and Uganda) and by 0.50 to 0.75 for an additional seven countries (Botswana, Burkina Faso, CAR, Congo-Bissau, Gabon, Mali, and Senegal).

5. A renegotiated SACU agreement went into effect in 2004 but the 1969 agreement guided SACU operations during the period under consideration. Amendments between 1969 and 2004 did not substantially affect tariff arrangements (Gibb, 1997).
6. Figure 1 does not include the May 2005 devaluation.
7. Indonesia, another country frequently cited as an exception to the resource curse, also maintained a stable exchange rate. By contrast, nominal devaluations in Mexico were eroded because the government failed to control demand. See Usui (1997: 158–159).
8. This is considerably lower than in Mexico and Indonesia (Usui, 1997). Botswana’s public spending in the 1990s was high compared to both resource-rich Gabon and resource-poor Mauritius, but low compared with resource-rich Saudi Arabia (Auty, 2001b: 85).
10. Average rates of GDP growth per capita, 1960–2003, were calculated based on the World Development Indicators (World Bank, 2005). The strongest performers per region were Belize (3.30%) in Latin America and the Caribbean, Pakistan (2.58%) in South Asia, and Nigeria (0.75%) was second after Botswana (6.31%) in sub-Saharan Africa.
11. The assumption that states satisfice rather than maximise revenue is common in statist analyses of the resource curse (Ross, 1999: 313).
13. Acemoglu et al. (2003: 99–100) emphasise Seretse Khama’s leadership, particularly his efforts to replace precolonial institutions with state institutions. They seem not to recognise the contradiction between their general emphasis on the value of retaining precolonial institutions and their positive evaluation of policies to replace those institutions.
14. See the discussion above on ethnic diversity.
15. The meltdown in Zimbabwe presents a new international threat, but one that has less obvious implications for party competition in Botswana.
16. Botswana relies on an administrative system of land allocation. Its inability to meet growing demand has encouraged rent seeking (Good, 1999; Kalabamu, 2000; Tutwane, 2004).
17. Homogeneity refers here to socioeconomic interests. Ethnolinguistic identity is discussed elsewhere.
18. Ian Khama became president on 1 April 2008 following the retirement of Festus Mogae.
19. See the online archives for Mmegi/The Reporter and the government-run Botswana Daily News for additional examples of the voluminous media coverage.
20. The vice president’s constituency was uncontested. See Rule (1995) for an analysis of regional voting patterns in earlier elections.

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BOPA. See Botswana Press Agency.


CSO. See Central Statistics Office.


IMF. See International Monetary Fund.


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