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Institutions and challenges to development: An Analysis of Economic Growth, Governance, and Development in Sub-Saharan Africa

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Abstract

Drawing on primary sources – colonial public finance documents and existing literature – this article examines the financial challenges associated with British and French colonial expansion in Africa. It highlights the important role that revenue extraction through colonial taxation played in establishing and maintaining colonial administrative institutions. We believe that this factor is at the root of postcolonial institutional dualism and, by extension, the weakness of the rule of law in the former colonies. The article concludes that concerns about the rising administrative operating costs of colonial rule influenced and dictated all aspects of colonial policymaking and institutions adopted by imperial powers, ultimately shaping the structure of governance in postcolonial Africa.

Key words: Institutions, Economic development, colonialism, Colonial Taxes, postcolonial.

Introduction

The question of financial resources to ensure effective occupation – a permanent military/police and other administrative infrastructures – is important when considering the frenetic expansion of the European empire since the invasion of the New World. This article examines the financial challenges faced by the colonial architects – Britain and France – ... and its implications for the formation of African states both colonial and postcolonial. It focuses on taxation in the colonial economy.

Concern for balancing the budget shaped all aspects of French and British policy. Without revenue, it would have been impossible to create administrative structure (institutions) needed to control and exploit their colonies. We argue that colonial tax revenues, from which all the colonies' operating revenues were derived, determined the policy choices and thus the institutions that imperial nations were willing to adopt. The nature of the tax system and the degree of exploitation in the colonies in turn affected the institutions of governance in postcolonial Africa.

This work draws on both secondary and primary data. These include data from colonial financial documents such as the "Compte des Recettes Dépenses" or the "Budget Local des Colonies"[1] for the French colonies and the Statement of Revenues and Expenditures[2] for the British colonies, including numerous articles in the colonial and postcolonial literature. However, this article is divided into four sections. The first section focuses on theories of state formation, followed by state formation in pre-colonial and colonial Africa. The final section examines the impact and legacy of these policies on the development of governing institutions in postcolonial states in Africa.

Theories of State Building

The definition of states remains controversial. In addition to the organizational aspect, the definition includes any substantially larger area with a contiguous population that has a power structure, a centralized human community, and various sovereign polities. In this sense, a state is distinct from households, kinship groups, tribes, lineages, corporations, or churches, and takes precedence over any other form of organization in a given territory. Within this categorization, spatial organizations such as city-states, empires, theocracies, kingdoms, and other forms of centralized government of people are included in the definition of a state as an organization that has a legitimate monopoly of coercive power.

To understand the full extent of colonial revenue constraints and the institutional dynamics they triggered, it is important to grasp the challenges of state building. Herbst (2000: 13) argues that state-building involves three major challenges: "the cost of expanding the domestic power infrastructure, the nature of national borders, and the design of the state system." Among these challenges, the first one is of paramount importance because, as Herbst asserts, the main obstacle to any state-building effort is the ability to exercise "authority" over national territory, which plays an important role in ensuring law and order in a country. However, this requires building a functioning bureaucracy and security apparatus, which in turn requires significant financial resources.

The historiography of state formation has predominantly followed the European history of state formation. Consistent with Tilly, Herbst argues that this bias is largely because the development of nation-states in Europe is well documented and given the fact that nations around the world have been modelled after European nation-states (Herbst, 2014: 21-22; Tilly, 1975:13-14). Nevertheless, European state formation is by no means a blueprint for how states formed in other parts of the world, as Finer (1997) indicates in his study. He argues that "the development of the state in Europe is highly idiosyncratic" (p.5).

Many regions of the world, including Africa, exhibit different characteristics and trajectories of state formation as the existence of states in world history predates by millennia those described in the historiography of European state formation. States are among the oldest and largest forms of human organization, dating back to Hammurabi’s city-state in Mesopotamia (Tilly, 1990:1-2), and wars of conquest and the use of coercive means were usually central to their emergence – a feature that is clearly discernible in early forms of social organization (Tilly, 1990:1-2). Nevertheless, in the next subsection, we will focus on the formation of state in precolonial Africa to contextualise their transformations.

State Building in Precolonial Africa

According to Southall (1974), the African kingdoms emerged in different ways. While some emerged through conquest and subjugation, others developed through "peaceful assimilation of ideas and institutions from their neighbors". Furthermore, he claims that internal growth played a crucial role due to population growth, increased production and the need to organize in the face of migration or external threats. Furthermore, Southall argues that changing environmental conditions, triggered by migration, expansion or man-made changes to the local ecology, also contributed to their development.

Africa lags behind Europe, Asia, and many other regions of the world in terms of population density, as Table 1 shows. According to estimates in (Herbst, 2000:11), Africa accounted for 11 percent of the world's population in 1997. Iliffe (1995:71) argues that underpopulation in West Africa was the main obstacle to state formation because, unlike Europe, low population density could not provide the surplus needed to support the ruling classes, while areas of high population density had little incentive to do so because the abundant and empty land allowed them to escape political oppression.

Unlike Europe, this meant that it was more expensive for precolonial African state founders to exercise dominion over a given number of inhabitants in such large areas. The following table gives an indication of the population density per square kilometer in Africa between 1500 and 1975 compared to other parts of the world. The figure shows that sub-Saharan Africa lagged behind its former colonizers in terms of population density from the 14th to the late 20th century. In addition, it also lagged behind Japan, South Asia, China, and North Africa. Only Russia had a lower population density than SSA during this period.

Table 1: Historical population densities in the world per square kilometre from 1500-1975

Region	*1500*	*1750*	*1900*	*1975*
Japan	46.4	78.3	118.2	294.8
South Asia	15.2	24.1	38.2	100.3
Europe	13.7	26.9	62.9	99.9
China	13.4	22.2	45.6	91.1
Latin America	2.2	0.8	3.7	16.3
North Africa	1.6	2.2	9.4	14.1
Sub-Saharan Africa	**1.9**	**2.7**	**4.4**	**13.6**
Former U.S.S.R. area	0.6	1.6	6.1	11.6

Source: Herbst (2014:16) derives the figures from various sources, including John D. Durand's "Historical Estimates of World.

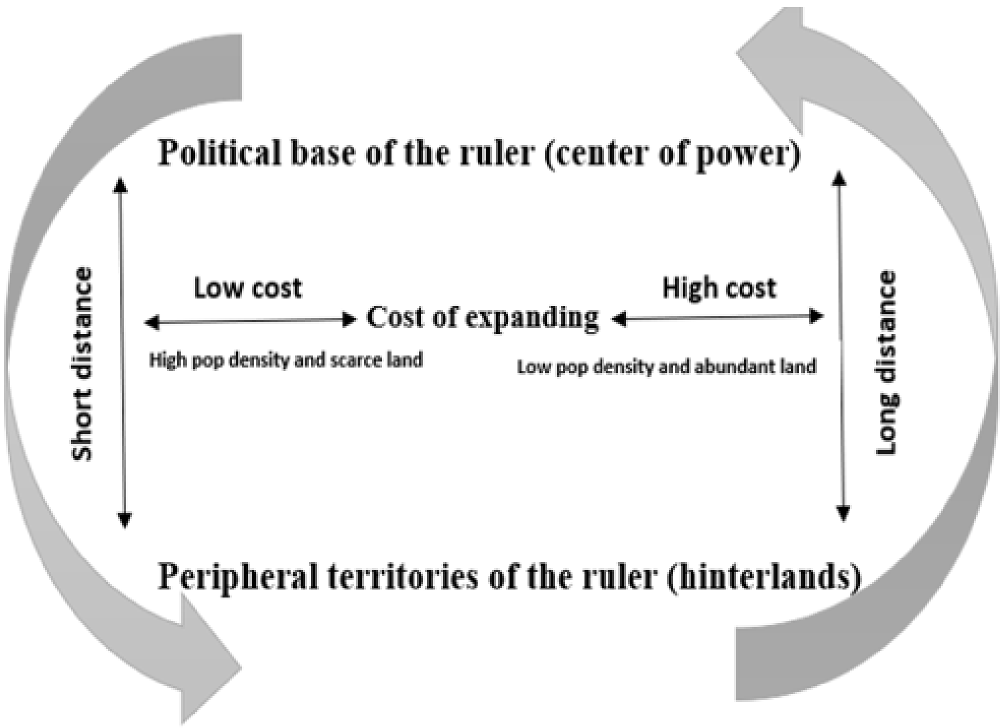
Compared to Europe, the ecological differences between areas within a country were greater in Africa, which also entailed the development of different models of state control and was therefore costly for African leaders. This made state-building more expensive for rulers in Africa than in Europe and Asia, where ruling over a more homogeneous hinterland came at a different cost (Herbst, 2000:12). In addition, the transfer of power over long distances was more expensive in Africa than in Europe due to the continent's geographic barriers to the transportation system.

The theory of Africa's political geography, particularly the high cost of transportation, is best articulated by Austen (1987:20), who points to the impact on long-distance travel, the limitation of water transportation, the problem of navigability of most rivers, and the puzzling lack of wheeled transportation. This sentiment is also echoed by Jeffrey Sachs, who links economic development to geography. He speaks of two obstacles to international development: climate and geography (Sachs, 2000). Similarly, Naudé (2009) claims that geography is the reason for African countries' "proximity gap" problems, and suggests the continent economic plight result from a "geographic syndromes" (p.221).

The fundamental question that arises here, however, is how rulers in Africa envisioned the expansion and consolidation of power. Africans, like many rulers in other parts of the world, had a different conception of the expansion of their power than did Europeans. Unlike the Europeans, control of land as the basis for the exercise of power was never central to the calculus of state founders in Africa because land was abundant. The compulsion to extend rulers' control over people was more pronounced in precolonial Africa because they never faced the challenge of territorial conquest from competitors. In West African Yorubaland, for example, the emphasis was on subjugating and enslaving other tribes rather than appropriating their lands (see Smith, 1988:99-105).

According to Herbst, to understand why territorial conquest initially played a minor role in the exercise and consolidation of power in Africa requires three basic explanations: the cost of expansion, the strength of the state buffer mechanism, and the nature of the state system. The costs of expansion are the costs incurred by a ruler who seeks to extend his authority beyond his base, in the form of the costs of deploying the military and other security apparatuses, infrastructure costs for tax collection, and so on. The following figure shows the cost associated with the expansion of power through the interaction between the ruler's political base and the periphery.

Figure 1: The cost factor of political power



Source: Author's work based on the works of Charles Tilly and Jeffries Herbst (Tilly, 1975, 1990; Herbst, 2000).

The figure above illustrates the costs associated with the expansion of power. It depicts the interaction between the center and the periphery. The center or political base is where the legitimate holder of political authority is located. Drawing on (Tilly, 1990), we assume that the leader has the monopoly of the coercive means. The periphery is the hinterland, a rural area the ruler can invade. The countryside has no control over state army nor a sufficient coercive means to withstand pressure from the center. As the figure shows, the interaction between the two areas has a cost, which vary depending on the distance between the two places. Thus, the financial burden is high when the distance is large and low when it is small.

Against this backdrop the cost structure and calculus for African state founders differed as wars were not fought originally for territories in Africa as it was in Europe and its "ends did not leave the organizational and infrastructure that was typical in Europe" (Herbst, 2000:24). Furthermore, the boundary concept from the European perspective was very different in the African case. Asiwaju (1983:45) asserts that the concept of “frontier as boundary” was very much not known in pre-colonial Africa.

The concept of frontier in the African view as Asiwaju explain was centred around the notion of the frontier as a zone or border region. He argues that “whether the frontier was one of separation, contact or transition” as defined in Ladis D. Kristof study[3], “the concept was ever admissible of mobility and flexibility” (Asiwaju, 1983:49). Considering that, he argues further that the 19th century territorial division of Africa as a result of colonialism, was an “innovation” because it replaced the existing concept of the frontier as a zone with an “alternative definition of it as a boundary or line which inflexibly fixed the territorial limit of the state” (ibid:49).

Although the concept of the territorial boundary was perceived differently in Africa before the division of the continent than in Europe, this does not mean that territorial demarcations never existed in Africa or that people had no interest in separating their living space from that of their neighbours. For example, in the first two chapters of his book, Adejuyigbe Omolade describes how the various Yoruba kingdoms demarcated their homelands from one another by natural and physical things such as watercourses, trees, mountains and valleys, or by construction mounds (Adejuyigbe, 1975: ch. 1-2; also cited in Asiwaju, 1978:45).

In a nutshell, the politic of boundary in Africa was markedly different to that of Europe due to the low diffusion of people on an abundant landmass. The notion of map except few places like Ethiopia was not developed to the point of generalization due to the abundance of lands. Unlike Europeans, however, African leaders during the state-building period developed state systems based on cooperation rather than constant warfare (Herbst, 2000:26). Unfortunately, all this changed with the advent of colonization, a factor we will discuss below.

State Formation under Colonial Rule

There is no dispute in the literature that the current states in Africa have their origins in the colonial period. The question before us, therefore, is how those states came into being and what really changed in the institutional structure of African precolonial states as a result, because as we have argued above, Africa was not stateless. We argued that the expansion of power and consolidation of the leadership authority in Africa differed markedly from that of state founders in Europe.

With the advent of colonialism, however, everything changed, as Young (1994) points out. He argues that despite the short duration of colonization (less than hundred years), compared to other historical events such as slavery, "political space, social hierarchies and divisions, and modes of economic production were completely reordered. The territorial grid, whose final contours emerged only in the dynamics of decolonization, determined the state units that achieved sovereignty and formed the contemporary system of African polities" (p. 9). The "peasantization" of African economies can be cited as an example of this reordering (Ochonu, 2014:124-128).

Like other scholars, we do not dismiss the arguments that Europeans were not interested in Africa's development but used the colonies for economic gain and personal aggrandizement, which is consistent with the majority of colonial literature (Rodney, 1973; Boahen, 1989; Ochonu, 2018), notwithstanding the arguments of those who claim that Europe brought Africa so much in the form of infrastructure and freedom from authoritarian leaders, thus ending internal wars (Gilley, 2017; Duignan & Gann, 2013).

The colonizers did little or nothing to develop the pattern of social organization they had imported and imposed on their colonial subjects, nor did they allow the existing one to develop. The reasons for this attitude and the apparent neglect of the colonies have been the subject of much scholarly work, ranging from the need for extraction to the low presence of white settlers. A clear example of the latter account can be found in the work of (Acemoglu et al., 2001), which highlights the extractive nature of colonial rule due to the low number of European settlers in African colonies, a situation the authors attribute to the disease environment.

However, European state founders recognized that power projection and consolidation required costs in the form of administrative and fiscal infrastructure and the provision of public goods, and were faced with the choice of either funding their efforts or having the colonies share in the costs of colonization. They chose the latter and introduced a series of institutional changes to reflect their decision – a move that met with fierce African resistance and brought about a fundamental change in precolonial patterns of social organization. Taxation played an important role in the formation of colonial states (Frankema & Waijenburg, 2014; Gardner, 2012; Frankema, 2011). Against this backdrop, what role did taxation play in colonial state formation and thus in distorting a broad-based rule of law? We will discuss these changes and their long-term consequences in the following section.

Colonial Taxation and Dualism in Governance in Postcolonial States

To understand the extent to which the colonial fiscal imperative contributed to the shaping of colonial policy and thus to the emergence of contemporary institutions, it is desirable to assess the costs of expanding power over a low population density area such as Africa. According to the land-abundant theory, Africa has a long history of low population density (Austin, 2008; Kopytoff, 1987; Herbst, 2000). This view has been used by many to explain wealth disparities among nations of the world (Acemoglu et al., 2001). Herbst (2000: 16), for example, estimates Africa's population per square kilometer in 1900 at 4.4 persons – only 5 to seven percent of the world's population – compared with 38.2 persons per square kilometer in

South Asia, 45.6 in China, and 62.9 in Europe. Early estimates by the author, based on data from John Durand, suggest that Africa accounted for only 6 to 11 percent of the world's population in 1750. The following table provides an overview of the distribution of the world's population between 1750 and 1950.

Table 2: World Population dynamics (1750-1950), and projection to the year 2000

Areas	Population (millions)						Annual rate of increase (per cent)				
	1750	1800	1850	1900	1950	2000	1750–1800	1800–1850	1850–1900	1900–1950	1950–2000
World total	791	978	1,262	1,650	2,515	6,130	0.4	0.5	0.5	0.8	1.8
Asia (exc. U.S.S.R.)	498	630	801	925	1,381	3,458	0.5	0.5	0.3	0.8	1.9
China (Mainland)	200	323	430	436	560	1,034	1.0	0.6	0.0	0.5	1.2
India and Pakistan	190	195	233	285	434	1,269	0.1	0.3	0.4	0.8	2.2
Japan	30	30	31	44	83	122	0.0	0.1	0.7	1.3	0.8
Indonesia	12	13	23	42	77	250*	0.2	1.2	1.2	1.2	2.4
Remainder of Asia (exc. U.S.S.R.)	67	69	87	118	227	783	0.1	0.5	0.7	1.3	2.5
Africa	106	107	111	133	222	768	0.0	0.1	0.4	1.0	2.5
North Africa	10	11	15	27	53	192	0.2	0.5	1.2	1.4	2.8
Remainder of Africa	96	96	96	106	169	576	0.0	0.0	0.2	0.9	2.5
Europe (exc. U.S.S.R.)	125	152	208	296	392	527	0.4	0.6	0.7	0.6	0.6
U.S.S.R.	42	56	76	134	180	353	0.6	0.6	1.1	0.6	1.4
America	18	31	64	156	328	992	1.1	1.5	1.8	1.5	2.2
Northern America	2	7	26	82	166	354	—	2.7	2.3	1.4	1.5
Middle and South America	16	24	38	74	162	638	0.8	0.9	1.3	1.6	2.8
Oceania	2	2	2	6	13	32	—	—	—	1.6	1.8

Source: Durand, J. D. (1967). The modern expansion of the world population. Proceedings of the American Philosophical Society, 111(3), 136-159.

After the colonial conquest, Europeans faced the great challenge of establishing colonial authority over an area of about 18 percent of the world's land mass (Herbst, 2000:11). Given the existing competition between imperial powers and the binary choices each had to make to secure and control the colonies, an enormous commitment of manpower and bureaucratic infrastructure would have been necessary, clearly requiring significant investment, without which the viability of the colonial enterprise would have been a perilous undertaking.

In contrast to the Terra Nullius theory of (Foster et al., 1998), Africa had a highly centralized state system and an economic and social organization that had developed over millennia (Diop, 1988). (Frankema & Waijenburg, 2014) and (Gardner, 2012) show that it was an enormous challenge for imperial powers to raise the revenue needed to maintain their colonies. Prior to the Western occupation, surplus taxes were paid in kind, which did not help meet the cash needs for the salaries of the colonial government's employees. According to some reports, this amounted to more than 60 percent of the total colonial budget (Frankema, 2011; Gardner, 2012).

According to (Frankema & Waijenburg, 2014), trade revenues were initially so low that they did not matter, which explains the introduction of the colonial policy of “peasantization” (Ochonu, 2018:124). The lack of labor and the nature of land ownership limited income from taxable subsistence agriculture. First, Frankema and his colleague point out that the measure of per capita income depended on whether the colony was coastal or landlocked, regardless of the imperial rulers. The result of their study also shows a strong negative correlation between the size of the colonial budget and the shares of direct taxes in 1925.

Gardner (2012), similarly, to (Frankema & Van Waijenburg, 2014), points to the budgetary concerns of imperial powers, which he argues "shaped public policy at every level, from colonial capitals to district administrations operating in isolated rural settings" (p.1). In addition, he highlights the challenges of tax collection in terms of time and energy, as well as its impact on the relationship between Africans and colonial administrators. In conclusion, Gardner notes that: 1) it is difficult to properly analyze colonial policy without understanding revenue constraints. 2) Colonial tax policy reflected the type of economic structure that developed in each colony. 3) The tax system helps to understand the purpose and impact of British imperialism in Africa.

The author's first assertion underscores the centrality of the budget imperative to any policy decision – how can a particular policy meet revenue needs? The second assertion alludes to deliberate fiscal strategies to support the rapid expansion of economic policies that help colonies cover their administrative costs. The peasant economy is an example of such a strategy. It was one of the main features of the colonial economy in SSA (Ochonu, 2018:124). It consisted of transforming the pre-colonial subsistence and semi-subsistence agriculture of

Africans into an export-oriented production system either through coercion or other persuasive measures.

For dependency theorists such as Walter Rodney, who take a different view than colonial developmental theorists (Hopkins, 2019), practices such as the peasant economic system have retarded Africa's economic development. Rodney argues that Europe underdeveloped Africa by dragging the continent in a colonial cash economy that focused on the export of natural resources. This characteristic, according to many, has kept the continent in a persistent dependence on Western economic interests, a negative term of trade, and volatility in international markets. These characteristics are strongly associated with poor economic performance (see Singer, 1950; Prebisch, 1950).

Europeans viewed African production systems as subsistent and lacking "vent surpluses" and thus sought to replace this practice with a market-oriented system (Hopkins, 2019:12). However, this characterization contrasts with the historical evidence of trans-Saharan trade (Zeleza, 1997:44, 75, 566), which dates back to the 5th century BCE (Law, 1967). (Zeleza, 1997) points to the existence of plantation systems in the coastal regions of East Africa, Ethiopia, and the Sokoto Caliphate (p.434-436). Salau (2011) makes similar claims by pointing to the cultivation of staple crops for consumption and commercial purposes in Fanisau and several emirates in northern Nigeria before the agricultural transition promoted by British colonization, as well as the existence of large-scale agricultural plantations with slave labor in Muslim-dominated North and West Africa (1-19). Lovejoy (1978:343-344) associates the term "gandu" in Kano with slave labor, but also with a large-scale plantation system (also cited in Salau, 2011).

Britain and France essentially enforced the production of export crops in their colonial territories to serve the needs of their economic interests (Ochonu, 2018; Hopkins, 2019). For example, after the conquest of Nigeria, Britain promoted the cultivation of groundnuts as the main crop for European markets. Given these policies, we note, on the one hand, that the colonial economic policies of the French and British, which grew out of fiscal constraints, reduced the colonies to producers of natural resources with little or no processing. We refer to this feature as the upstream economy.

On the other hand, however, it transformed the colonizers' economies into suppliers of manufactured goods, which we refer to as downstream economies. This left little room for diversification of the colonial economy. Looking at the recent economic literature on SSA (Austin, 2015, 2014), this pattern has continued in the postcolonial period. In the table below, we distinguish three types of colonial economies according to the categorization[4] of (Amin, 1972; and Oliver & Atmore, 1967).

Table 3: Comparative cross-colonies per capita average variation and economy types

Country	Geographic feature	Colony	Colonial economy type	per capita ratio DT / TR	per capita ratio IDT / TR	per capita ratio OHT / TR	Per capita Total revenue
Benin	Caostal	French	Cash crop	0.64	0.12	0.24	4.96
Burkina. F	Landlocked	French	Cash crop	0.88	0.08	0.05	1.3
Cameroon	Caostal	French	Cash crop	0.46	0.44	0.10	2.05
Côte d'iv	Caostal	French	Cash crop	0.73	0.11	0.16	5.35
Guinea	Caostal	French	Cash crop	0.87	0.05	0.08	6.54
Mali	Landlocked	French	Cash crop	0.79	0.11	0.10	5.88
Mauritania	Landlocked	French	Cash crop	0.77	0.05	0.18	4.01
Niger	Landlocked	French	Cash crop	0.81	0.07	0.12	1.95
Senagal	Caostal	French	Cash crop	0.75	0.12	0.13	9.48
Togo	Caostal	French	Cash crop	0.30	0.54	0.16	2.18
Gambia	Caostal	British	Cash crop	0.12	0.71	0.17	41.96
Ghana	Caostal	British	Cash crop	0.02	0.62	0.36	38.07
Nigeria	Caostal	British	Cash crop	0.14	0.50	0.36	8.22
Sierra L	Caostal	British	Cash crop	0.10	0.60	0.31	26.41
Tanzania	Caostal	British	Cash crop	0.39	0.27	0.33	6.33
Uganda	Landlocked	British	Cash crop	0.54	0.31	0.15	10.62
Congo. Brz	Caostal	French	Concession	0.90	0.03	0.07	4.38
Gabon	Caostal	French	Concession	0.64	0.03	0.32	5.94
CAF. Rep	Landlocked	French	Concession	0.77	0.15	0.08	1.71
Kenya	Coastal	Btitish	Labour res.	0.23	0.19	0.58	1.76
Lesotho	Landlocked	British	Labour res.	0.51	0.41	0.08	83.69
Madagascar	Coastal	French	Labour res.	0.58	0.27	0.16	20.22
Malawi	Landlocked	British	Labour res.	0.53	0.35	0.12	5.38
South Africa	Coastal	Birtish	Labour res.	0.05	0.36	0.59	43.14
Zambia	Landlocked	British	Labour res.	0.45	0.39	0.16	33.91

Source: Author work based on data extracted from Gallica digital library and colonial Blue book in British online archives. All data are converted in French Franc calculated on the basis of tax revenue per capita. DT= per capita direct tax; IDT= per capita indirect tax; OHT= per capita other direct revenue; TR= per capita total revenue.

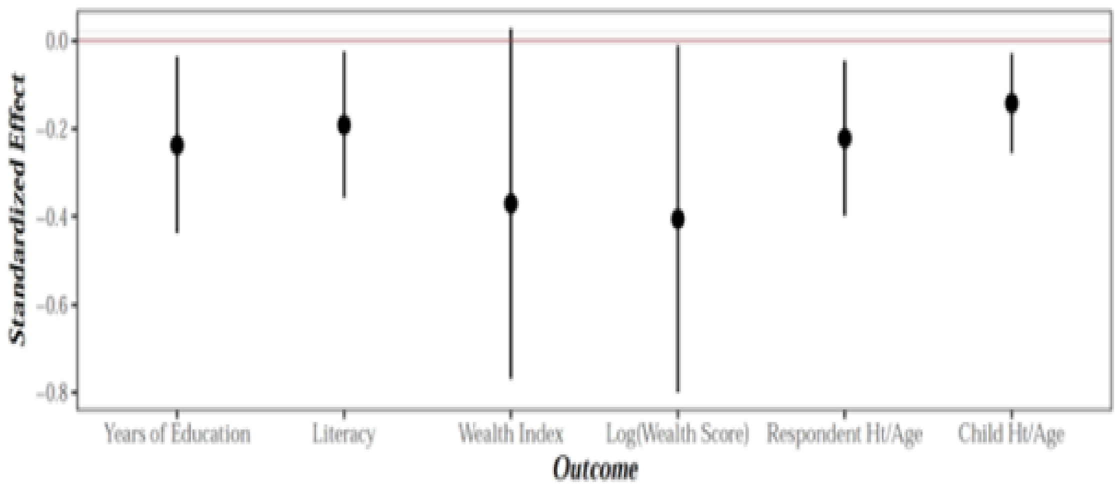
An example of the cash crop model is the peasant economy introduced by the French and British. It is essentially agricultural and dominated by European trade counters and later by state marketing boards (Mkandawire, 2010). This system resulted in a monopsony where a single buyer controlled the purchase of tradable goods. According to Bauer (1954), these monopolists were ruthless and notorious for ridiculous pricing. This behaviour was encouraged by the "vent surplus hypothesis," according to which low commodity prices helped to capture the surplus of peasant agriculture.

Taxes in the cash crop economy were usually collected by indirect taxation through trade counters or by levying poll taxes/capitation taxes on the natives. Because taxes were compulsorily paid in colonial currency, local farmers were forced to produce the staples demanded by the monopolists. In this form of integration, known in the French colonies as "l'éconmie de traite," the administration provided political support to cooperating groups to appropriate land at the expense of other groups and to organize internal migration from impoverished localities to meet labor needs in plantation areas. According to Amin (1972), when this cooperation proved unsuccessful, colonial masters resorted to coercive measures to secure local labor. One of the many consequences of the plantation economy is the development gap between the coastal areas (in the periphery) and the hinterland, which Amin says condemned Africa to develop only along the coast (ibid).

The concession economy relied heavily on forced labor. A vivid example of this is the case of the Belgian Congo colony, which Leopold II ran like a private enterprise. According to Coquery-Vidrovitch (1990:350), Belgian Congo is a form of incorporation into the colonial rule that "depended on taxation and plunder rather than production and investment." The system is known for mining rather than exploitation of primary commodities (Mkandawire, 2010). It limited the development of commercial agriculture (Rodney, 1990; Betts, 1990). France and Britain, like other colonial powers, granted large tracts of land to private companies for mining or growing rubber trees on large plantations whose main objective was only to extract the natural resources of the colonies. Concessions are characterized by indirect rule, extreme violence, and atrocities (Lowes & Montero, 2021).

Empirical evidence shows that regions exhibiting such an economic model have persistently sluggish educational and economic performance. Using data from rubber concessions in Congo, Sara Lowe, and Eduardo Montero examine the long-term impact of this system on development in the Democratic Republic of Congo. The authors study shows that people living in former concession areas have significantly worse educational and wealth outcomes than those living outside the concession areas. The former has, on average, 1.3 fewer years of schooling and has 25 percent less wealth. The figure below illustrates the pattern of the impact of living in the former concession areas.

Figure 2: Effect of the development outcome on living within former concession areas



Source: Lowes. S., & Montero, E. (2021). Concessions, Violence, and Indirect Rule: Evidence from the Congo Free State. The Quarterly Journal of Economics, 136(4), 2047-2091.

However, the final category of the colonial form of integration of Africa into the Western economy is the labor reserve economy system. One of the characteristics of this form of economic integration is the high proportion of European settlers in the total population compared to other integration systems (Mkandawire, 2010). It is highly racialized, segregationist, and labor-intensive, with white farmers using and exploiting the cheap labor of natives confined to poor townships (Phimister, 1974; Van Onselen, 1976; Meillassoux, 1981). However, this form of integration was not necessarily specific to any one country. Certain colonies exhibited different forms of integration models. Mozambique, for example, exhibited the characteristics of a labor reserve economy and a concession system (Hinderink & Sterkenburg, 1987).

Another feature of the labor reserve economy is that formal labor markets and the migrant labor system are closely linked to white-owned mining and plantation concessions (Mhone, 2000), tying indigenous people to permanent employment in these concessions. To perpetuate this vicious cycle, the administration enacted laws or took measures such as "disruption of African farmers' agriculture, discrimination in employment, criminalization of informal indigenous activities in the cities, political regimentation, control of migration flows" (Mkandawire, 2010:6) to prevent an alternative source of income for indigenous people. This stance was justified by More's "target worker theory," which describes the irrational behavior of workers and claims that higher wages lead to lower labor supply due to leisure (More, 1995).

Europeans developed measures such as harvest quotas imposed on traditional chiefs or community leaders to force them to include their people in the colonial export economy. If they did not, they lost their privileged position (ibid). In other cases, Europeans distributed plant seedlings and free agricultural services to the natives to induce them to participate in the production of agricultural products for export. In northern Nigeria, for example, buyers of staple crops used the strategy of paying cash in advance against future harvests, which kept African farmers in perpetual debt.

Since the payment of taxes was compulsory and tax evasion was punishable by severe penalties, Africans were forced to participate in an exploitative colonial economic system. They were forced to participate in this system because they had to pay taxes, and since these taxes were accepted only in colonial currencies, they had little leeway. In the British possessions, they were paid in pounds sterling, in the French territories in francs. But Africans vigorously rejected European institutions, especially the tax system, although some of them cooperated with colonial authorities (Acemoglu et al., 2001; Frankema, 2014; Frankema & Waijenburg, 2014).

Direct taxes consisted of levies on people, animals, and land, and collecting and monitoring them required a great deal of bureaucratic manpower. Therefore, the two imperial powers had to rely on local chiefs to collect direct taxes. Berry (1993) argues that this strategy served to reduce the cost of tax collection, but also to integrate local institutions into the colonial administration.

The colonizer's need not only to generate revenue to finance the colonial project but extract resources out of the colony played a fundamental role in the outcomes of colonialism in SSA at its inception and throughout the occupation period. The revenue strategies developed by the colonialist enabled the development of two institutional systems. First, the European institutional infrastructure in the form of a new legal system (Roberts & Mann, 1991), an economic system (Ochonu, 2018), a political structure and a social system (Blanton et al, 2009), as well as also a formal education system (Frankema, 2012).

Given the cost of establishing an efficient tax institution (Herbst, 2000), Europeans relied heavily on the help of Africans to levy and collect taxes from locals (Frankema & Waijenburg, 2014, Gardener, 2012). This dependence on Africans for financial reasons, implicitly and explicitly, as was the case in British Africa, enabled an institutional dualism (Holzinger al., 2016; Brinkerhoff & Goldsmith, 2005) that perverted precolonial social organization and contributed to the weakness of the rule of law – a pattern that persists today.

The literature on chieftaincy in Africa often asserts that traditional institutions and state administration coexist in parallel or dependent relationships (Donald, 1996; Adotey 2019; Bennet, 2005; Englebert, 2002; Keuler, 2001). As Englebert (2002: 190) perceptively notes "traditional authorities do not exist as a consequence of their recognition and appointment by governments of sovereign states. On the contrary, they are recognized and appointed to traditional offices, in accordance to customary laws because those offices are legitimated by the beliefs of the people who expect them to exist in practice."

In his analysis of British colonization in Africa, Palagashvili (2017:277) observes that Victorian governance changed the communal and competitive nature of chiefdoms and reduced the motivation of political leaders to be accountable to their people. He argues that prior to colonial intervention in West Africa, chiefdoms operated within a framework where leaders were incentivised to be accountable to their constituents. This was because there was intense competition among providers of governance, and political leaders retained most of the revenue from the provision of government services.

The persistence of this institutional pattern has created a stakeholder problem in the form of a client-patron system and contributed to the erosion of a broad-based rule of law. In essence, institutional dualism in Africa due to colonialism and its long-lasting aftermath is best summarized by Peter P. Ekeh in his theory of "two publics." He argues that European colonialism led to the emergence of "two publics" that stand in contrast to the one "public" of the West.

The point, however, is that African institutions and culture were not extinguished after colonization. European failed to integrate African institutions into the colonial system. They have survived, although it can be argued that local leaders no longer claim a monopoly on physical violence, a fundamental feature of state sovereignty, as modern forms of governance have emerged and been adopted thanks to the continent's colonial past. Despite the extensive loss of their coercive physical power, however, traditional political authorities still have a strong coercive moral power, which is exerted on the population through cultural channels, as the majority of society remains strongly culturally influenced.

However, local politics and mainstream politics have not always aligned and given people's strong ethnic and cultural ties, it seems reasonable to assume that acceptance of a broad-based rule of law stemming from the state authority, which we distinguish from the traditional rules and laws that govern social interaction, can only be effective through reconciliation of the two institutions. It cannot be both at the same time. There cannot be two " rule of the game". We argue that this gap in the literature needs further exploration, as both institutions will always struggle for their own survival.

Conclusion

The results of this investigation provide a number of interesting insights. They are consistent with the argument of the institutional problem in Africa. In contrast to the widespread Eurocentric argument that has surrounded the idea of weak institutions due to corruption and resource curse since the end of colonial rule, however, our research shows that history has played a fundamental role in shaping the current form of governance and its associated consequences in many African societies. In light of this, we argue that the European tax system, introduced at the beginning of the colonial project, is at the root of the current institutional malaise (institutional dualism) of the continent.

This paper shows that the colonial tax experiment, born out of the need to raise revenue after the territorial conquest of Africa, significantly influenced the policies and determined the institutions introduced by the West. Unwilling to pay for the upkeep of their colonies in Africa, France and Britain introduced a tax system to raise revenue and enforce institutions that helped them control and exploit their territories during the colonial period. The historiographical literature describes European institutions as extractive and detrimental to African development. Acemoglu refers to the colonial tax system as one of the most extractive and burdensome institutions introduced by Europeans, the implementation of which led to constant resistance from Africans (Acemoglu et al., 2001).

To ensure a steady inflow of tax revenues, imperial powers enacted laws that forced native Africans to participate in the colonial economy to fulfill their tax obligations, and evasion of which was punishable by imprisonment (Ochonu, 2018). Revenue was essential to colonial plans, and its extraction required the role of traditional leaders. Their role in the colonial economy contributed to institutional dynamics and dual political institutions - chieftaincy and "modern" political systems - in many African countries. Following Douglas North, we argue that this dualism perverted the "rules of the game" by enabling institutional free-riding, which ultimately weakened and continues to weaken broad-based rule of law and institutional foundations of prosperity.

Notes

1 The financial data of the French colonies were taken from the digital library Gallica.

2 The financial data of the British colonies were taken from the Bluebook of the British colonies, which can be found in digital library of the British colonial archives.

3 For a comprehensive understanding of the definition of frontier as a zone of transition or as a separating factor, see Kristof, Ladis KD. "The nature of frontiers and boundaries." Annals of the Association of American Geographers 49.3 (1959): 269-282.

4 Samir Amin divides Africa into three micro-regions. He argues that the following countries in West Africa: Ghana, Nigeria, Sierra Leone, Gambia, Liberia, Guinea Bissau, Togo, AOF, including Cameroun, Chad, and Sudan constitute Africa of the colonial trade economy.

He describes the Congo River basin which consist of Congo-Kinshasa, Congo-Brazzaville, and Central African Republic as Africa of the concession-owing companies.

Finally, he characterizes the eastern and southern parts of Africa (Kenya, Uganda, Tanzania, Rwanda, Burundi, Malawi, Angola, Mozambique, Zimbabwe, Botswana, Lesotho, Swaziland, and South Africa) as Africa of labour reserves.

Noteworthily, Amir excludes Ethiopia, Somalia, Madagascar, Réunion, and Mauritius from the above categorization because he reckons even these countries have some of the characterics of his classification, the do not display enough of the features to qualify them any of the micro-regions. However, we concur with (Mkandawire, 2010) and Oliver & Atmore (1967) classification to design our table.

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