Catch up if you can
A comparative study of institutional and economic development

Christoffer Källberg
ABSTRACT

This thesis examines the correlation between economic growth and the prevalence of a number of institutions that according to a theory elaborated by economists Christer Gunnarsson and Mauricio Rojas are growth promoting. The economic development and the institutional quality of four African countries, namely Botswana, Zambia, Mozambique and Guinea-Bissau, is examined by comparing index scores for relevant institutional factors. The results show that some correlation between economic growth and the prevalence of the institutions examined can be confirmed, why the theory only gains moderate support. A minor attempt is also made to trace potential correlations between the level of economic equality and the institutions in question, but no correlation is found in this respect.

Keywords: Economic growth, economic equality, institutions, egalitarianism, state autonomy, socio-cultural solidarity, Botswana, Zambia, Mozambique, Guinea-Bissau.
ABBREVIATION KEY

APPR.  Approximately
EU    European Union
GDP   Gross Domestic Product
GNI   Gross National Income
HDI   Human Development Index
IMF   International Monetary Fund
IR    Index range
MDS   Most different system design
MSD   Most similar system design
PPP   Purchasing Power Parity
PR    Property Rights
SAP   Structural Adjustment Programme
UNDP  United Nations Development Programme
US    United States (of America)
WTO   World Trade Organization
# TABLE OF CONTENTS

**INTRODUCTION: FINALLY GETTING SOMEWHERE?** ......................................................... 6

**CHAPTER 1: GROWTH AND EQUALITY** ................................................................. 8
  1.1. INSTITUTIONS AS EXPLANATORY FACTORS BEHIND ECONOMIC
    DEVELOPMENT ..................................................................................................... 8
    1.1.1. Institutions as “rules of the game” .............................................................. 8
    1.1.2. Universal rights ........................................................................................... 9
    1.1.3. From dynamism to chaos - An ideal type based categorisation ............... 10
    1.1.4. Egalitarianism ........................................................................................... 10
    1.1.5. State autonomy ........................................................................................11
    1.1.6. Socio-cultural solidarity ............................................................................12
  1.2. ECONOMIC EQUALITY – IMPORTANT IN ITS OWN RIGHT ....................... 12

**CHAPTER 2: PREVIOUSLY CONDUCTED STUDIES ON THE SUBJECT** ........... 13
  2.1.1. The history of economic development studies very briefly ....................... 13
  2.1.2. A more recent contribution to the field ...................................................... 14
  2.1.3. On the situation in Africa .......................................................................... 14

**CHAPTER 3: PLAN AND PURPOSE OF THIS STUDY** .......................................... 16

**CHAPTER 4: HOW THIS STUDY WAS DONE** ....................................................... 18
  4.1. COMPARATIVE DESIGN .............................................................................. 18
  4.2. HOW MEASURE WAS DONE – OPERATIONALISATION............................ 19
    4.2.1. Dependent variables: GDP ................................................................. 19
    4.2.2. ...GNI and Gini ......................................................................................... 20
    4.2.3. Four categories of explanatory factors ..................................................... 21
    4.2.4. Indexes used for measuring ..................................................................... 21
  4.3. SOURCES OF UNCERTAINTY IN INTERPRETING THE DATA .................. 22
    4.3.1. Be aware of your sources’ pros and cons! ............................................... 22
    4.3.2. Problems inherent in measuring .............................................................. 23

**CHAPTER 5: THE CASES** ...................................................................................... 25
  5.1. IDENTIFICATION OF POTENTIALLY UNDERLYING VARIABLES .......... 25
    5.1.1. Business climate & company quality factors affecting economic growth ..25
    5.1.2. “External factors” affecting economic growth ........................................ 26
    5.1.3. Factors affecting economic equality ....................................................... 28
  5.2. CASES SELECTED ....................................................................................... 29
    5.2.1. Botswana and Zambia .............................................................................. 29
    5.2.2. Mozambique and Guinea-Bissau ............................................................ 30

**CHAPTER 6: EVALUATION OF INSTITUTIONAL QUALITY** ......................... 33
  6.1. COMPARING BOTSWANA AND ZAMBIA ..................................................... 33
    6.1.1. Rule of law and rights ............................................................................ 33
    6.1.2. Egalitarianism / Economic equality ....................................................... 36
    6.1.3. State autonomy ....................................................................................... 38
    6.1.4. Socio-cultural solidarity .......................................................................... 39
  6.2. COMPARING MOZAMBIQUE AND GUINEA-BISSAU ................................. 41
    6.2.1. Rule of law and rights ............................................................................ 41
    6.2.2. Egalitarianism / Economic equality ....................................................... 43
INTRODUCTION

FINALLY GETTING SOMEWHERE?

What keeps a country poor? I am hardly the first to wonder, but at the time for starting this study this was basically what I wanted to know. More specifically I had formulated the following question: Is it possible to identify a general strategy for the development of countries that are poor in the beginning of this millennium? The hope for finding a general strategy was, however, soon dashed to the ground. Among others, Danish development researcher John Martinussen has stressed that there historically has been a widespread tendency to believe that theories on development have universal applicability. Martinussen in opposite to this emphasised just how important it is to be careful with this kind of assumptions and pointed to the special features of different developing countries as potentially critical for theory elaboration on development. This view is also expressed by Swedish economists Christer Gunnarsson and Mauricio Rojas. Interestingly Gunnarsson and Rojas still do not give up hopes for finding a feature that has a more general explanatory power in regard of development. Their assertion is that institutions constitute the explanatory factor with a more general validity. But the two authors emphasise that their ambition is to provide a model with general validity that can explain differences in economic growth, not a generally valid strategy for development.

Further, there has also been a revival of institutional analysis in political science in recent years. Already in 1991 Powell and DiMaggio wrote about a renaissance for the study of institutions in the social sciences and they underscored that the term New Institutionalism had become frequently used in the contemporary literature. The new institutionalism and the revival of institutional analysis in social science is also acknowledged by for example Peters and Lecours. Also the World Bank today assesses countries in concern of their institutional quality. Surely, this kind of evaluations will be highly subjective since someone or some people have to decide what will be considered good and bad institutions. The point is, however, that if even one of the world’s most powerful institutions (!) working with

1 Martinussen, 1997: 4
2 Gunnarsson & Rojas, 2004: 10-12
3 Gunnarsson & Rojas, 2004: 14
5 Peters, 2005: 1-2
6 Lecours, 2005: 3-5
7 Collier, 2007: 67
development considers institutions to be relevant they cannot be ignored. So, have we finally traced a factor that provides a more general explanatory power for the success or failure of economic development in different countries? Are institutions the answer?
CHAPTER 1

GROWTH AND EQUALITY

In this chapter a theory on institutions as explanatory factors behind economic development will be presented. The theory was mentioned in the introduction and is the only theory that will be outlined in detail in this study. It is chosen because of its attempt to provide more general explanatory factors for economic development. It will not be critically scrutinised in any way in this section simply because this task is pretty much what the analysis of this study is about and hence the scrutiny will be left for the analysis section and the conclusions section.

1.1. INSTITUTIONS AS EXPLANATORY FACTORS BEHIND ECONOMIC DEVELOPMENT

1.1.1. Institutions as “rules of the game”

The Swedish economists Christer Gunnarsson and Mauricio Rojas outline and apply the above-mentioned institutional approach on economic development in their book *Tillväxt, stagnation, kaos* (Growth Stagnation Chaos). By economic development they mean economic growth in terms of a long-term increase in the Gross Domestic Product (GDP) per capita. By institutions they mean “the rules of the game for society or, more formally…humanly devised constraints that shape human interactions”\(^8\), which is the way Douglass C. North has put it. The institutions may be formal, like laws and regulations, as well as more informal, like norms and habits. In both cases they include the possibility for sanctions with the accompanying possibility for repeated human interaction. Gunnarsson and Rojas also emphasise the historical dimension of the institutional approach and the way institutions and history interact to shape the world. The institutional approach allows for identifying the historically anchored reasons for different development paths, which in turn is intended to make possible the identification of patterns and explanations. The authors believe that only in this way can strategies for development, that are theoretically as well as practically workable, be elaborated.\(^9\)

---

\(^8\) Quoted from Peters, 2005: 52
\(^9\) Gunnarsson & Rojas, 2004: 14-15
1.1.2. Universal rights

Gunnarsson and Rojas assert that institutions of a well working market economy have in common that they establish security by ensuring universally applicable rights. Security is necessary to make economic actors dare enter into long-term and/or large-scale transactions. To make possible long-term economic growth, it is further important that institutions ensure the possibility also for strangers to establish long-term transactions with each other. Hence, the quality of the judicial institutions of a country, and their ability to protect rights, is critical for economic growth. This need highlights the role of the state as the authority establishing and enforcing the rules. Without a state it will be hard to establish well working and growth promoting institutions that make it reasonable for economic actors to respond to incentives and assimilate new technology.

However, the institutional foundation for economic growth consists of two aspects. On the one hand the above-mentioned need for the state to protect civil actors’ rights from being violated by other civil actors. On the other hand it is also necessary that the power of the state is regulated to ensure that it is not used to curtail the rights of the civil economic actors. The state has to ensure that the rights apply to all citizens. To do this the state will need some resources that must be collected through taxation, which in practice means that the state to some extent will have to restrict individual rights. This is, however, unavoidable since the alternative would be a war of all against all. Anyhow, Gunnarsson and Rojas also see risks with a too intervening state. Too large-scale intervention might undermine the incentive structure of the economy and erratic intervention risks spreading uncertainty and encourage short-term actions.

The two authors identify three kinds of rights that they believe are fundamental for economic growth in a market economy. Those rights are property rights, contractual rights and business freedoms. Property rights are necessary to clarify who owns what and thereby who is entitled to use it and sell it. Those rights protect the owners from arbitrary intervention by other actors, be they civil or state. Without property rights transactions are not possible, according to Gunnarsson and Rojas. Contractual rights are necessary to ensure that civil actors can trust agreements and thereby engage in repeated economic transactions. This would not be possible without contractual rights. Finally, people must be able to determine how to use their property and skills as long as they do not pose a threat to society,

---

10 Gunnarsson & Rojas, 2004: 16-17
11 Gunnarsson & Rojas, 2004: 17-18
and hence also business freedoms are considered necessary. Gunnarsson and Rojas assert that the lack of institutions that ensure security as well as long-term thinking (on the level of the individual) is the major individual reason behind the outcome with so many developing countries failing with their growth policies.

1.1.3. From dynamism to chaos - An ideal type based categorisation

Gunnarsson and Rojas have chosen to categorise developing countries as belonging to either one of the following ideal types: dynamic, stagnating or chaotic. The aim with this ideal type categorisation is to make the differences that characterise the different developing economies clearer in order to better understand why they are moving in different directions. Some characteristics of the dynamic ideal type are rapid industrialisation, very high economic growth, increasing political stability, relatively equal distribution of incomes, an autonomous state and national solidarity. The stagnating ideal type is among other things characterised by some moderate industrialisation, some growth, increasing income disparities and marginalisation of the poor with increasing poverty as result, and an unsustainable polarisation accompanying the growth process. The chaotic ideal type, finally, is characterised by lack of growth, a decreasing industrial sector, a political system, and maybe even a state, in decomposition, and a war of all against all with violent tendencies.

1.1.4. Egalitarianism

The categorisation above is based on a framework of three explanatory factors, namely egalitarianism, state autonomy and socio-cultural solidarity. To make a market economy work well it is vital that people have equal rights and equal opportunities, and this is what egalitarianism is about. Equality of rights is simply a question of equality before the law (legal egalitarianism), which the state has to ensure. No law or institution can deny anyone equal treatment concerning property rights, contractual rights, or business freedoms. However, the principle also includes protection from being arbitrarily forced, and hence the judicial system must protect its citizens even if the arbitrary enforcer is the state itself. The other half of egalitarianism, equality of opportunity, is about ensuring everyone the necessary economic means to be able to use one’s rights. That people have this ability is a necessary

---

12 Gunnarsson & Rojas, 2004: 17
13 Gunnarsson & Rojas, 2004: 18
14 Gunnarsson & Rojas, 2004: 11-14, 18
precondition for growth. If no equalisation of resources is performed the judicial system may end up protecting only the resource rich. Gunnarsson and Rojas hereby take an important stand and declare that they believe a relatively even distribution of resources is a precondition for growth. This assertion stands in stark contrast to conventional development theory, which rather asserts that an unequal distribution ensures that some people can afford to save money that can be used for investments. Gunnarsson and Rojas in opposite emphasise that the reason for the bad functioning of the market economy in many developing countries simply is that people are shut out from participation, either due to lack of resources or because they are denied their rights.\textsuperscript{15}

\subsection*{1.1.5. State autonomy}
State autonomy includes two things. Firstly, it means that the ability of the state to make and implement decisions is not governed by, and used as a tool by, special interest groups. Secondly, it means that the society is not plundered or regulated in detail in the interest of the state elite. Gunnarsson and Rojas request a so-called autonomous development state, which is a state that makes long-term economic growth its primary goal. The authors then make two interesting assertions. They believe that the reason behind a state becoming an autonomous development state is a high pressure for change combined with a threat to the survival of the elite. It is when the political elite comes to believe that long-term economic growth is their only way to survive they will pursue the far-going structural reforms that are necessary for the growth to come about. The authors also believe that the previous development debate has focused too much on the size of the state. Gunnarsson and Rojas assert that failures cannot be explained by the sheer size of state involvement in the economy. State intervention has in many respects even been more extensive in several dynamic economies than in failing ones. What matters is how the state intervenes and the authors advocate interventions that change structures of ownership and power to ensure the possibility of participation for the majority.\textsuperscript{16}

\textsuperscript{15} Gunnarsson & Rojas, 2004: 18-21
\textsuperscript{16} Gunnarsson & Rojas, 2004: 23-26
1.1.6. Socio-cultural solidarity

Finally, socio-cultural solidarity is also considered to be of big importance for economic growth. The authors define cultural solidarity as the existence of informal institutions (norms, values and customs) and organisations that unite the people and constitute a foundation for formal institutions and organisations to rest on. If the national economy is well integrated the informal and formal institutions can work as complements to each other. If the national economy on the other hand is badly integrated the informal institutions may conflict with each other and no functioning national unit, and hence no cultural solidarity, will be established. Countries consisting of only one culture or ethnic group may therefore have an advantage. Countries consisting of many cultures or ethnic groups need to unite around one national culture and institutional framework, which still respects diversity. Important to keep in mind is, however, that cultural solidarity depend upon the degree of social homogeneity, which in turn depend a lot on the level of the previously mentioned egalitarianism.\(^{17}\)

However, in the case of Africa Gunnarsson and Rojas believe that to strengthen the socio-cultural solidarity the countries of the continent primarily need to build more cohesive nations as a way to end destructive power struggles. They further believe that this demand acknowledgement of equal rights by establishing rule of law and democracy.\(^ {18}\)

1.2. ECONOMIC EQUALITY – IMPORTANT IN ITS OWN RIGHT

Economic growth is obviously inescapable if the people of a poor country are ever to enjoy all the basic society services and the higher material standard that is available in the richer parts of the world. Economic growth alone is, however, not of much value unless its benefits are spread in a way that makes them, at least to quite some extent, accessible for everyone. It is hard to see how one could argue in favour of economic growth if it almost only benefits a small group of people, while the majority keeps suffering from poverty. Economic equality constitutes an important part also in Gunnarsson and Rojas’s theory, but it is mainly intended to serve as just another means to increase economic growth by making possible for everyone to produce economic values. Therefore economic equality will be added as a vital factor that is important in its own right. What is its relation to the institutional framework that according to Gunnarsson and Rojas is determinative for economic growth?

\(^{17}\) Gunnarsson & Rojas, 2004: 27-28
\(^{18}\) Gunnarsson & Rojas, 2004: 29
CHAPTER 2

PREVIOUSLY CONDUCTED STUDIES ON THE SUBJECT

In this chapter some general developments within the field of economic development studies during the last 60-70 years will be presented very briefly. Also some newer ideas by Paul Collier will be briefly outlined and linked to Gunnarsson and Rojas’s work.

2.1.1. The history of economic development studies very briefly

The number of previously conducted studies on economic development is surely huge, why only some general developments and some recent contributions will be mentioned here. The Danish development researcher John Martinussen in the 1990s wrote a book that summarized different and competing development theories/strategies influential in the 20th century. In this work he distinguishes between a number of theory groups, namely neo-classical; modernisation and growth; structuralist; and dependency/Marxist, that have been influential in different time periods.

In the early era of the 1930s and 1940s and in the middle of the century, few development researchers adhered to neo-classical theories. Instead, the other approaches dominated. One of them, the structuralist theory group focused more on external factors than on internal ones. They believed that the world is made up of basic economic structures, which work like a steel frame and are not easily changed. The modernisation and growth theorists on the other hand put most emphasis on internal factors and challenges or opportunities for economic growth. However, those theorists do not completely deny the importance of structures and structural change either, and rather place themselves in between the views of the structuralists on one hand and neo-classicists on the other. The dependency/Marxist theories focused on external factors, and predominantly the domination in the world economy by the rich countries as the most important factor explaining underdevelopment. Neo-classicism, finally, stress among other things the importance of comparative advantage and the theory made comeback as prominent in the debate in the 1980s. Since then, its influence might however have been moderated somewhat.

---

19 Martinussen, 1997: 50-52, 85
2.1.2. A more recent contribution to the field

A more recent contribution to the debate on economic development comes from British development researcher David Collier. Collier in his book *The Bottom Billion* argues that most of the countries that are today labelled as “poor” are actually developing, and many of them rapidly so. The problem, in Colliers eyes, is rather that a number of countries, inhabited by about one billion people, are not on the boat. Instead they are falling behind all the other. Those countries are mainly located in Africa and Central Asia and suffer from being stuck in one or several of the following “development traps”: the conflict trap; the natural resource trap, the trap of being landlocked with bad neighbours, and/or the trap of bad governance in a small country. Bad governance and polices, which also resembles the problem highlighted in the theory I have presented above, might be considered a trap either if the leaders of a country with bad policies are uninterested in reform or if the necessary knowledge is missing even if there is will among the leaders to reform.20

2.1.3. On the situation in Africa

So, according to Collier most of the countries facing the largest problems are located in Africa. Gunnarsson and Rojas have applied their theory on countries from Latin America and Pacific Asia and also on the regions in full. They have, however, not applied it on any African country, but they do claim that their theory is valid also for countries from this continent since the institutional problems highlighted, according to the authors, are even worse in Africa.21 Hence they seem to agree with Collier. Gunnarson and Rojas explain that the reason for not applying the institutional theory on any African country has to do with the fact that the chaotic ideal type economy is most common in Africa and the reason for avoiding to analyse chaotic ideal type economies is that those are just extremes of the stagnating ideal type economy. When the stagnation process has gone so far as to destroy fundamental institutions and the “social contract”, on which co-operation in the society rests, chaos has taken over22.

In a very brief examination of what might have caused the stagnation and the following chaos in the African economies Gunnarsson and Rojas dismiss the International Monetary Fund’s (IMF) structural adjustment programmes (SAP) as well as too little trade as the

---

20 Collier, 2007: 3, 5, 66-67
21 Gunnarsson & Rojas, 2004: 272
22 Gunnarsson & Rojas, 2004: 271-272
explanatory factors. The former is dismissed since the economic downturn started about 10 years before the SAP:s were first applied, and the latter is dismissed since trade value has constituted between 50-60 percent of GDP since the 1970s, while Africa at the same time has become marginalised in the global economy. Instead the authors consider the relatively large trade to be a sign of too low productivity and too little investments. Gunnarsson and Rojas emphasise that institutions like property rights, credit systems and market rules are missing or are too weak in Africa\textsuperscript{23}.

The authors further emphasise that they believe that the economic growth process must start in the agricultural sector. In the African countries, and especially the poorest ones, very many people live on the countryside and are in one way or another dependent on agriculture. To raise incomes, an increase in agricultural productivity is absolutely necessary. If this is achieved the domestic market for industrial goods (the domestic demand) will expand and capital and labour will be available for transfer to the industrial sector.\textsuperscript{24} I will, however, not go any deeper into the issue of agricultural development. Not because I doubt that it is important, but simply because I need to limit the extent of my study somewhere. The institutions that I plan to study will surely be of great importance also for the agricultural sector, why this area is still included indirectly. I will however turn my interest towards the poor continent not studied by Gunnarsson and Rojas; Africa.

\textsuperscript{23} Gunnarsson & Rojas, 2004: 273-274, 283

\textsuperscript{24} Gunnarsson & Rojas, 2004: 284
CHAPTER 3

PLAN AND PURPOSE OF THIS STUDY

Below the plan of the study is presented. The overarching purpose is summarized and the main questions that the study is intended to give answers to are formulated.

In this study the theory elaborated by Gunnarsson and Rojas will be taken as starting point. The importance of institutions for economic growth, but also to some minor extent for economic equality, will be examined. This will be done by collecting data on institutional and economic performance for a number of countries and then compare the data on institutional quality with the data of economic development in order to find correlations. The focus will be on Africa, since this is a continent with huge problems, but still left out from deeper scrutiny by the above mentioned authors in their book *Tillväxt, stagnation, kaos*. Hence, the main purpose of this study is to examine the general validity of the above outlined theory on the necessity of certain high quality institutions to achieve economic growth. The relationship between institutions and economic equality will also be examined briefly. This will be achieved by answering the following questions:

**QUESTIONS**

1. Has country X that has had a successful economic growth also succeeded with its institutional development and vice versa for country Y?
2. Is it possible to trace any patterns or find some co-variation between the level of institutional quality and the level of economic equality?

On the next page an analytical framework for this study is outlined. It is intended to clarify the plan of the study
Figure 1. Framework for analysis of institutional-economic correlations.

The figure above shows on the one hand the idea of the theory – how institutions are intended to affect growth and finally people’s lives. When people’s lives improve it is also possible that this might result in feedback to the strength of the institutional system (dotted arrow). It shows on the other hand the basic method that is used – country scores for different institutional areas and country developments in terms of growth, factors which are derived from the theory, will be compared in a search for correlations.
CHAPTER 4

HOW THIS STUDY WAS DONE

In this chapter the methods used in this study are outlined. The choice of design is presented and motivated. The choices related to the operationalisation of the relevant variables are shown and more precise definitions of the most important concepts are presented. Finally potential problems regarding the reliability and validity are brought up.

4.1. COMPARATIVE DESIGN

There are basically four possible design options available for a researcher about to conduct a theory testing study. Those design options are experimental design, statistical design, comparative design and case study design. I have concluded that experimental design is out of the question for reasons are obvious; you cannot do experiments with whole countries. I have further decided not to use statistical design either. There is always a trade off between how much you can go into detail and how many cases you can examine. In this trade off I have chosen to favour detail on the expense of number of cases, because I believe I will need to consider a quite large amount of variables to fully evaluate the theory. Further, my knowledge in using statistical methods is also clearly limited and further contributes to the decision not to use them. The opposite of a statistical study would be a case study, but I have, however, not chosen a case study design either since a “pure” case study, at least according to Peter Esaiasson (political science professor at Göteborg University) and his colleagues, deals with only one unit of analysis, only one case, and I cannot see any reason why I should limit my study that much. It would rather just lessen the credibility of the results.

So, the only design option left is comparative design, which is the design type I have chosen to use. With this design you deal only with a few cases and the selection should be done strategically, since selecting randomly only works well when the number of cases is large. The process of selecting cases constitutes a crucial step and much work is done already at this point. This has to do with the need to control for underlying variables, which are variables that might revoke the explanatory power of our supposed explanatory factor by affecting both the supposed explanatory variable and the dependent variable.

25 Esaiasson et. al., 2004: 101, 104-105
26 Esaiasson et. al., 2004: 119
27 Esaiasson et. al., 2004: 105-107,111
Further, when using a comparative approach you also have to choose if you either are going to use a *most similar system design* (MSD) or a *most different system design* (MDS). With a MSD you choose cases that are as similar as possible in regard of factors that might have an effect on both the intended explanatory variable and the dependent variable, but differ in regard of either the intended explanatory variable or the dependent variable. Then you check the value of either the explanatory variable or the dependent variable, depending on which one you already know the value for, to see if it co-varies with the already know variable. With a MDS, which can be used to test your hypothesis and simultaneously dismiss other hypotheses, you select cases that have different values on all potentially explanatory factors except for “your own” explanatory factor. You then check the value on the dependent variable and if the value is the same for all cases your hypothesis was reasonably right, while if the value differs you have barely achieved anything. Because of this risk, combined with the fact that I do not plan to actively dismiss other explanations and that it will be very easy to check the value on the dependent variable for my cases, MDS will not be used. Instead the MSD design is chosen. Finally, the cases will be chosen on the dependent variable, in other words the state of the economy.28

4.2. HOW MEASURING WAS DONE – OPERATIONALISATION

In order to search for a correlation I will have to clearly define the variables I am about to compare and outline how I intend to measure the variable values. This is also necessary to do to be able to identify potentially underlying variables, since I have to know what they might affect.

4.2.1. Dependent variables: GDP...

My explanatory and dependent variables are derived from my questions. My dependent variables are thereby economic development and economic equality and my intended explanatory factor is a range of certain high quality institutions. Since I am about to test a theory elaborated by Gunnarsson and Rojas I will try to stick to their definitions as much as possible. If I do not, I risk ending up testing something else than their theory. The authors define economic development as a long-term increase in GDP per capita. GDP is by the

28 Esaiasson et. al., 2004: 112-115
United Nations Development Programme (UNDP) defined as “the sum of value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output. It is calculated without making deductions for depreciation of fabricated capital assets or for depletion and degradation of natural resources. Value added is the net output of an industry after adding up all outputs and subtracting intermediate inputs.”

To measure economic development UNDP uses GDP per capita (US$), which they define as “Gross domestic product in US dollar terms divided by midyear population”. In this study I will use this UNDP measure, which also is controlled for inflation (real), to get some idea of how well the production economy performs.

4.2.2. ...GNI and Gini

GDP per capita is however no perfect measure of actual material and social well-being for the average individual, something that is acknowledged also by the Gunnarsson and Rojas. What actually matters is of course how people are doing. To get a better measure of this, the GDP per capita measure can be complemented with a Gross National Income (GNI) per capita measure, which has the advantage of being adapted to local purchasing power (PPP). GNI per capita is also the measure the World Bank has chosen when categorising countries after their economic performance.

The World Bank definition of GNI is “the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.” And the World Bank motivates their use of PPP by arguing that “(PPP) conversion factors take into account differences in the relative prices of goods and services—particularly non-tradables—and therefore provide a better overall measure of the real value of output produced by an economy compared to other economies. PPP GNI is measured in current international dollars which, in principal, have the same purchasing power as a dollar spent on GNI in the U.S. economy.”

The two measures just presented will be used as complements when selecting cases. The main periods of development that will be considered are 1990-2005 (GDP) and 1990-2006 (GNI). Economic equality will be measured by comparing data

---

29 Watkins, 2007: 366
30 Watkins, 2007: 366
31 Watkins, 2007: 366
32 Gunnarsson & Rojas, 2004: 37-41
33 World Bank 1
34 World Bank 2
from the UNDP and a couple of other sources on the Gini-coefficient, which “measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution…A value of 0 represents absolute equality, a value of 100 absolute inequality.”\(^\text{35}\).

### 4.2.3. Four categories of explanatory factors

The institutions that will be measured are naturally the very same as the ones that according to the theory will have a determinative impact on growth. They have already been presented in the theory chapter and when evaluating them I will do it by using the same categorisation as Gunnarsson and Rojas. The authors talk about three explanatory factors, namely egalitarianism, state autonomy and socio-cultural solidarity, which could work as three categories and as such I will use them. Those three categories all indicate what the institutions must contribute to, to qualify as growth promoting in the theory. To this I will however add a fourth category named rule of law and rights. The authors stress the need for institutions that create security as well as long-term thinking and the accompanying need to create institutions that establish security by ensuring universally applicable rights, also for strangers. They also identify three kinds of rights that they believe are fundamental for economic growth in a market economy. Those rights are property rights, contractual rights and business freedoms. Therefore I believe this fourth category of rule of law and rights is completely necessary.

### 4.2.4. Indexes used for measuring

To measure the existence of the relevant high quality institutions I will use a range of indexes. Indexes have the advantage of being more precise than value-judgements. Indexes also have the advantage of making possible the use of data that originate from the same source and that has been collected using the same methods, for all units studied. Since about 15 years of economic development will be considered time-series index data will be presented for as many of those years as possible.

I will not present all the indexes that I have decided to use here. It is certainly not very interesting, and not very informative either, to read a long list of different indexes that will not be applied until later in this paper. Instead I will just briefly present what kind of indexes

\(^{35}\) Watkins, 2007: 366-367
I have chosen to measure the institutions of the four categories. Firstly I will, quite naturally, use different indexes measuring the level of rule of law and the three rights since indexes evaluating exactly those things fortunately do exist. Secondly I will try to measure egalitarianism. This will be done by on the one hand use the rule of law index once again, but this time to evaluate if everyone in practise has the same rights. It will also be complemented with an index on women’s economic rights. Women constitute about 50 percent of any population and thereby provide about 50 percent of the potential work force that is going to make the national economy successful. Discrimination of women is anyhow a well-known problem why a special index measuring women’s economic rights is motivated. On the other hand different indexes measuring economic equality and poverty will be used to evaluate the degree of equality of opportunity and access to the necessary economic means to ensure the ability to use one’s legal rights. The very same indexes will be used to measure economic equality for its importance in its own right.

Thirdly, to measure state autonomy, which is a very hard factor to evaluate I will use indexes on corruption and an index on accountability. Corruption, especially on a high level, is the very opposite of state autonomy and accountability is to a large extent what state autonomy is about. Fourthly, and finally, socio-cultural solidarity will be evaluated by using indexes measuring rule of law and democracy, which is important for ascertaining tolerance, especially in the African countries that are often very culturally heterogeneous. Indexes of ethnic, linguistic and religious fractionalisation will also be used to get a picture of how culturally heterogeneous the countries in question are and how good the outlook for uniting seems to be.

4.3. SOURCES OF UNCERTAINTY IN INTERPRETING THE DATA

4.3.1. Be aware of your sources’ pros and cons!

The data used in this study is mainly gathered from a range of internet based sources. Four classical source criticism rules for evaluating the credibility of the sources that will be used in this study are genuineness, independence, contemporariness, and tendency.\textsuperscript{36} I believe the question of genuineness is not much of a problem since most data come from well-established and well-known institutes, even though the satisfaction of all aspects of genuineness can, of course, never be guaranteed. Regarding independence it gets much

\textsuperscript{36} Esaiasson et al, 2004: 304-313
harder to tell since a complete evaluation would demand that I study every index construction in detail, which there is definitely no space for here. I suggest that readers with a special interest in this matter search for more information on the index-constructors homepages. Basically the same is true for contemporariness as has been said about independence. Hence, both the issue of independence and the one of contemporariness are sources of potential credibility problems, and I would also say the same is true for dependency. The reason is that I perceive that several of the indexes used are clearly political, and predominantly in a (neo)liberal way. Heritage Foundation, for example, explicitly hails Margaret Thatcher and Ronald Reagan and state that they aim to carry forward their legacies\textsuperscript{37}. This may not come as a surprise considering that also the theory I am about to test bear clear marks of liberal thinking, but it is still important to keep in mind that also several of the data collectors probably have very strong political opinions, which might colour their work. The interest in consciously changing the results may be limited, but it is not impossible that, for example, some countries that go in the “right direction” or usually score high are somewhat favoured when given scores.

4.3.2. Problems inherent in measuring

Another important thing to keep in mind is that conclusions about a population that are derived from a study that has been carried out by selecting study units randomly, are always uncertain. If not all units of the population are studied, and the units that are studied are selected randomly the results will be uncertain in two ways. On the one hand the results will have an error margin (a.k.a. confidence interval) and on the other hand they will suffer from a confidence level that is less than 100 percent. If a study shows us that 45 percent of the units of a population have value A, with a confidence interval of 6 percentage points and a security level of 95 percent, it means that we are only sure that, in 95 random selections out of 100 in our population, between 42 and 48 percent of the units will have the value A.\textsuperscript{38} Further, also general conclusions drawn from the results of studies that are carried out by selecting cases strategically will suffer from uncertainty since there is always a risk that the possibility to generalise from the selected cases is overestimated by the researcher.\textsuperscript{39} There is not enough space to discuss every index in detail, but one should be aware that no data perfectly mirrors reality. Confidence levels and confidence intervals both make the results

\textsuperscript{37} Heritage Foundation Homepage 1
\textsuperscript{38} Esaiasson et al, 2004: 201-202
\textsuperscript{39} Esaiasson et al, 2004: 187
somewhat uncertain in cases of random selection and insufficient quality in the selection of cases may lead to invalid conclusions also in cases when strategic selection is applied. Bad validity, in terms of misinterpretation is, of course, even possible when the whole population is studied.

Further, different researchers with the intention of measuring the same phenomenon may end up with very different index values. Hadenius and Teorell note that different democracy indexes not only differ in regard of conceptual criteria of democracy, but also in regard of methodology as well as coding. When the scores of two indexes of democracy, namely Freedom House’s and Polity’s, are standardised and then compared for individual counties, the authors find striking differences between the scores of several countries. The authors suggest that the two different indexes under scrutiny should be combined to achieve results that they believe better mirrors reality. I will not combine any indexes, but I will when possible present the scores from several indexes. Further, considering the large differences between some indexes and suggestions to interpret the scores with caution that accompany a number of the indexes (due to changing measuring methods etcetera) that I plan to use, I will, as a rule of thumb, only consider score differences of about 10 percent or more of the full index range as relevant.

---

40 Hadenius and Teorell, 2005: 1, 26-30, 35, 39-40
In this chapter the cases that will be studied are selected strategically and the criteria for case selection are clearly presented. The criteria are given partly by identifying potentially underlying variables.

5.1. IDENTIFICATION OF POTENTIALLY UNDERLYING VARIABLES

The number of factors that could be suspected to affect either, institutions and per capita growth, or, institutions and economic equality, will be very large. To go into detail and consider every little factor that might have some effect will therefore not be possible. In the same way it will not be possible to consider every little institution that might be affected individually. Instead, only more general factors that can be suspected to have a more direct and somewhat more comprehensive effect on institutional formation will be considered. When considering variables that are often thought of as very important for growth I mostly come to the same conclusion, which is that most of those variables sure matter for growth, but they are rather complementary than potentially underlying variables. The same is true for economic equality.

5.1.1. Business climate & company quality factors affecting economic growth

With some inspiration from Mankiw, Parkin, Martinussen and Todaro and Smith I have come to the conclusion that I believe all factors that affect growth could be said to belong to either one of the following three categories: business climate (created mainly by the government), company quality (created by the company owners and managers) or external factors. To business climate belongs factors like regulation and taxation (including implementation), but those factors are themselves examples of institutions and can therefore not be considered to be underlying factors. The same is true for the country’s own trade policy, including quotas, tariffs and subsidies, which all affect export and import opportunities. Financial policy, and accompanying macroeconomic stability or instability, may not qualify as an institution, but it is anyhow hard to see how it would qualify as an
underlying variable. The business climate is also determined by available infrastructure, by skill level and health of the labour, and by the quality of financial institutions, which provide funding for investment. Financial institutions are, however, obviously no example of underlying variables. It is also hard to see in what way infrastructure and quality or health of labour would have any significant and direct impact on a country’s institutions, why it is hard to classify them as potentially underlying variables. Skill level, or knowledge, on the other hand is a more interesting factor, to which I should return.

The company quality, secondly, should reasonably be determined by the competitiveness of the products produced. In the end the determinant for the product competitiveness must lie with the owners’ competence. There are, however, several other factors that matter for the productivity of the company. The most important factors are reasonably the quality and quantity of inputs available, like labour (including entrepreneurs and necessary know-how), capital (like machinery), technology, and raw materials. The available quantity and quality of the material inputs will be determined by what is supplied by other domestic firms and what is let in as imports, which is determined by regulation. The available quantity and quality of the human resource inputs will probably mainly be determined by the implemented policy on knowledge creation (education), which I, as mentioned above, should return to. The point is anyhow that, even though the quantity and quality of material inputs available is crucial for economic growth, it is hard to see in what way the inputs supply would have a large and direct impact on what institutions are created.

5.1.2. “External factors” affecting economic growth

The factors that I have decided to label as “external”, thirdly, are of varying kinds. They are presented below, but I must say that I am more or less critical to all of them as to categorise them as potentially underlying. A factor that is important for growth, which also has been acknowledged above by Collier, is access to the ocean and the accompanying possibility to send and receive commodities by shipping them with vessels. Landlocked countries without the possibility of using neighbouring countries’ infrastructure to reach the ocean may have its growth opportunities circumcised, but it is still hard to see how it would affect the institutional formation in any important way. Hence, it is very doubtful if this can be considered to be an underlying variable. If the country in question is export dependent (which is probable that poor countries are due to small internal markets) the economic growth will in the long run be much affected by the development of the world market prices
for the dominating commodity exports. The size of the export earnings may also to some extent affect the available resources for building institutions. However, it is probable, not to say totally necessary that a poor country to succeed economically must export commodities whose prices do not deteriorate in the long run. This means that the price development for the dominating commodity exports cannot be used as a potentially underlying variable for selecting cases since it would make possible only the selection of successful cases, which is the very opposite of what I intend to do.

The cultural and religious composition in a country reasonably affect attitudes and habits like working morals, organisation methods, attitudes towards hierarchies, attitudes towards new ideas and change, etcetera, which in turn will have an affect on the GDP growth. Culture will also have an impact on what institutions are created since institutions are themselves, at least to some extent, an expression of culture. Culture and religion could be considered to be underlying variables, but it is far from obvious since norms, habits and rules originating from the culture are themselves institutions.

Another factor that has been of special importance to many of today’s developing countries is colonialism. Basically all countries in Africa have been colonised, so colonialism as such cannot explain differences, but what about the different colonial powers? Different colonial powers might have affected the economies of their colonies in different ways by developing certain export sectors, or transferring certain ways of organising production and doing business. Different colonial powers may also have been more or less active in building institutions, which also may vary in quality and kind. Those actions may have an effect on the economy that persists and may thereby be considered to be a potentially underlying variable, even though it is somewhat doubtful how strong the impact is today. Another external factor that is of very big importance for growth is the historical or present occurrence of large-scale violent conflict.

Violent conflict might contribute to the destruction of existing businesses and work as an anti-incentive for the development of new businesses and investments, due to the risks involved. The basic problem that violent conflict inflicts is, however, that it risks causing the law and rule implementation not to work, and hence the very problem is in itself institutional, why it is hard to consider it to be an underlying variable.

A previously mentioned factor is the knowledge level in the country. Knowledge is a crucial determinant for how well policies are implemented, how well business is run, and how well profession tasks are performed. Knowledge will reasonably also affect what kind of institutions that are built. Knowledge might thereby be an underlying variable, but it will still
be hard to use this factor as a determinant for selecting cases since an interactive strengthening between knowledge and economic development is probable, which would mean that only cases with the same kind of economic performance would be possible to select, which is the very opposite of what I intend to do. To some extent the demand for a country’s products is also affected by other countries’ trade policies, especially by rich countries’ policies since their markets are in general larger. This will of course have an impact on the economic growth in the poor countries and it might also have an effect on the institutional framework since the domestic government might respond to other countries’ protectionism or liberalisation with similar measures. This factor might therefore be considered to be an underlying variable.

The reason for failing economic development may not be a too weak or unproductive production sector, but simply that too many companies are owned by people who pay the workers very small wages and bring the surplus out of the country. However, also this problem is of an institutional kind since minimum wage laws and tax policies must be too weak if this is the case. Therefore I find it hard to consider this variable as potentially underlying. Finally also policy-tied aid or debt-reductions that has been received and used well could theoretically be underlying variables, but those factors will not be considered since it would be far to complicated to fully evaluate them.

5.1.3. Factors affecting economic equality

In regard of potentially underlying factors affecting the economic equality I believe a couple of the above-mentioned factors also belong to the factors that are most relevant and at the same time possible to measure. Most important is in my eyes culture and religion since I believe those factors may have an important effect on the attitudes towards policies equalising income levels. Likewise, it is possible that the colonial history has had an effect on societal structures affecting equality as well as attitudes towards it. Finally, the equality of the knowledge level in the countries in question is of course of great importance for the economic equality considering its effect on incomes earned. However, due to common problems of brain drain in poor countries I doubt it is very meaningful to compare educational levels.

In general I must say I find it quite hard to come up with credible potentially underlying variables that could be suspected to revoke the explanatory power of institutional quality on economic growth. When selecting cases I will anyhow let the above listed factors
guide my selection to the extent that I have acknowledged them as potentially underlying and possible to use for selection. Hence the cases should be as similar as possible in those respects, while they should be as dissimilar as possible in regard of GDP and PPP GNI per capita growth over a longer period of time. Gini-coefficient scores will, however, not be considered when selecting cases since it will be basically impossible to select cases with both a successful growth and economic equality development. The growth factor will have to be given priority.

5.2. CASES SELECTED

I will compare country cases from Africa South of Sahara in pairs, but selecting case pairs that satisfies all the relevant criteria is unfortunately more or less impossible. The cases of each pair should preferably be as similar as possible in regard of all the potentially underlying variables, while at the same time differ in regard of the indicators of economic development chosen. Available data also limits the number of cases that are selectable. Therefore, the reader will have to have some indulgence with the imperfection of the case selection. Anyhow, even though it is almost impossible to select perfect pairs I have decided to choose the following pairs of countries to compare since I believe they are simply the best available: Botswana and Zambia on the one hand and Mozambique and Guinea-Bissau on the other.

5.2.1. Botswana and Zambia

Botswana and Zambia were both colonised by Great Britain. Botswana became independent in 1966 and Zambia in 1964\textsuperscript{41}. Both countries also have English as one of their official languages\textsuperscript{42} and they both have citizens speaking languages belonging to the Bantu (Niger-Congo B) language family, even though Botswana also have citizens speaking languages belonging to the Khoisan language family.\textsuperscript{43} Bantu speakers, however, clearly dominate both counties.\textsuperscript{44} In Botswana about 50 percent of the population are Christians and about 50 percent practice traditional religions. In Zambia the share population of the population that

\textsuperscript{41} Nationalencyklopedin 1 and 2
\textsuperscript{42} Nationalencyklopedin 3 and 4
\textsuperscript{43} Ethnologue.com 1 and 2
\textsuperscript{44} Nationalencyklopedin 3 and 4
are Christians is somewhat larger, about 75 percent, while the major part of the remaining population practices traditional religions.\(^{45}\) Hence the two countries have some overarching cultural characteristics in common and share a similar colonial history. Further, both countries are landlocked and located in southern Africa, even neighbouring each other.

When it comes to economic development, the countries have however walked markedly different paths. The GDP per capita annual growth rate in Botswana over the years 1990-2005 averaged 4.8 percent. The equivalent number for Zambia is -0.3 percent. Hence the Zambian growth rate has even been negative. The trend is similar also over a longer period of time. Botswana in 2005 had a GDP per capita of US$ 5846 (PPP US$ 12387), while Zambia the same year had a GDP per capita of US$ 623 (PPP US$ 1023).\(^{46}\) The growth pattern is similar when PPP GNI per capita is considered. Both countries had a PPP GNI per capita of less than 1600 dollars (current international) in 1980 (Botswana: 1540 and Zambia: 670). In 2006 the Botswanian PPP GNI per capita had increased to $ 11730, which is more than seven times the 1980 number, while the Zambian PPP GNI per capita had only increased to $ 1140, which means it had not even doubled.\(^{47}\)

### 5.2.2. Mozambique and Guinea-Bissau

Also Mozambique and Guinea-Bissau were colonised by the same power. For a number of years Portugal ruled those areas. Mozambique gained its independence in 1975, while Guinea-Bissau declared itself independent in 1973.\(^{48}\) Both countries also have Portuguese as official language.\(^{49}\) The languages spoken besides Portuguese, however, differ quite some. In Mozambique a range of different Bantu languages are spoken, while languages categorised as Atlantic and Mande are spoken in Guinea-Bissau.\(^{50}\) All of those languages belong to the larger Niger-Congo language family,\(^{51}\) even though it is somewhat doubtful of what relevance this fact is. In both countries about half of the population adhere to traditional religions. In Mozambique the remaining majority are Christians, while in Guinea-Bissau the remaining majority are Muslims. Mozambique also has a minority of about 10 percent

---

\(^{45}\) Nationalencyklopedin 5 and 6  
\(^{46}\) Watkins, 2007: 279-280  
\(^{47}\) World Bank 3  
\(^{48}\) Nationalencyklopedin 7 and 8  
\(^{49}\) Nationalencyklopedin 9 and 10  
\(^{50}\) Ethnologue.com 3 and 4  
\(^{51}\) Nationalencyklopedin 9 and 10
Muslims, while Guinea-Bissau has a Christian minority of an equivalent proportional size.\textsuperscript{52} Hence, in both countries the religious belongings are mixed. Even though the composition looks somewhat different, the traditional religions are worshipped by about half of the population in both Mozambique and Guinea-Bissau. Further, both countries are coastal, even though they are located on different sides of the African continent.

Both Mozambique and Guinea-Bissau are still very poor countries, but the level of economic growth has, however, been quite different in the two countries for a number of years. The GDP per capita annual growth rate in Mozambique over the years 1990-2005 averaged 4.3 percent, while the Guinea-Bissauan GDP per capita annual growth rate in the same period was -2.6 percent. Hence the Guinea-Bissauan economy has been going markedly backwards for several years. The numbers for the years 1975 until 2005 are 2.3 percent for Mozambique and -0.6 percent for Guinea-Bissau, indicating that the trend has become even stronger in recent years. In 2005 Mozambique had a GDP per capita level of US$ 335 (PPP US$ 1242), while the equivalent level in Guinea-Bissau the same year was US$ 190 (PPP US$ 827)\textsuperscript{53}. In 1980 both Mozambique and Guinea-Bissau had a PPP GNI per capita of 220 dollars (current international). In 1990 barely anything had happened in Mozambique that at the time had reached 290 dollars, while Guinea-Bissau had reached 430 dollars. Since then, however, Mozambique has more than doubled its PPP GNI per capita (660 dollars in 2006), while Guinea-Bissau has totally stagnated (460 dollars in 2006)\textsuperscript{54}. The difference is still not that big, since neither country has achieved that much, but it is confirming the tendency showed by the GDP per capita growth statistics above. While Mozambique is increasing its growth pace, Guinea-Bissau is decreasing it. So, even though Mozambique has still not reached any higher GDP or GNI level I want to use this case as a “good one” because of its growth development.

Both countries have had civil war, which is somewhat unfortunate for the selection. In Guinea-Bissau it was, however, short. It only lasted six months in the latter half of 1998 and a few months in 1999. Violent conflict also occurred to some extent in 2000.\textsuperscript{55} Anyhow, stagnation in Guinea-Bissau in terms of PPP GNI per capita started already in 1985 and continued also after the internal conflicts, why it cannot be the full explanation.\textsuperscript{56} The civil war in Mozambique ended in 1992, why the development of the economy between 1990 and

\textsuperscript{52} Nationalencyklopedin 11 and 12
\textsuperscript{53} Watkins, 2007: 279-280
\textsuperscript{54} World Bank 3
\textsuperscript{55} Landguiden 1
\textsuperscript{56} World Bank 3
2006 reasonably has not be too much affected by it. Mozambique is anyhow the better case of the two in terms of growth, why the conflictual history matters less.\textsuperscript{57}

Further, all four countries that I have selected are members of the World Trade Organization (WTO)\textsuperscript{58}. All four of them are also eligible to take advantage of the African Growth and Opportunity Act for trade with the United States (with the exception of apparels in the case of Guinea-Bissau).\textsuperscript{59} Finally, they are all covered by the Cotonou (Trade) Agreement with the European Union (EU) since 2000 and they were previously covered by the Lomé Agreement (1975-2000).\textsuperscript{60} Hence, trading rules with the major traders in the world are reasonably to a large extent the same for the four countries.

### Country data

<table>
<thead>
<tr>
<th></th>
<th>Botswana</th>
<th>Zambia</th>
<th>Mozambique</th>
<th>Guinea-Bissau</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 (millions)</td>
<td>1,8</td>
<td>11,5</td>
<td>20,5</td>
<td>1,6\textsuperscript{61}</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>level 2005 (US$)</td>
<td>5846 (PPP: 12387)</td>
<td>623 (PPP: 1023)</td>
<td>335 (PPP 1242)</td>
<td>190 (PPP 827)</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>annual growth rate</td>
<td>4.8 %</td>
<td>-0.3 %</td>
<td>4.3 %</td>
<td>-2.6 %\textsuperscript{62}</td>
</tr>
<tr>
<td>1990-2005 (US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GNI (PPP) change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>660 (2006)</td>
<td></td>
<td>460 (2006)\textsuperscript{63}</td>
</tr>
<tr>
<td><em><em>HDI</em>-rank (out of</em>*</td>
<td>124</td>
<td>165</td>
<td>172</td>
<td>175\textsuperscript{64}</td>
</tr>
<tr>
<td>177)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HIV-prevalence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 (aged 15-49)</td>
<td>24,1 %</td>
<td>17,0 %</td>
<td>16,1 %</td>
<td>3,8 %\textsuperscript{65}</td>
</tr>
</tbody>
</table>

Table 1. Basic country data.

* = Human Development Index

\textsuperscript{57} Landgudien 2
\textsuperscript{58} WTO website 1
\textsuperscript{59} AGOA website 1
\textsuperscript{60} European Commission website 1 and 2
\textsuperscript{61} Watkins, 2007: 245-246
\textsuperscript{62} Watkins, 2007: 279-280
\textsuperscript{63} World Bank 4
\textsuperscript{64} Watkins, 2007: 231-232
\textsuperscript{65} Watkins, 2007: 259-260
EVALUATION OF INSTITUTIONAL QUALITY

In this chapter the institutional quality of the cases selected is scrutinised, with the intention of being able to compare the results with the cases’ economic development. The institutional quality is examined with the help of a range of different indexes.

The countries’ institutional quality will be evaluated by comparing index scores related to the four areas of institutional quality that was presented in the theory section, namely rule of law and rights; egalitarianism; state autonomy; and socio-cultural solidarity. The same indexes are used in the evaluation of both pairs of countries. The higher the index score is the “better” the country performs (like stronger rule of law or more comprehensive freedoms) works for all indexes, except for the Gini-coefficient indexes (where a higher score indicates a higher level of inequality) and for most of the ethnic and linguistic fractionalization indexes (where a higher score indicates more fractionalization). The index ranges are written after the respective index and are abbreviated $IR$.

6.1. COMPARING BOTSWANA AND ZAMBIA

Botswana and Zambia is the first country pair that will be compared. For this reason the indexes chosen will also be briefly presented in this section.

6.1.1. Rule of law and rights

The very first area to be compared is Rule of law and rights, which are both of utmost importance in Gunnarsson and Rojas’s theory. The indexes presented below are intended to show to what extent Botswana and Zambia provide the previously mentioned rights and a working rule of law. The probably most important index of all for this task is the World Bank Governance Indicator on the Rule of Law, since it provides a measure of rule of law in general, which hence matters also for the implementation of the rights.
The difference between the two countries in regard of rule of law, as shown by the above indicator, is quite clear over the whole period of time for which data exists. Rule of law is stronger in Botswana than in Zambia and seems to have been so at least since 1996, even though the difference is not overwhelming. Another index also measuring rule of law, and for the more recent years also protection of property rights and legal enforcement of contracts - two of the three rights, is the Fraser Institute index for Legal Structure and Security of Property Rights.

Fraser Institute index for Legal Structure and Security of Property Rights / Protection of PR / Legal enforcement of contracts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>6.3</td>
<td>6.4</td>
<td>6.8</td>
<td>7.0/4.9</td>
<td>7.3/3.8</td>
<td>6.8/4.2</td>
<td>6.8/4.4</td>
<td>7.4/6.4/7.8</td>
</tr>
<tr>
<td>Zambia</td>
<td>3.7</td>
<td>5.9/4.8</td>
<td>5.9/3.2</td>
<td>5.4/3.0</td>
<td>5.5/3.3</td>
<td>5.5/3.3</td>
<td>5.9/6.0/6.7</td>
<td></td>
</tr>
</tbody>
</table>

The differences in rule of law between Botswana and Zambia, according to the Fraser Institute index, are surprisingly small. The index has the advantage of covering all the years back to 1990 and only in this year is the difference more distinct. The small differences in regard of the protection of property rights are similarly surprising. Likewise it is surprising that they seemed to have been so weak in Botswana for so many years. Anyhow, Botswana’s scores are still somewhat better than Zambia’s in every year that is being compared. The lack of data for the legal enforcement of contracts is a problem, even though both countries perform well in the one year for which data exists. Also another index will be used to measure the strength of property rights, namely the Heritage Foundation index for Property Rights.

Heritage Foundation index for Property Rights

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

(Note: Heritage Foundation’s index for Property Rights include measures of contract enforcement.)

According to this index, there is a continuous and clear difference in the scores of Botswana and Zambia. Both Botswana and Zambia during the whole period of time perform better than they do in the Fraser Institute index on protection of property rights, why this index somewhat challenge the previous one. The Heritage Foundation index for Property Rights,

---

66 World Bank Governance Indicators Homepage
67 Gwartney et.al., 2007: 58, 180
68 Heritage Foundation Index of Economic Freedom Homepage
however, also include a measure of contract enforcement, why the relatively good scores also
might be interpreted as a result of better contract enforcement, but this conclusion is of
course highly uncertain. The only one of the three rights that has not been measured at all this
far is business freedoms. To measure business freedoms I will use the indexes below,
measuring business, investment and trade regulations.

**Fraser Institute index for Business Regulations** \(^69\) (IR: max 10 - 0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.3</td>
<td>5.2</td>
<td>5.1</td>
<td>4.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Zambia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.3</td>
<td>4.8</td>
<td>4.7</td>
<td>5.7</td>
<td></td>
</tr>
</tbody>
</table>

**Heritage Foundation index for Business Freedom** \(^70\) (IR: max 100 - 0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>69.6</td>
<td>66.1</td>
</tr>
<tr>
<td>Zambia</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>64.4</td>
<td>63.6</td>
</tr>
</tbody>
</table>

**Heritage Foundation index for Investment Freedom** \(^71\) (IR: max 100 - 0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>50</td>
</tr>
<tr>
<td>Zambia</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

The first index on business regulations comes from Fraser Institute and unfortunately covers
only a few recent years. Anyhow, the scores indicate that there is basically no difference in
the level of business regulations of the two countries. The index provided by Heritage
Foundation on the same issue indicates that there is some difference for the whole period
from 1995 until 2005, but still not of any considerable size except for the years 2003, 2004
and 2005. Finally, the measure of investment freedom changes quite some over time, but for
the major part of the time of interest Zambia actually gets the highest score.

**Fraser Institute index for Freedom to Trade Internationally** \(^72\) (IR: max 10 - 0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>7.4</td>
<td>6.8</td>
<td>7.8</td>
<td>7.7</td>
<td>7.7</td>
<td>7.3</td>
<td>7.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>4.8</td>
<td>6.7</td>
<td>7.8</td>
<td>8.0</td>
<td>7.5</td>
<td>7.0</td>
<td>6.9</td>
<td>6.4</td>
</tr>
</tbody>
</table>

**Heritage Foundation index for (Int.) Trade Freedom** \(^73\) (IR: max 100 - 0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>46.2</td>
<td>46.2</td>
<td>25.0</td>
<td>61.0</td>
<td>61.0</td>
<td>61.0</td>
<td>61.0</td>
<td>61.0</td>
<td>68.0</td>
<td>62.2</td>
<td>77.8</td>
<td>77.8</td>
<td>69.6</td>
</tr>
<tr>
<td>Zambia</td>
<td>61.2</td>
<td>61.2</td>
<td>74.0</td>
<td>69.0</td>
<td>73.0</td>
<td>69.0</td>
<td>69.4</td>
<td>67.6</td>
<td>58.8</td>
<td>58.8</td>
<td>68.2</td>
<td>66.2</td>
<td>70.8</td>
</tr>
</tbody>
</table>

Zambia also gets a higher score than Botswana in Heritage Foundations evaluation of trade
freedom for the years 1995 until 2002. The Fraser Institute evaluation of the same
phenomenon results in more even scores between the two countries for the whole period of

---

\(^{69}\) Gwartney et.al., 2007: 58, 180

\(^{70}\) Heritage Foundation Index of Economic Freedom Homepage

\(^{71}\) Heritage Foundation Index of Economic Freedom Homepage

\(^{72}\) Gwartney et.al., 2007: 58, 180

\(^{73}\) Heritage Foundation Index of Economic Freedom Homepage
time (except for 1990), why it, in sum, is hard to say that any of the countries clearly perform better than the other.

In sum Botswana, according to the indexes, has a stronger rule of law and a stronger protection of property rights than Zambia. The differences are, however, not gigantic. In regard of contractual rights and business freedoms it is hard to draw any far-going conclusions. The level of business freedoms, in sum, seems to have been on a quite similar level in the two countries.

6.1.2. Egalitarianism / Economic equality

Egalitarianism is the first of the three factors that are intended to explain economic growth besides the more general institution of rule of law and the three rights. To ensure the existence of the principle of equal rights, which constitutes one of the two sides of egalitarianism, a working rule of law that ensures that everyone is treated equally, is necessary. The World Bank Governance indicator on the Rule of law will thereby be considered also for the quality of egalitarianism. The conclusion remains the same though. Rule of law is stronger in Botswana, but not very much stronger. Anyhow, the rule of law index will now be complemented with an index measuring women’s economic rights. The index below, however, show that neither Botswana nor Zambia have been able to provide women with any far-going economic rights. Both countries score basically the same and the score is quite bad.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Zambia</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The other side of egalitarianism does not have to do with equality of rights, but rather with equality of opportunity to use the rights and do something creative. To be able to do this, there need to be a certain level of economic equality, or at least everyone needs to have the necessary economic means to be able to participate in the economy. The remaining indexes are intended to measure this, but also to measure economic equality in general.

---

74 Teorell et. al. (QoG) from Human Rights Dataset Homepage
Gini indexes Botswana (IR: max 0 - 100 min)

<table>
<thead>
<tr>
<th>Year</th>
<th>1986</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>-</td>
<td>60.5</td>
<td>-</td>
</tr>
<tr>
<td>DS</td>
<td>54.21</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UW</td>
<td>52.30</td>
<td>-</td>
<td>48.53</td>
</tr>
</tbody>
</table>

Gini indexes Zambia (IR: max 0 - 100 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52.6</td>
<td>42.1</td>
<td>50.8</td>
</tr>
<tr>
<td>DS</td>
<td>43.51</td>
<td>51.40</td>
<td>52.40</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UW</td>
<td>61.77</td>
<td>54.03</td>
<td>55.50</td>
<td>62.00</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Poorest 10 / 20 percent share of income or expenditure

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>1.2 / 3.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Zambia</td>
<td>-</td>
<td>1.1 / 3.3</td>
<td>2.4 / 6.1</td>
<td>1.2 / 3.6</td>
</tr>
</tbody>
</table>

Firstly, the scores on economic equality vary quite some from year to year and from index to index. There is also a problem of lack of up-to-date data, why I have included also the 1986 scores for Botswana to get some more cover. In any case, neither country get any Gini-score below 42, which is even a bad score, and the average of the different scores is probably somewhere above 50 for both countries, which is really bad. Further, the income share data show that the poorest parts of the population only earn a tiny fraction of the total incomes in Botswana and Zambia. It thereby further highlights the extreme economic inequality that exists in both countries. However, if a country is not dirt poor it is still possible that it might be able to ensure most of its citizens at least a basic income even if it suffers from high inequality overall. Since Zambia is dirt poor this should not be possible, but how about Botswana? To evaluate this, a statistic has been used that is showing the percentage of the population that is living below a poverty line of less than $2 a day, which would probably still be a very small income even if it was transformed to PPP dollars.

Population below income poverty line ($2 a day)

<table>
<thead>
<tr>
<th>Year</th>
<th>1990-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>55.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>87.2</td>
</tr>
</tbody>
</table>

---

75 Watkins, 2007: 283
76 Teorell et. al. (QoG) from Deininger and Squire, 1996
77 Teorell et. al. (QoG) from UNU-WIDER – World Income Inequality Database
79 Teorell et. al. (QoG) from Deininger and Squire, 1996
80 Teorell et. al. (QoG) from UNU-WIDER – World Income Inequality Database
82 $1 is probably the most commonly used measure of extreme poverty. However, the ambition is to clarify how many people that have enough economic resources to be able to use their rights properly and for this purpose $1 is too low. Even $2 is probably too low, but at least better than $1, why $2 has been used.
83 Watkins, 2007: 239, 240
The result is however devastating. Zambia’s scores were expected to be bad considering how poor the country is, but Botswana’s score is surprisingly bad considering its impressive growth development. On the one hand it is surprising that so many are still poor even though the country is much richer than almost every country in Africa, and on the other hand it is surprising that they have succeeded so well economically even though so many have remained poor – it somewhat turns Gunnarsson and Rojas emphasis on egalitarianism on its head.

In sum, Botswana achieves a better score in regard of the principle of equal rights, but this may only apply to men, considering the bad score on women’s economic rights. Further, concerning equality of opportunity, it is hard to see, at least if considering people’s incomes, that Botswana performs very much better than Zambia. A smaller percentage of the population certainly lives below the $2 poverty line in Botswana, but the percentage is still very high and in terms of economic equality Botswana performs no better than Zambia. The economic equality must be considered to be really bad in both countries.

6.1.3. State autonomy

State autonomy is a somewhat vague concept and hence quite hard to measure. Anyhow, the basic idea is that an autonomous state should be governed by leaders that prioritize economic growth in front of their self interest or the interest of other powerful groups in the country. Hence, I deem it is necessary that the level of corruption in the country is not too high, neither in the leadership nor in the administration, if it is going to possible. The level of corruption will be measured by the two indexes below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>0.38</td>
<td>0.75</td>
<td>0.74</td>
<td>0.69</td>
<td>1.10</td>
<td>0.91</td>
<td>1.08</td>
<td>0.86</td>
<td>0.90</td>
</tr>
<tr>
<td>Zambia</td>
<td>-1.04</td>
<td>-0.88</td>
<td>-0.90</td>
<td>-0.95</td>
<td>-0.86</td>
<td>-0.82</td>
<td>-0.75</td>
<td>-0.71</td>
<td>-0.60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>6.10</td>
<td>6.10</td>
<td>6.00</td>
<td>6.00</td>
<td>6.40</td>
<td>5.70</td>
<td>6.00</td>
<td>5.90</td>
<td>5.60</td>
</tr>
<tr>
<td>Zambia</td>
<td>3.50</td>
<td>3.50</td>
<td>3.40</td>
<td>2.60</td>
<td>2.60</td>
<td>2.50</td>
<td>2.60</td>
<td>2.60</td>
<td>2.60</td>
</tr>
</tbody>
</table>

The Control of Corruption index and the Corruption Perceptions index indicate a clear difference between Botswana and Zambia. Botswana seems to have been much more

---

84 World Bank Governance Indicators Homepage
85 Teorell et. al. (QoG) from Transparency International Homepage
successful in fighting corruption than Zambia has been, even though the scores for Botswana are not that impressive either. However, the leaders and administration in Botswana are reasonably more autonomous in regard of accepting bribes than the leaders and administration in Zambia is. Next step, to measure the resistance to the interests of powerful groups in the country or to the self-interest among the leadership is certainly not easy. The best index I have found for this task is The World Bank Governance Indicator on Voice and Accountability. Hence, I will instead measure the responsiveness to the people, which reasonably should be the opposite of adhering to special interests.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>0.83</td>
<td>0.75</td>
<td>0.74</td>
<td>0.72</td>
<td>0.86</td>
<td>0.81</td>
<td>0.67</td>
<td>0.50</td>
<td>0.49</td>
</tr>
<tr>
<td>Zambia</td>
<td>-0.55</td>
<td>-0.54</td>
<td>-0.41</td>
<td>-0.43</td>
<td>-0.35</td>
<td>-0.38</td>
<td>-0.50</td>
<td>-0.33</td>
<td>-0.26</td>
</tr>
</tbody>
</table>

Botswana comes out as the better country also regarding voice and accountability, even though the difference seems to be shrinking. We might thereby conclude that their leadership and administration to a somewhat larger extent than the Zambian prioritize policies that economically benefits people in general and not just special interests. In sum, Botswana has scored higher on all three indexes used to measure state autonomy and hence it is probable that the state autonomy in Botswana is in general stronger than in Zambia.

### 6.1.4. Socio-cultural solidarity

As mentioned in the theory section one of the determinative factors of the strength of socio-cultural solidarity is social homogeneity which in turn depend on egalitarianism. Therefore the previous egalitarianism results for the two countries will matter also in the evaluation of their level of socio-cultural solidarity. Further, Gunnarsson and Rojas emphasised the need for equal rights through rule of law and democracy as especially important for the countries on the African continent. Therefore, indexes measuring those aspects will be used and will be considered critical for socio-cultural solidarity. Finally, I will also use a number of measures of ethnic and linguistic homogeneity to evaluate how good the preconditions are for uniting around a common culture.

---

86 World Bank Governance Indicators Homepage (2)
Hadenius & Teorell combined Freedom House and Polity Democracy index\(^{87}\) (IR: max 10-0 min)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>9.08</td>
<td>9.08</td>
<td>8.25</td>
<td>8.67</td>
<td>8.92</td>
<td>8.92</td>
<td>8.92</td>
<td>8.92</td>
</tr>
<tr>
<td>Zambia</td>
<td>1.50</td>
<td>7.75</td>
<td>6.92</td>
<td>4.83</td>
<td>4.83</td>
<td>4.83</td>
<td>6.25</td>
<td>6.25</td>
</tr>
</tbody>
</table>

The combined Freedom House and Polity Democracy index shows that democracy has certainly been stronger in Botswana during the period of interest. In some years the difference is big in Botswana’s favour. As has been established several times before, the rule of law has also been stronger in Botswana.

**Botswana socio-cultural solidarity indexes** (IR: max 0 - 1 min)

<table>
<thead>
<tr>
<th>Index</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2005</td>
<td>.41</td>
<td>.41</td>
<td>.60</td>
<td>.25</td>
<td>.25</td>
<td>.38</td>
<td>.35</td>
<td>.50</td>
<td>.08</td>
<td>.16</td>
</tr>
</tbody>
</table>

**Zambia socio-cultural solidarity indexes** (IR: max 0 - 1 min)

<table>
<thead>
<tr>
<th>Index</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2005</td>
<td>.78</td>
<td>.87</td>
<td>.74</td>
<td>1.00</td>
<td>.70</td>
<td>.83</td>
<td>.73</td>
<td>.43</td>
<td>.19</td>
<td>.19</td>
</tr>
</tbody>
</table>

The scores above show that Botswana score better than Zambia also in regard of ethnic as well as linguistic and religious homogeneity. In other words, Zambia seems to be markedly more fractionalized than Botswana and hence one might also expect the socio-cultural solidarity to be weakened by this factor. The last score for Zambia, which shows the structural similarity of languages used by different groups, however, is much lower than the ethnic fractionalization score and hence indicate that at least the linguistic difference is not that large between the different groups in Zambia. Anyhow, Botswana’s scores are still better, why the fractionalization most probably is also smaller in Botswana.

**Index key**

Alesina’s et. al. indexes reflect the probability that two randomly selected people from the same country will not belong to the same…

1. …ethno-linguistic group.
2. …linguistic group.
3. …religious group.

Easterly and Levine’s indexes of percentage of population that does not…

4. …speak the official language at home.
5. …speak the most widely used language.
6. Average value of the index 4, 5 and three other fractionalization measures.

Fearon’s indexes…

7. …reflects the probability that two randomly selected people from the same country will not belong to the same ethnic or ethnic or ethno-religious group.
8. …reflects the population share of the largest group.
9. …reflects the population share of the second largest group.
10…. reflects the structural similarity of languages used by different groups – the more similar they are the more will the score, that is based on the ethnic fractionalization score, be reduced.

(The higher the score the more fractionalization is valid for all indexes but 8 and 9 where the opposite is truer.)

---

87 Teorell et. al. (QoG) from Hadenius and Teorell
88 Teorell et. al. (QoG) from Alesina et. al.
89 Teorell et. al. (QoG) from Easterly and Levine
90 Teorell et. al. (QoG) from Fearon
91 Teorell et. al. (QoG) from Alesina et. al.
92 Teorell et. al. (QoG) from Easterly and Levine
93 Teorell et. al. (QoG) from Fearon
In sum, Botswana’s scores on the indexes intended to measure socio-cultural solidarity is clearly better than those of Zambia why Botswana can be expected to be markedly more united as a country. Against this conclusion stands the previously established fact that egalitarianism, which also matters for socio-cultural solidarity, is only somewhat stronger in Botswana.

6.2. COMPARING MOZAMBIQUE AND GUINEA-BISSAU

The same indexes that were used to compare Botswana and Zambia will be used to compare Mozambique and Guinea-Bissau. There is, however, a larger problem with missing data for those two countries.

6.2.1. Rule of law and rights

The World Bank Governance Indicator on the Rule of Law shows that both Mozambique and Guinea-Bissau have severe problems with maintaining the rule of law. Mozambique continuously come out as the better case, even though the difference for a number of the years is so small it could almost be considered too small to show a certain difference. However, for most years the difference is hard to consider insignificant, why Mozambique can be judged to have a slightly stronger rule of law than Guinea-Bissau.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>-0.90</td>
<td>-0.87</td>
<td>-0.78</td>
<td>-0.65</td>
<td>-0.76</td>
<td>-0.68</td>
<td>-0.68</td>
<td>-0.64</td>
<td>-0.68</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-1.68</td>
<td>-1.89</td>
<td>-1.38</td>
<td>-1.12</td>
<td>-1.23</td>
<td>-1.14</td>
<td>-1.28</td>
<td>-1.29</td>
<td>-1.36</td>
</tr>
</tbody>
</table>

The Fraser Institute evaluation of the legal structure unfortunately suffers from quite some missing data both for Mozambique and Guinea-Bissau. Anyhow, even though protection of property rights and legal enforcement of contracts scores are not part of the Guinea-Bissau score it seems probable, considering the legal structure score, that it is very weak. Further it

94 World Bank Governance Indicators Homepage
95 Gwartney et.al., 2007: 93, 130
is also probable that the Mozambique general score as well as property rights and legal enforcement of contracts scores has not been much better in the years for which data is missing considering that they suffered from civil war until as late as 1992. The performance of both countries is really bad, even though Mozambique scores somewhat higher, but not more than that it can almost be ignored.

**Heritage Foundation index for Property Rights**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

(Note: Heritage Foundation’s index for Property Rights include measures of contract enforcement.)

The data on property rights from Heritage Foundation fortunately gives some better coverage on Mozambique than that from Fraser Institute. The suggestion that property rights in Mozambique probably have not been stronger in the years for which data is missing is confirmed by the Heritage Foundation data. The scores of both countries are still very low, even though there according to this index is a difference of some significance. According to it Mozambique is more successful in protecting property rights than Guinea-Bissau, but still bad.

**Fraser Institute index for Business Regulations**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.5</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Heritage Foundation index for Business Freedom**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>55</td>
<td>55</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>44.14</td>
<td>48.2</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>27.2</td>
<td>27.2</td>
</tr>
</tbody>
</table>

**Heritage Foundation index for Investment Freedom**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>50</td>
<td>50</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>40</td>
</tr>
</tbody>
</table>

Also when it comes to business freedoms the lack of data constitutes a big problem. Heritage Foundation anyhow gives a moderate coverage for both countries, starting in 1999. At first there is no difference between the scores of the countries, but from the year 2001 Mozambique scores better both in regard of business and investment freedoms. The difference is not huge, but certainly large enough to be considered clearly relevant.

---

96 Heritage Foundation Index of Economic Freedom Homepage
97 Gwartney et.al., 2007: 93, 130
98 Heritage Foundation Index of Economic Freedom Homepage
99 Heritage Foundation Index of Economic Freedom Homepage
Finally, trade freedom will be considered as a part the business freedoms established by the countries. However, from the scores above it is very hard to conclude anything except that both countries seem to have had moderate or even pretty strong trade freedoms in the new millennium. Some years Mozambique scores higher, some years Guinea-Bissau scores higher, but for most years the difference is not very big. In 1999 and 2000 there is a clear difference in Heritage Foundations index to Mozambique’s advantage. However, Fraser Institute gives Guinea-Bissau a much higher score in 2000 than does Heritage Foundation, why it is hard to tell how strong the freedoms really were.

In sum, the most striking conclusion that can be reached is that both countries’ scores for rule of law and property rights as well as for corruption fighting are low. In the same way the scores for trade freedom are surprisingly equal, even though they are rather high than low. Hence, the only area where Mozambique more clearly seems to have developed more comprehensive freedoms is business rights and investment freedom. Anyhow, Mozambique also has a somewhat stronger rule of law.

### 6.2.2. Egalitarianism / Economic equality

As already has been concluded, Mozambique, according to the World Bank Governance Indicator on the Rule of Law, has a stronger rule of law than Guinea-Bissau, but the difference is small. Further, both countries have deep problems with establishing rule of law and hence also equality of rights.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

100 Gwartney et al., 2007: 93, 130
101 Heritage Foundation Index of Economic Freedom Homepage
102 Teorell et al. (QoG) from Human Rights Dataset Homepage
The economic rights for women does not seem to be strong either, but rather weak, and about as weak, in both countries. In Guinea-Bissau they even seemed to be deteriorating in 2003 and 2004, hitting a disastrously low level.

<table>
<thead>
<tr>
<th>Gini indexes Mozambique (IR: max 0 - 100 min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP\textsuperscript{103}</td>
</tr>
<tr>
<td>DS\textsuperscript{104}</td>
</tr>
<tr>
<td>UW\textsuperscript{105}</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gini indexes Guinea-Bissau (IR: max 0 - 100 min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>UNDP\textsuperscript{106}</td>
</tr>
<tr>
<td>DS\textsuperscript{107}</td>
</tr>
<tr>
<td>UW\textsuperscript{108}</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poorest 10 / 20 percent share of income or expenditure\textsuperscript{109}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
</tr>
</tbody>
</table>

The Gini index scores as well as the scores for income or expenditure share by the poorest in the population indicate that the inequality is massive in both states, even though Mozambique gets some Gini scores just below 40, which is still high. The lack of data once again causes difficulties for reaching well-grounded conclusions. In any case, the most recent data available shows that both countries are about as unequal. Considering that the two countries have been poor, and about as poor, per capita during much of the last 15 to 16 years we can also conclude that the lack of resources among the poorer parts of the population probably has been about as bad, and even very bad, too. This is confirmed for Mozambique by the data below showing that almost three out of four people in the country lived on less than $2 a day in the years 1990 to 2005. With the statistics on GNI, GDP and Gini above in mind it is not probable that the scores for Guinea-Bissau would be much better if they were available. In sum, both countries seem to have deep problems with inegalitarianism and none of them come out much better than the other, even though Mozambique thanks to slightly better rule of law scores can be considered a little better. The economic equality in both countries is clearly really bad.

\begin{thebibliography}{99}
\bibitem{Teorell.et.al.QoG} Teorell et. al. (QoG) from Deininger and Squire, 1996
\bibitem{Teorell.et.al.UNU-WIDER} Teorell et. al. (QoG) from UNU-WIDER – World Income Inequality Database
\bibitem{Teorell.et.al.DeiningerSquire} Teorell et. al. (QoG) from Deininger and Squire, 1996
\bibitem{Teorell.et.al.UNU-WIDER} Teorell et. al. (QoG) from UNU-WIDER – World Income Inequality Database
\end{thebibliography}
### 6.2.3. State autonomy

When it comes to corruption scores, data from Transparency International is unfortunately missing completely for Guinea-Bissau. The World Bank Governance Indicator data, however, exist for both countries.

#### World Bank Governance Indicator on the Control of Corruption

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>-0.39</td>
<td>-0.72</td>
<td>-0.69</td>
<td>-0.72</td>
<td>-0.68</td>
<td>-0.71</td>
<td>-0.65</td>
<td>-0.65</td>
<td>-0.59</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-1.04</td>
<td>-1.12</td>
<td>-0.88</td>
<td>-0.88</td>
<td>-1.04</td>
<td>-1.16</td>
<td>-1.07</td>
<td>-0.99</td>
<td>-1.11</td>
</tr>
</tbody>
</table>

#### Transparency International Corruption Perceptions Index

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td></td>
<td>3.50</td>
<td>2.20</td>
<td>2.20</td>
<td>2.70</td>
<td>2.80</td>
<td>2.80</td>
<td>2.80</td>
<td>2.80</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.70</td>
<td>2.80</td>
<td>2.80</td>
<td>2.80</td>
</tr>
</tbody>
</table>

Even though Mozambique score better in every year that is being compared the difference in the scores is so small that I deem it basically irrelevant. The only conclusion that can be drawn is that both Mozambique and Guinea-Bissau suffer badly from corruption in their respective societies. Hence, corruption has probably in both cases had about the same negative effect on state autonomy.

#### World Bank Governance Indicator on Voice and Accountability

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>0.05</td>
<td>-0.13</td>
<td>-0.20</td>
<td>-0.15</td>
<td>-0.08</td>
<td>-0.04</td>
<td>0.03</td>
<td>-0.08</td>
<td>-0.06</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>-0.32</td>
<td>-1.16</td>
<td>-0.85</td>
<td>-1.02</td>
<td>-1.14</td>
<td>-0.67</td>
<td>-0.50</td>
<td>-0.40</td>
<td>-0.51</td>
</tr>
</tbody>
</table>

Voice and accountability is weak in Guinea-Bissau and somewhat weak in Mozambique. Anyhow, Mozambique scores continuously higher and even though it is not much I still deem it big enough to be considered relevant, why Mozambique in regard of this aspect seems to have a somewhat stronger state autonomy than Guinea-Bissau. Therefore, in sum, Mozambique’s state autonomy could be judged to be somewhat better than Guinea-Bissau’s, but the difference is certainly very small.

---

110 Watkins, 2007: 240
111 [World Bank Governance Indicators Homepage](http://data.worldbank.org)
112 [Teorell et al. (QoG) from Transparency International Homepage](http://www.transparency.org)

113 [World Bank Governance Indicators Homepage (2)](http://data.worldbank.org)
6.2.4. Socio-cultural solidarity

First of all, the egalitarianism factor that has been evaluated above did not show that any of the countries was much better than the other. Mozambique seemed to have a little stronger rule of law, but except for that both countries were about as bad. Hence this factor’s contribution to the socio-cultural solidarity of the two countries will be almost ignorable. Only that they both were bad, and Mozambique just somewhat less so, is worth noting.

**Hadenius & Teorell combined Freedom House and Polity Democracy index**\(^{114}\) (IR: max 10-0 min)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mozambique</th>
<th>Guinea-Bissau</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.58</td>
<td>1.75</td>
</tr>
<tr>
<td>1992</td>
<td>2.67</td>
<td>2.25</td>
</tr>
<tr>
<td>1994</td>
<td>6.50</td>
<td>6.67</td>
</tr>
<tr>
<td>1996</td>
<td>6.92</td>
<td>6.67</td>
</tr>
<tr>
<td>1998</td>
<td>6.92</td>
<td>5.00</td>
</tr>
<tr>
<td>2000</td>
<td>6.92</td>
<td>5.83</td>
</tr>
<tr>
<td>2002</td>
<td>6.92</td>
<td>5.83</td>
</tr>
<tr>
<td>2004</td>
<td>6.92</td>
<td>4.75</td>
</tr>
</tbody>
</table>

While the differences in the scores from the World Bank rule of law index are really small, as was just mentioned, there are basically no differences between the countries in the scores of the combined Freedom House and Polity Democracy index until 1998, either. However, from 1998 Mozambique score somewhat higher every year for which scores have been given, why Mozambique can be considered the somewhat better case.

**Mozambique socio-cultural solidarity indexes (IR: max 0 - 1 min)**

<table>
<thead>
<tr>
<th>Index</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2005</td>
<td>.69</td>
<td>.81</td>
<td>.68(^{115})</td>
<td>1.00</td>
<td>.80</td>
<td>,79(^{116})</td>
<td>.77</td>
<td>.38</td>
<td>.24</td>
<td>.29(^{117})</td>
</tr>
</tbody>
</table>

**Guinea-Bissau socio-cultural solidarity indexes (IR: max 0 - 1 min)**

<table>
<thead>
<tr>
<th>Index</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2005</td>
<td>.81</td>
<td>.81</td>
<td>.61(^{118})</td>
<td>1.00</td>
<td>.70</td>
<td>,83(^{119})</td>
<td>.82</td>
<td>.27</td>
<td>.22</td>
<td>.57(^{120})</td>
</tr>
</tbody>
</table>

**Index key:** Please see index key on page 40.

Finally, both Mozambique and Guinea-Bissau score high on almost every index that indicates large fractionalization and score low on the two indexes (8 and 9) where low scores indicate large fractionalization. When language similarities between different groups are considered (10) Mozambique’s score improves dramatically. Also Guinea-Bissau’s score improves, but much less why Guinea-Bissau seems slightly more fractionalized when all scores are summed up. Important to keep in mind is also the fact that both countries have had civil war, which is not a very good indicator of strong socio-cultural solidarity. To sum up, one may conclude that Mozambique probably has a slightly stronger socio-cultural solidarity than Guinea-Bissau, but the difference is still quite small.

---

\(^{114}\) Teorell et. al. (QoG) from Hadenius and Teorell

\(^{115}\) Teorell et. al. (QoG) from Alesina et. al.

\(^{116}\) Teorell et. al. (QoG) from Easterly and Levine

\(^{117}\) Teorell et. al. (QoG) from Fearon

\(^{118}\) Teorell et. al. (QoG) from Alesina et. al.

\(^{119}\) Teorell et. al. (QoG) from Easterly and Levine

\(^{120}\) Teorell et. al. (QoG) from Fearon
ANALYSIS AND CONCLUSIONS REACHED

In this final chapter the case-pairs’ economic development is compared with their institutional development to understand if there is any correlation between the two or not. The levels of economic (in)equality of the countries are also compared with the institutional development very briefly for the same reason.

The evaluation of the institutional quality of the four countries shows a number of things. First of all, Botswana seems to have stronger institutions than Zambia in every one of the four main areas that are being compared. The size of the differences between the two countries however varies quite some, from almost non-existent in the area of business freedoms to quite large in regard of the socio-cultural solidarity indicators. Anyhow, it is hard to deny that this case pair confirms the theory’s prediction of a correlation between high economic growth and stronger institutions, even though one would have expected the difference to be more marked considering the huge difference in economic growth.

In contrast to the first pair the second pair of cases does not allow us to reach any far-going conclusions. Both Mozambique and Guinea-Bissau perform poorly in most areas. Mozambique does score a little bit better in every main area why the difference cannot be completely ignored, but it is continuously so small that it will be quite difficult to claim that the result of the evaluation of the second case pair gives any strong support to the idea of institutions as determinative for growth. Mozambique seems to have succeeded in keeping up a decent growth rate even though the country has been equipped with quite weak institutions. What really will determine the credibility of the theory for this case pair is the close future development. Will Mozambique be able to keep growing at a rate of more than 4 percent a year with an institutional setting of the present quality? Is the strong growth of the last decade maybe only a temporary phenomenon resulting from the process of rebuilding Mozambique after the civil war? I cannot tell, but time will.

One area in which Botswana does not beat Zambia is economic equality where the two countries are about as bad. The same is true for Mozambique and Guinea-Bissau. Hence, it is hard to link the different outcomes in regard of overall institutional quality to a specific outcome in regard of economic equality. What is more interesting is that Botswana has succeeded so well with achieving both long-term growth and reaching a much higher GDP and PPP GNI per capita level than most African countries, while being so clearly
inegalitarian. Gunnarsson and Rojas in a brief comment in a new edition of their book suggest that Botswana’s success is much thanks to the country's large diamond reserves, which however have only benefited a minority.\textsuperscript{121} This could have explained the whole thing, but Botswana is not the only African country controlling large supplies of precious natural resources why the country's extreme growth is after all remarkable.

To sum up, the first question can to some extent, but certainly not unambiguously, be answered with a “yes”, while the second question, however, must be answered with a “no”. Thereby my results do not completely run counter to Gunnarsson and Rojas's theory, even though they are not perfectly in line with it either. Anyhow, even with those conclusions reached many questions remain. The probably most important one regards what my results would have been if I would also have included agricultural policies like land reforms and farmer support in my evaluation, like Gunnarsson and Rojas have done in theirs. The Gini scores suggests that severe problems of inegalitarianism exist in the agricultural sectors in the countries studied, but a more thorough evaluation is needed and should be part of an extended analysis. Another source of uncertainty is that the causality in the study is not given. It is not certain that the institutional development preceded the economic development in Botswana. Theoretically it could have been the other way around or possibly the developments were parallel. This possibility is only contradicted by the reasonableness of the idea that institutions are important for growth and thereby most probably precedes it. Finally, this study completely lacks an environmental perspective. What would the long-term economic results be if potential resource depletion and destruction were taken into account? There is unfortunately no space for examining those questions in this paper, but they remain highly important and need to be addressed in future studies.

<table>
<thead>
<tr>
<th>GDP per capita annual growth rate versus Institutional quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
</tr>
<tr>
<td>GDP per capita annual growth rate 1990-2005 (US$)</td>
</tr>
<tr>
<td>Institutional quality</td>
</tr>
</tbody>
</table>

Table 2. Simplified overview of results.

\textsuperscript{121} Gunnarsson & Rojas, 2008: 54
REFERENCES

Literature, articles and reports


**Internet**

**African Growth and Opportunity Act (AGOA) Homepage**

**Alesina, Devleeschauwer, Easterly, Kurlat & Wacziarg Homepage**
http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls (Trough QoG)

**Deininger and Squire**

**Easterly & Levine Homepage**
http://econ.worldbank.org/WEBSITE/EXTERNAL/EXTDEC/EXTERSEARCH/0,,contentMDK:20700002%7EpagePK:64214825%7EpiPK:64214943%7EetheSitePK:469382,00.html (Trough QoG)
**Fearon Homepage**
http://www.stanford.edu/~jfearon/ (Trough QoG)

**Ethnologue Homepage**
Ethnologue.com 1:

Ethnologue.com 2:

Ethnologue.com 3:

Ethnologue.com 4:

**European Commission Homepage**
European Commission 1:

European Commission 2:

**Heritage Foundation Index of Economic Freedom Homepage**

**Heritage Foundation Homepage**

**Human Rights Dataset Homepage**
www.humanrightsdata.org (Dataset version: 2005-10-12)
Landguiden
Landguiden1:

Landguiden 2:

Nationalencyklopedin Homepage
Nationalencyklopedin 1:

Nationalencyklopedin 2:

Nationalencyklopedin 3:

Nationalencyklopedin 4:

Nationalencyklopedin 5:

Nationalencyklopedin 6:
Nationalencyklopedin 7:

Nationalencyklopedin 8:

Nationalencyklopedin 9:

Nationalencyklopedin 10:

Nationalencyklopedin 11:

Nationalencyklopedin 12:

Quality of Government Institute Homepage

Transparency International Homepage
www.transparency.org (Trough QoG)

UNU-WIDER – World Income Inequality Database Homepage
http://www.wider.unu.edu/wiid/wiid.htm (Trough QoG)
**World Bank Homepage**
World Bank 1 and 2: http://go.worldbank.org/B5PYF93QF0 (2008-06-09)

World Bank 3 and 4:

**World Bank Governance Indicators Homepage**
World Bank Governance Indicators 1:

**World Trade Organization Homepage**