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The Resource Curse and the Developmental State: At the Intersection of Inequality in Botswana

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The Resource Curse and the Developmental State: At the Intersection of Inequality in Botswana



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1. Introduction

Since World War II, only a select group of countries has managed to develop successfully both economically and politically, often understood as increasing incomes per capita and democratizing. One of these is Botswana, a country widely heralded as a development success story (Sarraff & Jiwanji, 2001). From 1966 to 1989, Botswana was the fastest growing country in the world (Harvey, 1992, p. 335). At independence in 1966, Botswana was one of the world's poorest countries with a US\$80 Gross Domestic Product (GDP) per capita. Today, it is nearly US\$8,000, making it an upper middle-income country (World Bank, 2021).

1.1 Botswana: a development success story?

This success is attributed to its good policies, prudent macroeconomic management, and stable democratic institutions (Acemoglu et al., 2003; Acemoglu & Robinson, 2012; Harvey & Lewis, 1990; Leith, 2005; Sarraf & Jiwanji, 2001; World Bank, 2015). Botswana certainly is a development success when looking at economic growth and political stability, but that is not the entire story. It has been a democracy since independence and has unfailingly held open elections, but only the Botswana Democratic Party has ever won and a credible opposition has remained absent (Acemoglu et al., 2003; Leftwich, 1995; Molutsi & Holm, 1990).

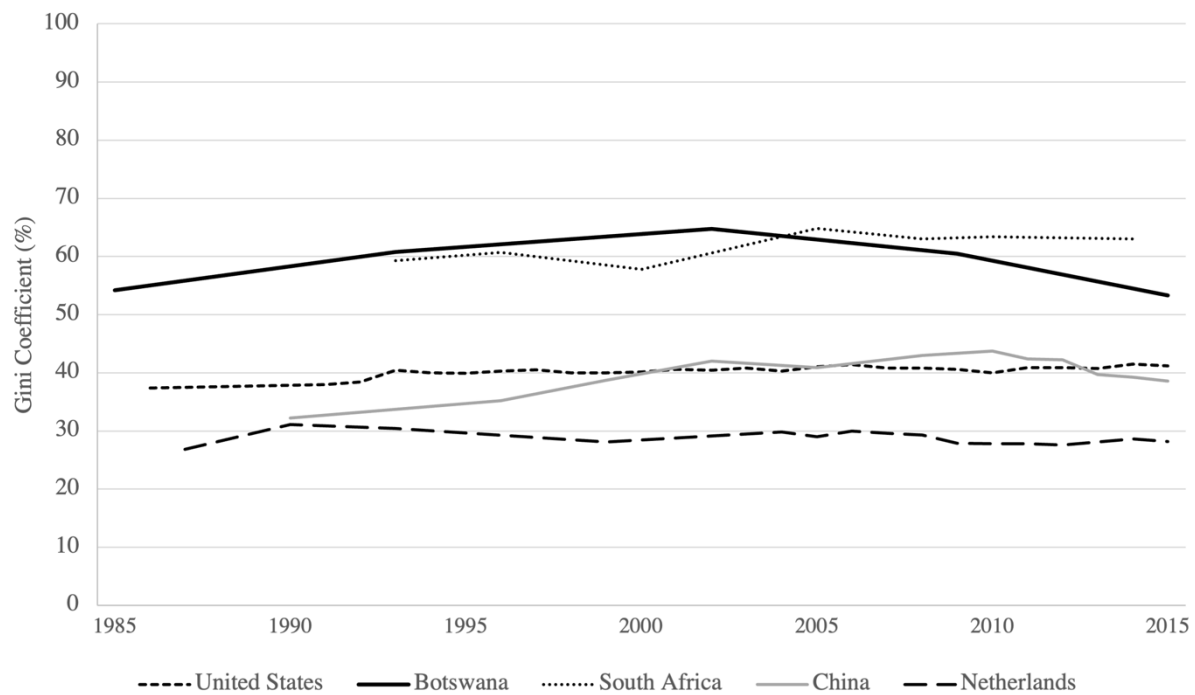
Development is more than economic growth measured using GDP per capita. One flaw of conceptualizing success using this measure is that it does not tell anything about the distribution of income or wealth. Income inequality has been rising worldwide since the 1980s and has become an increasingly important issue on the global policy agenda (Keeley, 2015, p. 10). In Botswana, a quick glance at the income distribution shows that some are benefiting substantially more than others from its development.

Botswana's Gini coefficient was first measured at 54.2% in 1985, peaked at 64.7% in 2002, and was last estimated at 53.3% in 2015 (World Bank, 2021). The Gini index ranges from 0 to 1, with 0 indicating total equality and 1 total inequality. A Gini coefficient of 50% or above indicates high inequality. Botswana's Gini makes it one of the most unequal countries in the world (World Bank, 2015, p. 4) and has remained persistently high, as can be seen in Figure 1 below. Although South Africa currently has the highest Gini coefficient, last measured at 63% (The World Bank, 2021), it was only in the new millennium that South Africa overtook Botswana. In 2019, the top 1% in Botswana received about 125 times the

average income of the bottom 50% in 2019 - \$565,000 compared to \$4,500 (World Inequality Database, 2019).

Figure 1

Evolution of Gini Index over Time, Selected Countries



Note. Adapted from the *World Development Indicators (WDI 2021)* [Data file] by the World Bank Group, 2021

The question then arises that despite being considered a development success, why is economic inequality in Botswana persistently high? This paper argues that cattle elite dominance, state-led development, and natural resource dependence together explain Botswana’s persistently high inequality. Hillbom succinctly characterizes Botswana’s success as “growth without development” (2008, p. 192), understanding development as structural change and transformation of society, politics, and economy. Botswana aptly illustrates that high growth will not automatically lead to lower inequality, and that targeted policy intervention is needed.

First, a short theoretical framework will follow wherein the developmental state model will be linked to the resource curse. Second, there is a section on methodology that describes the choice of Botswana for this case study and clarifies key concepts. Third is a

chapter that situates this case study within the wider theoretical literature concerning inequality and development, going into more detail on the use of the developmental state model together with the resource curse. Fourth, Botswana's historical development from the colonial period until now will be described and analyzed with a focus on the cattle distribution and the influence of diamond exploitation. The final section will be the conclusion.

1.2 Inequality and development: the developmental state and the resource curse

Thomas Piketty points to the importance of capital in his analysis of economic inequality (Piketty, 2014). It is not that economic growth will both lead to and resolve income inequality. Rather, high inequalities arise when the rate of return on capital is higher than the rate of growth of output and income. Not only economic mechanisms are important as the distribution of wealth is fundamentally political. It is the product of what economic, social, and political actors view as just (Piketty, 2014, p. 28). Taking this combination of the importance of capital and politics in determining the origins of high inequalities, the developmental state model and the resource curse thesis will be used to answer the question of why inequality in Botswana has remained persistently high despite being considered as a developmental success.

The developmental state model points to the political institutional origins of persistent inequality because it emphasizes the primacy of politics and the state in shaping the development process (Leftwich, 1995). Inequality is thus the product of state policy. This theoretical concept points to "the connection between state structures, state-society relations and developmental outcomes" (Leibfried et al., 2014, p. 3). Leftwich's model of the developmental state contains six structural characteristics. Two of these together, the autonomy of the developmental elite and a weak civil society (1995, p. 405) are important drivers in Botswana persistent inequality.

This is because a weak civil society has resulted in a weak private sector that generates little employment. Cattle elites dominate Botswana's government, and have been able to promote growth that disproportionately benefits themselves. These effects are particularly pronounced because although Botswana's development has been state led, its economic growth has been driven by diamonds (Hillbom, 2008). Natural resource dependence in combination with these two characteristics of the developmental state model is the mechanism through which inequality has persisted in Botswana.

Path dependency in Botswana's reliance on commodities, specifically cattle during the colonial period and diamonds post-independence, is the main causal factor that explains its persistent inequality. The resource curse thesis posits that natural resource dependence can cause a variety of negative effects on political (Robinson et al., 2006), economic (Sachs & Warner, 2001), and social development (Ross, 2015, p. 240). Resource rents, or profits, accrue to the government, which supports rent-seeking behavior by elites and is subject to increasing returns processes (Chakraborty & Dabla-Norris, 2005, p. 5). Increased tendency for rent-seeking behavior is the mechanism through which mineral abundance is associated with heightened income inequality (Auty, 1993). In Botswana, diamond revenues have allowed for development to continue without threatening elite dominance because growth could continue without the need for a strong private sector and civil society. A negative effect of this path of institutional development is heightened income inequality through the mechanism of rent-seeking.

Taking the resource curse together with the developmental state model, a hypothesis can be formulated. Botswana's inequality has been persistent as a result of state policy, for state policy has shaped nearly every aspect of the social and economic transformation that occurred. Inequality has persisted because of elite dominance of the state and natural resource dependence, supporting rent-seeking. The developmental state model points to the political institutional origins of persistent inequality, linking elite dominance with development outcomes. The resource curse thesis explains the relationship between diamond revenues and income inequality, supporting the claim of path dependent development throughout Botswana's 20th century history. Path dependency in Botswana's reliance on commodities is the main factor that explains its persistent inequality.

2. Methodology

2.1 Research design and case selection

To answer the research question of why inequality in Botswana has remained so high, a process-tracing case study of Botswana was done. The focus was on path dependency in the role of state policy in Botswana's economic development. Process tracing was used in the context of theory testing, namely whether the combination of state-led development with natural resource dependence have been a cause of persistent inequality in Botswana. Secondary literature was reviewed to perform this case study, specifically academic articles and books.

Causality in the historical analysis employed in this thesis is understood as *contributing conditions*: "factors that contribute to an outcome or increase the probability of an outcome" (Mahoney, 2015, p. 203). This is because there are a multitude of varied and complex factors that influence the level of democracy, the rate of economic growth, and equality of the distribution of income. Causal mechanisms are understood as the path M between a cause X and the outcome of interest Y so as to understand *how* X has caused Y (Gerring, 2010, p. 1502; Mahoney, 2015, p. 205). In this thesis, it is hypothesized that the combination of state-led development with natural resource dependence is the cause, the mechanism being the developmental-oriented cattle elites, with high income inequality as the outcome.

Botswana was selected following the logic of the 'crucial case', specifically that of a 'most-likely' case because this method is well-suited to providing insight into causal mechanisms (Gerring, 2007, pp. 237–238, 2008). It is a most likely case to fit the predictions of modernization theory, namely that the combination of economic growth and a democratic system of government will lead to greater equality. Botswana is one of the few countries that has experienced strong economic growth under stable democratic rule (Leftwich, 1995, p. 410). Yet in contrast to what modernization theory predicts, it has remained among the world's most unequal countries. Consequently, other causal mechanisms must be important in influencing the degree of equality outside of economic growth and democracy. This thesis looks at the interaction between political elites, state-led development, and natural resource dependence, and its effects on inequality in Botswana.

2.2 Operationalization

Inequality is conceptualized in this thesis as economic inequality. This includes both inequality in the distribution of wealth – assets – as well as income. In this case study, the distribution of wealth is measured using the cattle distribution, as cattle has been the most important asset in Botswana since pre-colonial times (Bolt & Hillbom, 2016, p. 1258). Inequality in the distribution of income is measured using the Gini Index because it is the most popular measure (United Nations Development Programme, 2019, p. 138). This is in spite of this index relying on ranks rather than income levels, making it insensitive to large disparities at the top of the distribution (Ferreira, 2020). Although these disparities are a focus of this paper, it simply implies the Gini coefficient is a conservative estimate and thus does not constrain the analysis.

The conceptualization of development success used here is simply what has guided development practice. Traditionally, development was assessed using economic growth, measured as increases in GDP per capita. The Human Development Index (HDI) was introduced in 1990 in recognition that one, development is more than just economic growth and two, the focus of development assessments should be on quality of life (United Nations Development Programme, 2020, p. xi). This index includes three dimensions: a long and healthy life, knowledge, and a decent standard of living.

Finally, the research question can be justified because in 2019, the HDI was augmented with a measure of inequality as “the increasingly important questions for many countries are not about the overall size of the pie but the relative size of its slices” (United Nations Development Programme, 2020, p. 6). Development has been reconceptualized from economic development to a capabilities-based approach, focused on human development. Recently this has led to a specific focus on inequalities because these can limit people’s freedoms to live the lives they want. Accordingly, Botswana’s development success should also be reconceptualized in light of the recognition of the obstacle inequality can pose to continued economic growth (Leibfried et al., 2014, p. 5).

3. The Perfect Storm: The Developmental State and the Resource Curse

3.1 The modernization paradigm, inequality, and the politics of development

The practice of development started in the 1950s, and can be political, social, or economic but is generally understood as change, growth, or progress of the human condition (Ezrow et al., 2016). Within the modernization paradigm that dominated this period, the goal of development was economic growth, measured by increases in GDP per capita.

Underdevelopment was understood purely in economic terms and was presented as poverty (Rist, 2019, p. 79). Modernization theory argued that economic development through industrialization would lead to democratization (Ezrow et al., 2016).

This was thought because of an assumed positive, reinforcing relationship between economic development and political democratization. This idea was first proposed by Lipset based on the idea that industrialization, increasing wealth, and educational attainment form the social basis for democracy (1959, p. 71) as these are the mechanisms behind social, political, and economic transformation. Yet looking at Botswana, the reverse happened. Democracy was the basis for its economic development rather than the other way around.

Traditional thinking in modernization theory sees economic development as economic growth. This is because economic growth is the mechanism to achieve the social basis of democracy described by Lipset. Kuznets' hypothesis that inequality in the distribution of income first increases with development, and then later on in the process reverses (1955, pp. 12–18) follows this logic. Increasing inequality was seen as an inevitable part of the development process that would resolve itself (Ahluwalia, 1976). Again, looking at Botswana's development trajectory, this hypothesis is incorrect. Despite the growth in GDP per capita, inequality has persisted – indicating that economic growth is a necessary, but insufficient condition, for moving towards a more equitable distribution of incomes.

Authors such as Leftwich (1995), Acemoglu and Robinson (2003; 2012) stress how politics are paramount in sustaining fast economic growth. There is still a positive, reinforcing relationship between economic development and political democratization, but instead of one causing the others, there is multi-causal interaction. Modern literature still finds that democracy has a redistributive impact, as well as economic equality promoting democracy (Boix, 2003, p. 3). For example, well-enforced property rights are emphasized because they require and support democracy as well as economic growth, thereby leading to the reduction of inequities over time (Acemoglu & Robinson, 2012, pp. 410–412; de Soto, 2000, p. 41) through the provision of a level playing field. It can be succinctly stated that

there is a positive, self-reinforcing relationship between economic development, democracy, and equality assumed in modernization literature that continues to be influential.

3.2 The developmental state model and the primacy of politics

Botswana's continued high inequality means that the modernization paradigm on its own is unable to offer a satisfactory explanation. The developmental state model offers an alternative. Rather than society and the economy shaping the state and the state shaping them in turn, this model emphasizes the state's influence on shaping social and economic development. It points to the primacy of politics rather than the eminence of economics.

The developmental state model emerged on the basis of the Asian Miracle, based on a specific configuration of politics, ideas, institutions and policies (Wade, 2018, p. 529) that resulted in development success. A group of Pacific Asian countries experienced exceptionally high growth rates for multiple decades since the 1960s as the result of their specific institutional structures (Leftwich, 1995). This model focuses on the role of state policy in shaping development outcomes. As the distributions of income and wealth are the product of what economic, social, and political actors view as just (Piketty, 2014, p. 28), inequality is accordingly caused by politics.

Hence, the developmental state model is used as a theoretical frame the position inequality as having political institutional origins. It has been applied to Botswana due to the presence of development-driven political institutional structures similar to those of the Pacific Asian countries (Leftwich, 1995; Taylor, 2003) that have allowed it to achieve fast economic growth. Leftwich's model contains six elements: "a determined developmental elite; relative autonomy; a powerful, competent and insulated economic bureaucracy; a weak and subordinated civil society; the effective management of non-state economics interests; and repression, legitimacy and performance" (Leftwich, 1995, p. 405). Most important for the research question are the developmental elite and the weak civil society.

First, elite dominance in Botswana is easily illustrated by the Botswana Democratic Party (BDP) having won every election since independence with overwhelming majority (Leith, 2005). It was founded by its first president Seretse Khama whose status as the former chieftain of the largest Tswana tribe supported him in building a coalition that unified the coincident political and economic elites (Leith, 2005, p. 30): beef barons, the large-scale cattle owners. Leftwich acknowledges that larger cattle-owners in Botswana have benefited disproportionately from the developmental process, which he claims was as an indirect

outcome rather than an explicit policy objective (1995). Inequality in Botswana originated from the effect of the linkage between political power and cattle wealth had on its institutional structure, embodied by the tribal elites entrenched in the BDP (Bolt & Hillbom, 2016, p. 1259)

Second, Botswana's weak civil society is the result of the pre-eminence of the state in the development process as emphasized by the developmental state model. Usually, an active civil society emerges from socio-economic class formation. State-led development meant that civil society in Botswana formed as part of the state rather than independently from it. This has resulted in a "civil society [that] lacks the capacity and initiative to organize itself" (Molutsi & Holm, 1990, p. 328). Another interesting point Molutsi and Holm make is that public employees are not allowed to participate in most political activity (1990). This exacerbates the weakness of the civil society in Botswana because most educated citizens work for the government, with public servants constituting one-third of those employed in the formal sector in 1990 (Molutsi & Holm, 1990). The lack of a strong civil society means that there is no opposition to the dominance of the economic elites in the BDP.

This interplay of the developmental elite with weak civil society has allowed for inequality to persist. Politically, there is no organized opposition who can influence policy in favor of interests such as redistribution away from the beef barons. Economically, this interplay has caused a weak private sector. A private sector is important in generating employment and sustaining economic growth. Through this mechanism, a strong private sector reduces unemployment and poverty and resultantly, reduces inequality. Yet elite dominance has prevented the establishment of a strong private sector in Botswana due to the autonomy of the state bureaucracy.

The autonomy of the bureaucracy is understood as being able to prioritize public interests over private interests (Leftwich, 1995, p. 418). Cattle elites are entrenched in Botswana's bureaucracy (Pearce, 1993), and autonomy means that they are insulated from special interests other than their own. Autonomy was further strengthened by the large inflows of aid Botswana received since independence. This contributed to the technical competence and power of the bureaucracy (Harvey & Lewis, 1990; Leftwich, 1995, pp. 411–412), in part due to expatriate staff provided as part of technical assistance, but also due to its meritocratic nature (Acemoglu et al., 2003). However, the linkage between cattle wealth and political power means that development policies have been biased in favor of the cattle elites, thereby shaping Botswana's persistent inequality.

That is where a critique of the suitability of the developmental state is debated, as some argue whether the state in Botswana can truly act independently from special interests (Hillbom, 2012; Taylor, 2003). However, the theoretical focus of this model is on the role of state policy in shaping development. Cattle elites benefited disproportionately from development because they were able to formulate state policy according to their own interests, allowing inequality to persist. However, it does not explain why inequality has remained persistently high. The developmental state model is lacking in that it ignores the role of mineral revenues in Botswana's development.

Diamond revenues also played a significant role in ensuring continued elite dominance. Natural resources also play a role in guaranteeing state autonomy because of the large public revenues they generate. In this manner, Botswana's diamonds have ensured that the elite's developmental objectives could be achieved without the need for redistribution. Why redistribute when there is plentiful growth and public revenue? Hence, the developmental state model will be supplemented by the resource curse thesis in order to fully explain why inequality has been both persistent and high in Botswana despite development success.

3.3 The resource curse and the importance of capital in inequality

Minerals are characterized by the high rents they generate (Karp, 2017). The mining industry is highly profitable, although capital-intensive and requiring little labor. The resource curse is situated in the observation that resource-poor countries often outperform resource-rich countries in economic growth (Sachs & Warner, 1995). Logically, one would expect vast natural resource endowments to be an advantage in development (Auty, 1993, p. 2) yet empirically that has not always been the case. Botswana's mineral abundance has been a blessing in terms of long-term economic growth (Acemoglu et al., 2003), but still some resource curse characteristics can be observed: high unemployment, high income inequality, slow growth of non-mining exports, and questionable public spending decisions (African Natural Resources Center, 2016, p. 6).

Most relevant in the context of the research question is that resource richness is associated with heightened income inequality (Auty, 1998; Parcerro & Papyrakis, 2016). The resource curse literature identifies specific negative outcomes correlated with mineral abundance specifically because of the high rents this type of capital generates, supporting rent-seeking behavior. Rent-seeking behavior refers to all unproductive, expropriative

activities that bring positive returns to the individual but not to society (Krueger, 1974). One of the mechanisms through which rent-seeking behavior is associated with income inequality is rooted in wealth inequality.

An International Monetary Fund study found that it is the wealthy or elites who “use their political power to extract rents from the most productive sectors and to induce government decisions most favorable to their interests. The assumption of increasing returns to rent seeking or political influence is consistent with historical evidence” (Chakraborty & Dabla-Norris, 2005, p. 5). This mechanism links inequality in the distribution of wealth – cattle, in Botswana’s case – to the rent-seeking behavior of the beef barons, with increased income inequality as the outcome. It has also been found that resource wealth contributes to political stability in both autocratic and democratic regimes (Ross, 2015, pp. 244–245), thus strengthening elites. The rentier effect plays a role here, because high revenues allow for reduced dissent through lower taxes, increased patronage and public goods provision (Ross, 2001, pp. 327–328). The role of capital is crucial to understanding how this causal relationship works.

Thomas Piketty argues that unsustainable inequalities tend to arise when the rate of return on capital is higher than the rate of growth of output and income (2014). In such a situation, capital will grow more quickly than the economy as a whole. He also identifies wealth as an important factor because wealth, together with labor, generates income. When the rate of return on capital is high and the rate of economic growth is weak, inherited wealth will dominate income from labor. Following Piketty in the importance of the rate of return on capital compared to the rate of growth of output and income in explaining equality, consider that Botswana’s economic growth has been dependent on diamond mining.

Minerals are a specific type of capital (Karp, 2017) and have an immensely high rate of return. Cattle has traditionally been the most important type of capital in Botswana and has been at the basis of social and economic inequality in Tswana society since pre-colonial times until today (Bolt & Hillbom, 2016). Together, this has led to the following process: Botswana’s economic reliance on diamonds have caused the rate of return on capital to become higher than the rate of economic growth. In turn, this has led to income from wealth – cattle – to dominate that from income of labor. These are the economic mechanisms underlying the path dependent development of Botswana with persistent inequality.

However, this argument also has a political dimension in contrast to the economic mechanisms described above. According to Piketty, the distribution of wealth is fundamentally political and is the product of what economic, social and political actors view

as just (2014, p. 28). Thus, it is not solely the economic effects of diamond revenues that underlie the high level of inequality in the income distribution. Diamonds had political effects in that they worsened the already present rent-seeking behavior of the beef barons, truly ensuring inertia in the increasing returns process at the heart of Botswana's high inequality. Even when investments are made in human capital, further divergence can occur in the income distribution (Piketty, 2014) because of the strength of this path dependent process.

That is not to say that nothing can be done - political institutions matter deeply in the dynamics of the distribution of income and wealth. Yes, the inertia of path dependence means that it is difficult to address Botswana's high inequality as the resource curse thesis states. This is best demonstrated that despite the enormous gains Botswana has made in developing its human capital, it remains highly unequal. As Piketty himself states, "one should be wary of any economic determinism in regard to inequalities of wealth and income" because how these inequalities develop depends on "the policies and institutions they adopt to measure and transform them" (Piketty, 2014, pp. 20, 35).

Inequality has been decreasing in Botswana in the last two decades as a result of targeted policy intervention. Reductions in inequality in recent years are the effect of the reduction of poverty from 47% in 1993/4 to 14.5% in 2015 (World Bank, 2015) as well as its increasing investments in human capital. Botswana's poverty rates are relatively high when compared to other developing middle-income countries (World Bank, 2015, p. 32). Half of the population remains poor or vulnerable, with poverty levels the highest among the unemployed (World Bank, 2015, p. 6). Unemployment has decreased from 24.8% to 17.9% (World Bank, 2015, p. 17).

These improvements are the result of state investments in human capital, demonstrating the theoretical relevance of the developmental state model with its focus on the role of the state. A weak civil society has led to a weak private sector with accordingly weak employment-generating capacity (World Bank, 2015, p. 19). Weakness of the private sector is a resource curse effect, which in conjunction with the weak civil society of the developmental state, have led to path dependent development in the continued dominance of the cattle elites. Unemployment and poverty are the drivers of income inequality in Botswana, resulting from the interplay of these two factors.

In sum, the developmental state model explains the influence of the large role played by the state. Whilst this was beneficial in terms of development achievements, it has also led to structural problems associated with a weak civil society and continued dominance of the cattle elites. This elite dominance politically manifests in the lack of competitive elections,

with the BDP having won every election since independence and the lack of an opposition. Furthermore, a weak civil society has led to a resultingly weak private sector. Together, this helps to explain why Botswana continues to be heavily reliant on diamonds despite efforts towards economic diversification. The resource curse thesis explains the relationship between diamond revenues and income inequality. It underpins the claims of path dependent development throughout Botswana's 20th century history. In addition, it serves to link the distribution of cattle, wealth, and income with the rent-seeking behavior of the beef barons. Taken together, these theories explain why inequality in Botswana has remained high.

4. Beef barons, diamonds, and the path-dependent polarization in the distributions of income and wealth

4.1 Botswana's colonial cattle economy as the historical foundation for contemporary inequality

Botswana is located in Southern Africa, bordering Namibia, South Africa, Zimbabwe and Zambia. For most of the 20th century, until Namibia's independence in 1990, Botswana was almost fully enclosed by white-minority regimes whilst being black-led since independence in 1966. Its history, for the purposes of this paper, will be split into two sections: the colonial period and post-independence, with the discovery of diamonds in 1967. This represented a critical juncture in the history of Botswana as mineral revenues formed the basis of its record-breaking rapid economic growth. Yet when considering inequality, the roots lie in the colonial cattle economy.

In 1885, the Bechuanaland Protectorate was established. This territory lacked fertile farmland, known mineral resources, and was sparsely populated. Hence, the British government stated that it would do "as little in the way of administration and settlement as possible" (Colclough & McCarthy, 1980, p. 12). For the British, the only reason the Protectorate was established was to protect the routes from the Cape Colony to Central Africa from the Boers in the Transvaal and the Germans in South West Africa (Harvey & Lewis, 1990). As the main capital asset in the economy was highly mobile cattle, the British had little incentive to establish extractive colonial institutions (Leith, 2005). Consequently, Botswana was unique in sub-Saharan Africa in that the pre-colonial indigenous political institutions of Tswana states survived this period relatively unscathed. Furthermore, these institutions were also unique in their degree of political centralization and collective decision-making procedures (Acemoglu & Robinson, 2012, pp. 363, 407).

These characteristics of pre-colonial Tswana institutions and the limited influence of colonialism are identified in the literature as forming the foundation for Botswana's contemporary success. It argues that as a result, there was a strong coalition between Tswana chiefs and the cattle elites in favor of both democracy and strong property rights at independence (Acemoglu & Robinson, 2012, p. 410). Cattle elites were in favour of strong property rights because cattle could be held privately, while traditionally property such as land and water were held communally (Hillbom, 2014). Strong property rights are important

because they incentivize people to invest, leading to what Acemoglu and Robinson call the ‘virtuous circle’, a self-reinforcing cycle of success (2012).

However, what this strand of literature does not recognize is that the colonial period did strongly influence Botswana’s economic development despite its limited influence on political institutions (Bolt & Hillbom, 2016; Darkoh & Mbaiwa, 2002; Hillbom, 2014; Parson, 1981; Valentine, 1993). Cattle became commoditised during the colonial period, allowing those with latent wealth in the form of cattle to turn it into income.

In pre-colonial society all Tswana, including elites, were dependent upon subsistence farming and inequality was extremely low in global comparative perspective (Bolt & Hillbom, 2016). Beef exports to South Africa, and later the UK and Rhodesia, drove economic development (Acemoglu & Robinson, 2012; Darkoh & Mbaiwa, 2002). The reason why the export-oriented cattle economy is rooted in contemporary inequality is because only those with a large herd could participate in this new commercial sector. Whilst on one hand, it laid a strong foundation for the rule of law in order to protect private property, the commercialization of cattle was also a crucial factor for the high levels of inequality today. It led to a process of increasing returns where the distribution of cattle – wealth – became increasingly skewed, and as a result, the distribution of income.

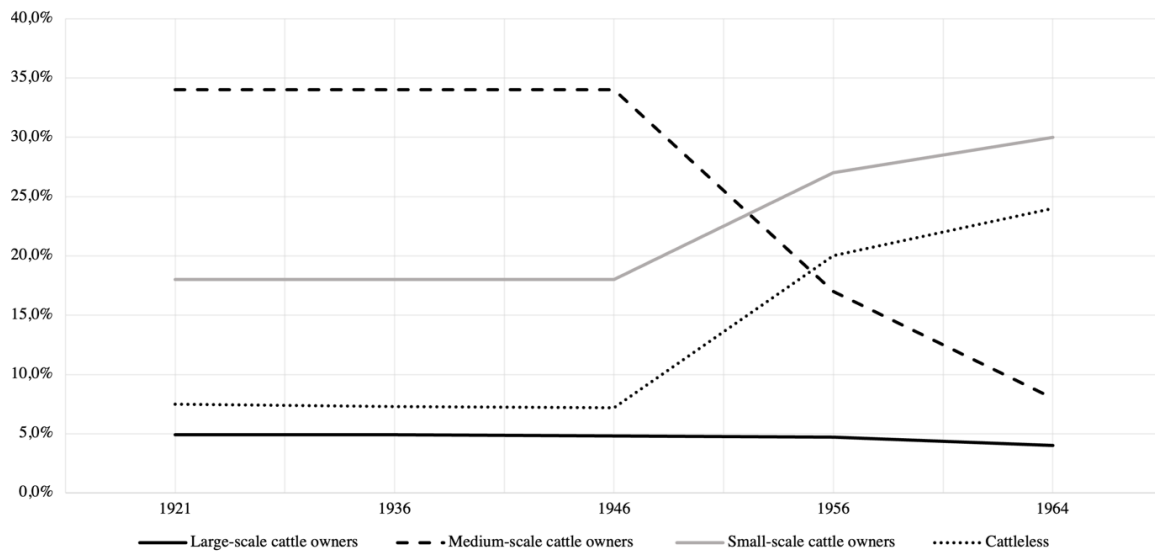
Pierson describes that four features are like to be observed when increasing returns processes are at work: multiple equilibria, contingency, a critical role for timing and sequencing, and inertia (Pierson, 2000). With contingency, Pierson means that a minor event at the right moment can have enduring consequences. Consider that water scarcity is an important issue in Botswana. Not only is two-thirds of its territory covered by the Kalahari Desert, but on average, there is some form of drought every 7 out of 10 years, out of which 3 out of 10 years it is severe and widespread (Valentine, 1993). Accordingly, colonial expenditures were focused on developing this export sector through borehole drilling schemes from the 1930s onward. Contingency came in was the decision to privatize these boreholes upon completion.

They were given to elites as these were considered to be able to run and maintain them (Bolt & Hillbom, 2016; Hillbom, 2014). Private water rights meant that elites, the large-scale cattle holders, were better able to cope with recurrent droughts. Smaller herds are unable to recover and leave a larger proportion of the population with less and less cattle – a process of increasing returns. To illustrate this point, consider that upon independence in 1966 after a drought that year, 15 per cent of the population held three-quarters of the national herd (Bolt & Hillbom, 2016) – meaning these ‘beef barons’ had an average herd size

about 10,500 (Parson, 1981). A herd of 10 cows is considered the minimum needed to generate yearly disposable income, whilst 50 animals were considered to be the smallest herd size that is robust to disease and drought and can support the slaughter of cattle for the export sector (Bolt & Hillbom, 2016). Thus, the population can be divided into roughly four categories: the cattleless, small-, medium-, and large-scale cattle holders. Respectively, these categories compromise those holding no beasts, 1-10 beasts, 11-50 beasts, and 50 or more. The size of the population and income share throughout the colonial period are shown below in Figure 2 and Figure 3.

Figure 2

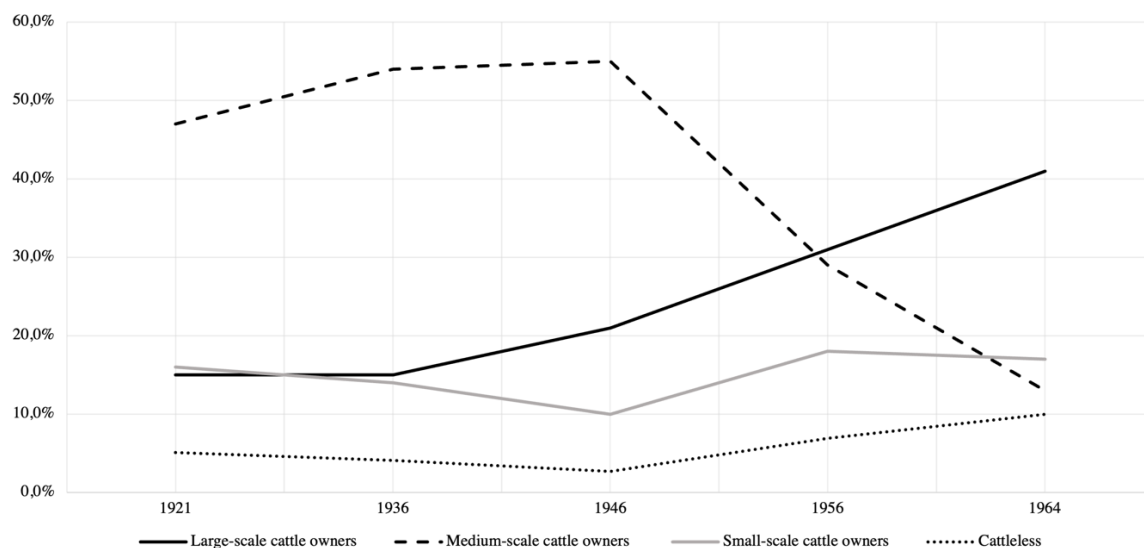
Size of the Population Share by Size of Cattle Holdings in Botswana, 1921-1973



Note. Data adapted from “Long-term trends in economic inequality: lessons from colonial Botswana, 1921-1974” by J. Bolt and E. Hillbom, 2016, *The Economic History Review*, 69(4), p. 1267.

Figure 3

Size of the Income Share by Size of Cattle Holdings in Botswana, 1921-1973



Note. Data adapted from “Long-term trends in economic inequality: lessons from colonial Botswana, 1921-1974” by J. Bolt and E. Hillbom, 2016, *The Economic History Review*, 69(4), p. 1267.

What can be seen in Figure 2 and Figure 3 is how during the colonial period, despite the population share of large-scale cattle owners staying stable, this group managed to capture 40% of the income share. Especially medium-scale cattle owners were negatively affected by colonial development. First representing 34% of the population in 1921, by 1964 it was only 8% in 1964. In addition, their income share dropped from 47% to 13% from 1921 to 1964 (Bolt & Hillbom, 2016, p. 1267). In contrast, large-scale cattle owners had a constant population share but doubled their income share. By 1964, the distributions of income and wealth had polarized with high inequality as a result.

This can be linked to the opening of the Lobatse abattoir in 1954 for export outside of the region (Harvey & Lewis, 1990). In Figures 2 and 3, it can be seen that it is this decade when holdings began to concentrate. The opening of the abattoir greatly expanded the possibilities for large-scale cattle holders to increase their income, because beef could now be exported outside the region (Hillbom, 2014). At the same time, recurrent droughts had wiped out smaller holdings. The severe 1966 drought intensified the process of increasingly concentrated cattle holdings, cementing path dependency. Inequality originated from the combination of the commodification of cattle, gradual privatization of water rights, the opening of the abattoir, and recurrent droughts.

Cattle was so important to Botswana's economy prior to the discovery of diamonds that 85% of export earnings came from beef exports (Bolt & Hillbom, 2016; Darkoh & Mbaiwa, 2002). Bolt and Hillblom state that "inequality was mainly driven by the establishment of the export sector, which enabled the large-scale cattle holders in particular to turn their wealth into income" (2016, p. 1273). Having discussed the historical roots of inequality in Botswana, it can better be appreciated what the effects of diamond revenues were from 1967 onwards. Most importantly, this discussion of the colonial cattle economy serves to illustrate that the argument that colonialism had limited influence, therefore forming the basis for Botswana's contemporary success, is incorrect.

The colonial legacy had profound influence on Botswana's economy and social structure. Colonial development led to a process of increasing returns in the establishment of gross wealth and income inequality. In the context of the question why inequality has persisted throughout Botswana's development, a part of the answer is thus the colonial cattle economy. It was at the root of increasing economic inequality due to the emergence of the beef barons. These cattle elites were the only group able to truly benefit from Botswana's economic development in the colonial period. Institutional path dependency began in the

early 20th century, and it is this process of increasing returns that forms the basis for contemporary, persistent inequality.

4.2 Diamonds are not a poor man's best friend

At independence, Botswana's future did not look promising. Its neighbours were hostile white-minority regimes, there was the worst drought of the century, and a costly cattle disease outbreak. Furthermore, extraordinary colonial neglect – even by African standards – meant Botswana had almost no physical infrastructure to speak of and lacked a skilled, educated workforce (Harvey & Lewis, 1990). As most were excluded from earning an income in the commercial cattle sector, more than twice as many Botswana worked as migrant labourers in South African mines than were employed domestically (Harvey & Lewis, 1990, p. 18). This makes Botswana's current situation all the more impressive, explaining why it is a “high growth development darling” (F. De Zwart, personal communication, April 19, 2021).

After independence, the cattle sector was able to recover and expand and a highly profitable mining sector was established. Diamonds were discovered in 1967, and their exploitation started from 1971 with the opening of the first mine at Orapa (Harvey & Lewis, 1990). This was one of the main causes of Botswana's rapid economic growth following independence (Acemoglu et al., 2003; Taylor, 2003). A state monopoly in cattle exports was established with the Botswana Meat Commission upon independence, providing further public revenue (Darkoh & Mbaiwa, 2002). Botswana was able to negotiate access to the European Economic Community (EEC), allowing it to export beef for above-average prices as the EEC subsidized prices rather than producers (Harvey & Lewis, 1990, p. 6).

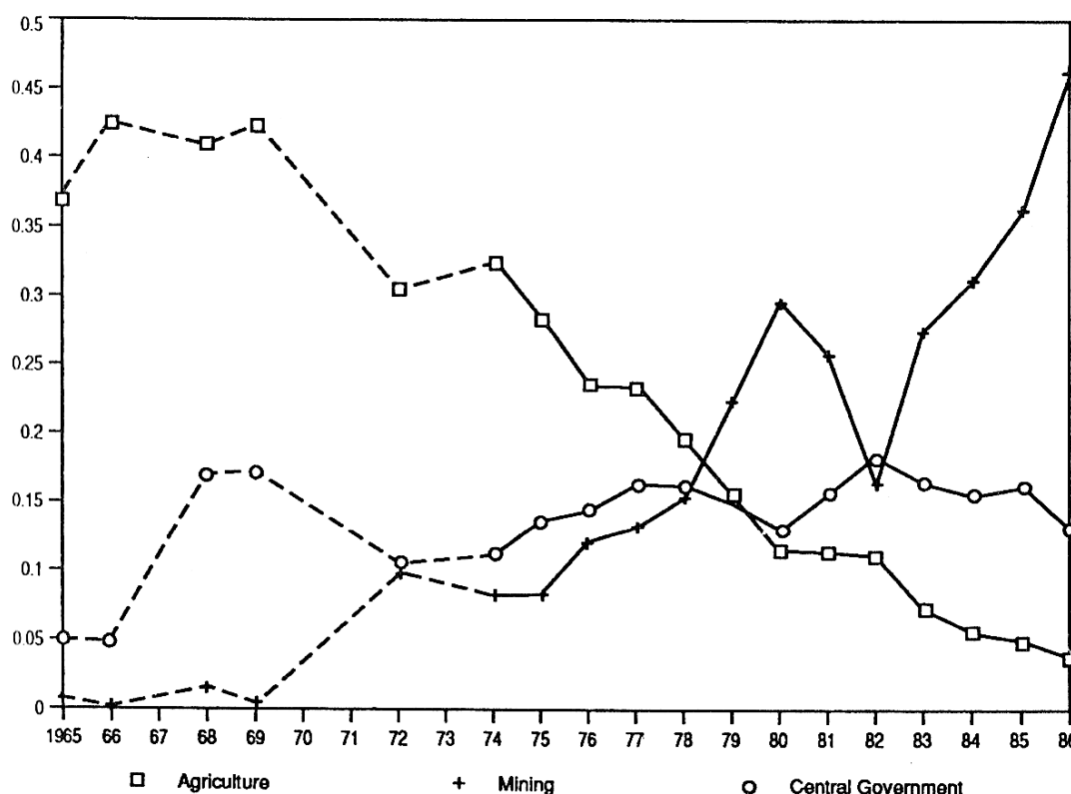
In addition, Botswana received significant amounts of foreign aid. Development spending was first fully financed by aid, and by the late 1970s, aid financed 40% to 60% of development spending (Rakner, 1996, p. 34). The South African Customs Union (SACU) agreement was renegotiated in 1969 which greatly increased public revenues: from P 3 million in 1967 to P 50 million in 1975, comprising 40-50% of total government revenues (Harvey & Lewis, 1990, pp. 191–193). In the first decade of independence, these were the most important factors in Botswana's rapid economic growth: the establishment of the mining industry, the cattle sector rebound and expansion, and increased government revenues originating from aid inflows and the renegotiated SACU agreement. As cattle continued to be

the most important sector whilst the mining industry employed few, this is growth with significant structural continuity rather than transformation (Hillbom, 2014).

By the 1980s, Botswana received the most official development assistance per capita in the world and had become highly dependent upon mining. Increases in public revenues also led to growth in government spending, as can be seen in Figure 4. This shows that the share of government grew in tandem with diamond-led growth in GDP from the early 1970s onwards. Dependence on cattle was replaced with dependence on diamonds, with agriculture declining to a 4% share and mining increasing to a 47% share. In 1986, the mining sector provided half of government revenues (Harvey & Lewis, 1990, p. 110). An important characteristic of this economic growth is that it ensured the fiscal autonomy of the Botswanan state. This cemented path dependent elite dominance because it generated rent-seeking opportunities for elites, supporting resource curse effects (Haslam, 2016).

Figure 4

Share in GDP Agriculture, Mining Government, 1965-1986



Note. Reprinted from *Policy Choice and Development Performance in Botswana* (p. 33) by C. Harvey and S.R. Lewis, Jr. 1990, OECD Publishing. Copyright [1990] by the OECD Development Centre.

For example, the failed 1975 Tribal Grazing Lands Policy (TGLP) was an important mechanism by which inequality in access to agricultural resources was intensified (Hillbom, 2014, p. 20) as well as worsening the distribution of income and wealth (Harvey & Lewis, 1990). Overgrazing and land degradation in communal areas had become an issue as a result of the national herd more than doubling, from 1.2 million in 1966 to 2.8 by 1976 (Parson, 1981). The TGLP was intended to be a solution to these issues. Expatriate staff, supplied as part of technical assistance provided by foreign aid, were instrumental in the policy's formulation which promoted the creation of fenced, borehole-focused, large-scale commercial ranches (Harvey & Lewis, 1990; Parson, 1981).

It was thought that by leasing out land at low prices to individual large cattle farmers and privatizing tribal lands, large herds would move out of communal areas. Farmers could then increase productivity by using modern herd management techniques (Leith, 2005, p. 67). However, this did not occur. The only the only thing that changed was that land and water rights were further privatized at a very low cost to the beef barons. It was also assumed that there was unused land available for establishing new ranches. However, this proved false and the small-scale cattle holders dependent on these formerly communal lands were dispossessed. This is in stark contrast to the claim that Botswana has effective property rights that protect a large segment of the population “against state expropriation and predation by private agents” (Acemoglu et al., 2003, p. 86). In sum, the TGLP can be described as a land grab by large-scale cattle owners (Parson, 1981), justified on the basis of policy prescriptions provided for via foreign aid that the beef barons did not follow.

It is unsurprising that the TGLP continued to be implemented despite failing to meet its objectives, as the great majority of government employees at all levels come from families with large livestock holdings (Darkoh & Mbaiwa, 2002, p. 156). Although good governance is often cited as a factor in Botswana's development success, the TGLP is an example of an enormous governance failure and rent-seeking by cattle elites. Overgrazing continued and income and wealth inequality worsened, both of which remain problems. In the mid-1970s, the Gini coefficient was estimated at 0.73 (Hillbom, 2014). 45% of Batswana were estimated to be cattleless in the 1970s (Rakner, 1996, p. 20) compared to 24% in the previous decade. Hence, the TGLP can be considered a critical juncture in which path dependence in development with persistent inequality was cemented.

The following decades followed the same trend. Despite agricultural output stagnating since the 1970s, the sector received a net subsidy in 1982, receiving Pula 12.1 million whilst

contributing Pula 7.5 million in taxes (Harvey & Lewis, 1990, p. 89) – demonstrating the bias towards cattle in government expenditures. This illustrates rent-seeking, a resource curse effect. Botswana received the most development assistance per capita globally in 1984 (Harvey & Lewis, 1990) and became the world’s largest diamond exporter in terms of value added in 1987 with the opening of new mines (Rakner, 1996). Increasing diamond revenues meant that enough funding was available to continue ‘successful development’ without threatening elite dominance or institutional transformation, a typical resource curse effect. Aid compounded this issue as foreign donors were focused on social development and poverty alleviation (Rakner, 1996). This left diamond revenues to be spent on agricultural subsidies, amongst other things in the interests of the cattle elites.

Only since 2010 have the incomes of the bottom 50% grown beyond their 1990 levels, supported largely through government subsidies in the agricultural sector (World Bank, 2015). In 2002, Botswana’s Gini was measured at its all-time high (0.65) and poverty was very high: 30.7% of the population was classified as poor and a further 43.5% classified as vulnerable, living marginally above the poverty line (World Bank, 2015). High poverty accompanied by high inequality was made possible because of mineral revenues, and rent-seeking elites uninterested in equitably distributing them.

By 2010, these figures had changed from a Gini of 0.53, 19.4% poor and 30.6% vulnerable – an improvement, although still persistently unequal with a majority of people either living in poverty or at risk of falling back into poverty. However, it must be remarked that in this period, 92% of the population had access to clean water, adult literacy was at 83%, and secondary school enrolment was at 85% (World Bank, 2015). This shows that Botswana successfully developed on the basis of a variety of indicators despite high, unchanging inequality. What these indicators illustrate, however, is the rentier effect.

Mineral rents have allowed the Botswana government to buy legitimacy. That is not to say that these gains are unimpressive or have had no effect on improving people’s lives – it is to say that diamond revenues have allowed these gains to be made without addressing inequality. ‘Successful development’ could continue without threatening elite dominance or institutional transformation because there were enough funds for a modicum of public goods provision. This is a resource curse effect. However, as economic growth has slowed, the authoritarian tendencies of the government have increased.

Criticism on the authoritarian tendencies (Good, 1996) of the government has grown, pointing to repression and control of the media (Mosime, 2015; Tutwane, 2011) and continued one party dominance (Hillbom, 2012; Taylor, 2003) linked to its natural resource

dependence (Wantchekon, 2002). Scholarship has also focused on the effects of elite influence and state capture, for example in increasing corruption (Akkoyunlu & Ramella, 2020; Boy, 2013; Good, 1994; Motshegwa et al., 2017; Omotoye, 2016) and increasing repression (de Jager & Meintjes, 2013; Good & Taylor, 2007). This is to show how a capable developmental state is experiencing institutional degradation caused by rent-seeking elites.

To sum up, persistent inequality in spite of successful development can be explained because of continued dominance of cattle elites. Even with the decline of the economic importance of the cattle sector, its linkage to political institutions has not. Diamond revenues have allowed elites to stay in place and have cemented path dependence in economic inequality. More recently, resource curse effects can be observed in policy failures in addressing poverty as well as increasing institutional degradation.

5. Conclusion

The answer to the question that despite being considered a development success, why is inequality in Botswana persistently high, is in effect a history of capital. Botswana's colonial legacy was the establishment of a commercial beef export sector. This led to a process of increasing returns in the establishment of wealth and income inequality because of the confluence of two factors: public borehole drilling schemes and the subsequent privatization of their water rights to large-scale cattle holders. This led to polarization the cattle distribution – and consequently, the distribution of wealth and income. This set the stage for path-dependent development characterized by elite dominance over the following decades.

Diamond deposits drove Botswana's record-breaking growth upon from the 1970s onwards. These revenues allowed Botswana to continue to develop without addressing inequality, without institutional transformation, and without threatening the dominance of the economic and political elite: the beef barons. Inequality worsened in this period as a result of the 1975 Tribal Grazing Lands Policy, a clear example of elite rent-seeking. Path dependence in development with persistent inequality was cemented due to the interaction of state-led development and the availability of vast mineral revenues.

The leading role the state took in the development process has further cemented elite dominance and stifled the development of a strong civil society. The lack of a strong civil society has a two-fold effect: there is no real opposition to the government and thus no calls for redistribution away from the elite; and an employment-generating private sector is

lacking. To link the relationship between diamond revenues and income inequality, the resource curse thesis was used. Natural resource abundance is associated with higher levels of income inequality. A political mechanism by which this occurs is because of rent-seeking behavior by elites. The economic mechanism is that Botswana's economic reliance on diamonds have caused the rate of return on capital to become higher than the rate of economic growth, thereby generating unsustainable inequalities. Taken together, this explains the path dependent development of Botswana with persistent inequality.

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