Institutions in Africa

The Economic Effects of Africa’s Slave Trades and Mistrust as an Underlying Mechanism

Summary

- Questions:
  - “Can part of Africa’s current underdevelopment be explained by its slave trades?”
  - “Did the slave trades cause a culture of mistrust to develop within Africa?”
- The research can provide an explanation of Africa’s persisting economic underdevelopment
- The authors answer the questions by means of empirical examination with a focus on political and social (in)stability
- Results:
  - There is a negative relationship between slave trades and subsequent economic development
  - One of the underlying mechanisms is the development of a culture of mistrust

The Long-Term Effects of Africa’s Slave Trades (Nunn, 2008)

- First empirical examination of the relationship between Africa’s slave trades and subsequent economic development
- Main economic channels:
  - Ethnic fractionalization reduces the provision of public goods and therefore impedes economic growth
  - Centralized state structures and functioning institutions facilitate an increase of prosperity
  - The development of a culture of mistrust inhibits economic growth

Historical Context

- Between 1400 and 1900 Africa experienced four different slave trades
  - trans-Atlantic, trans-Saharan, Red Sea and Indian Ocean slave trade
- Unique characteristics of Africa’s slave trades:
  - The volume of 18 million slaves exported was unprecedented
  - By 1850 the African population was approximately half of what it would have been without the existence of the slave trades
  - Individuals of the same or similar ethnicities enslaved one another

How did Enslavement work?

- Individual villages or complete states raided one another
- Consequences:
  - The ties between villages were weakened
  - The formation of larger communities and broader ethnic identities was impeded
  - A high level of ethnic fractionalization was established
- The enslavement within specific ethnicities especially contributed to a high level of social and political instability

The “gun-slave cycle”

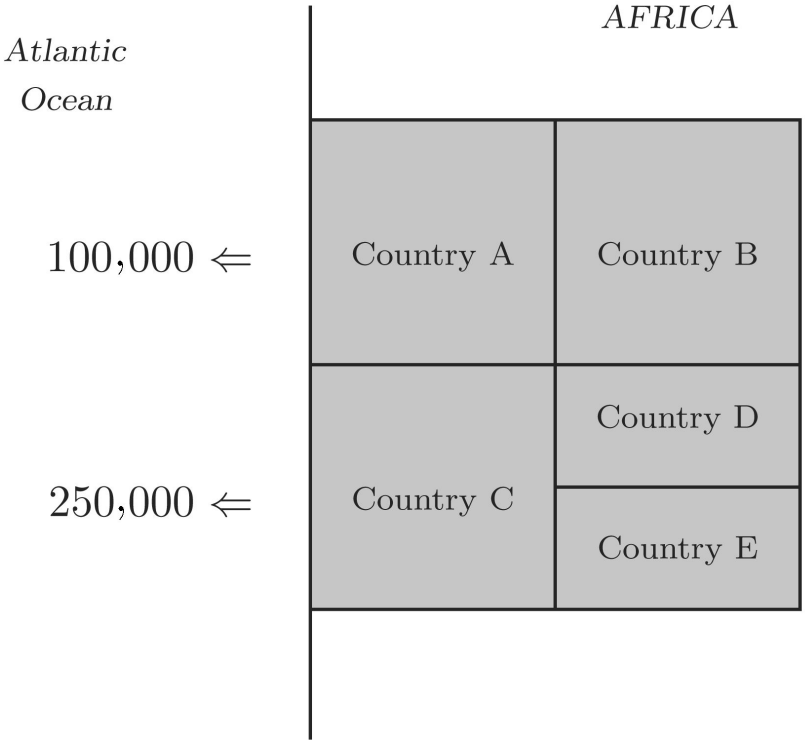
- Individuals required weapons due to the uncertain and insecure environment
- The weapons were produced by European countries and delivered in exchange for slaves
- Thus the demand for slaves and the level of insecurity increased
- The amplification of insecurity resulted in an increase of the need to enslave others in order to be able to protect oneself

The Political Consequences of Slave Trades

- Slave trades led to political instability and the collapse of preexisting forms of government
- The increasing political instability was a result of the corruption of previously established legal structures
- The preexisting governance structures were replaced by bands of raiders

Data

- Measure of interest: total number of slaves taken from each country
- Two different types of data:
  - “shipping data”: number of slaves exported from each port or region in Africa
  - “ethnicity data”: ethnic identity of slaves shipped from Africa
- These types of data are combined in order to construct appropriate estimates with regard to the number of slaves exported from each country
- Source of variation: different numbers of slaves exported from the individual countries

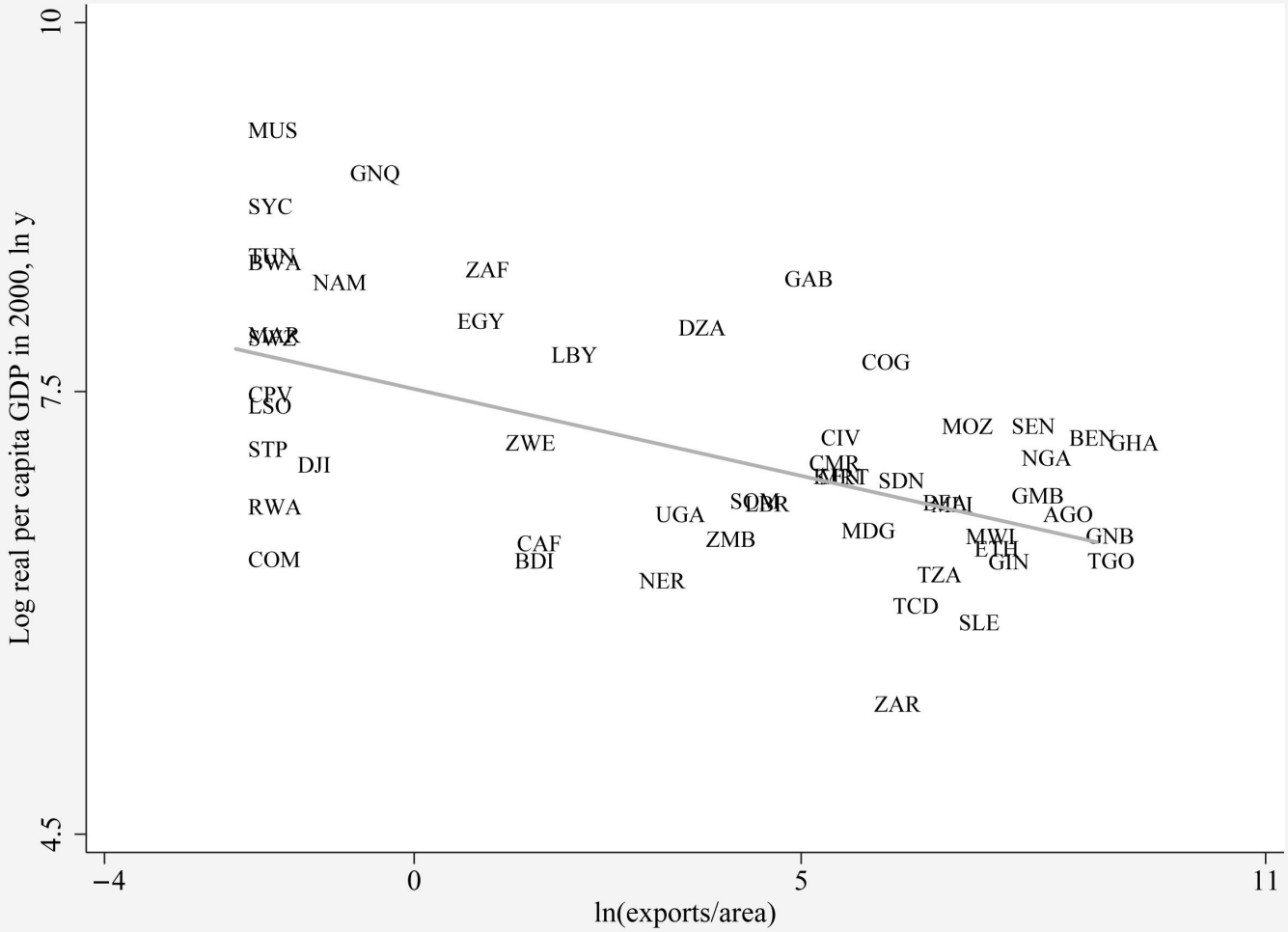

AFRICA
Atlantic Ocean
100,000 ⇐
250,000 ⇐
Country A
Country B
Country C
Country D
Country E

Methodology

- OLS Estimation combined with an Instrumental Variable Approach
- The method provides an assessment of the relationship between slave trades and subsequent economic development
- The examination is based on mostly ample datasets from various sources
  - High quality of data due to accurate documentation in the area of slave trade because of high capital intensity

Main Results

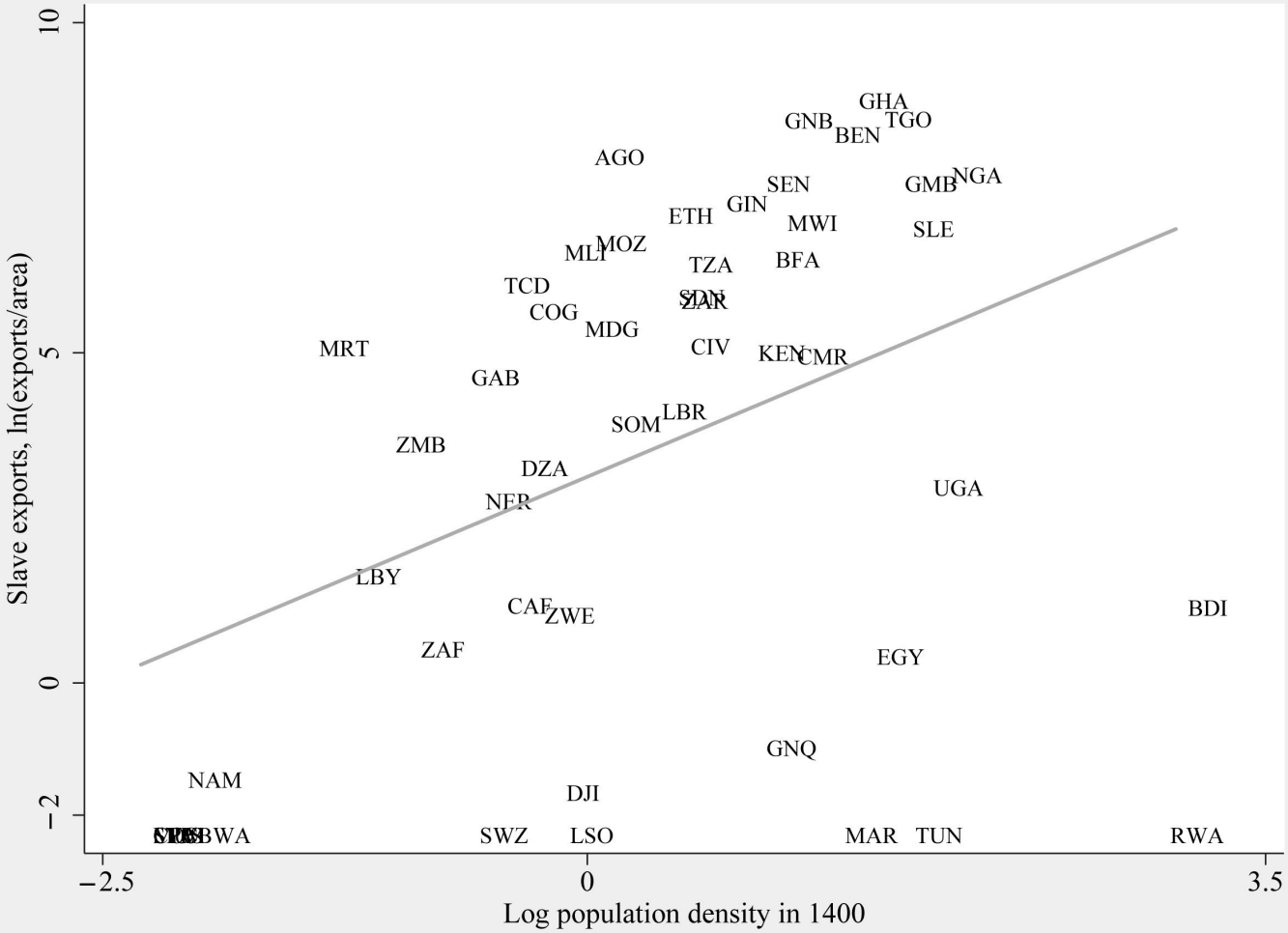
- There is a negative relationship between slave exports and subsequent economic development in the raw data
- The analysis of different control variables shows that this relationship is robust
  - e.g. influence of colonial rule, geography or climate
- The authors show that there is a causal link between slave trades and the current economic performance of African countries



(coef = −.118, s.e. = .025, N = 52, R2 = .31)

Causality Analysis

- Selection during the slave trades does not influence the negative relationship between the slave export and subsequent economic development
  - Not the poorest but rather the more prosperous countries turned into major slave exporters
  - Domestic slavery did not predetermine the intensity of international slave trade in individual states
- Population density is used as an indicator of prosperity during the slave trade period



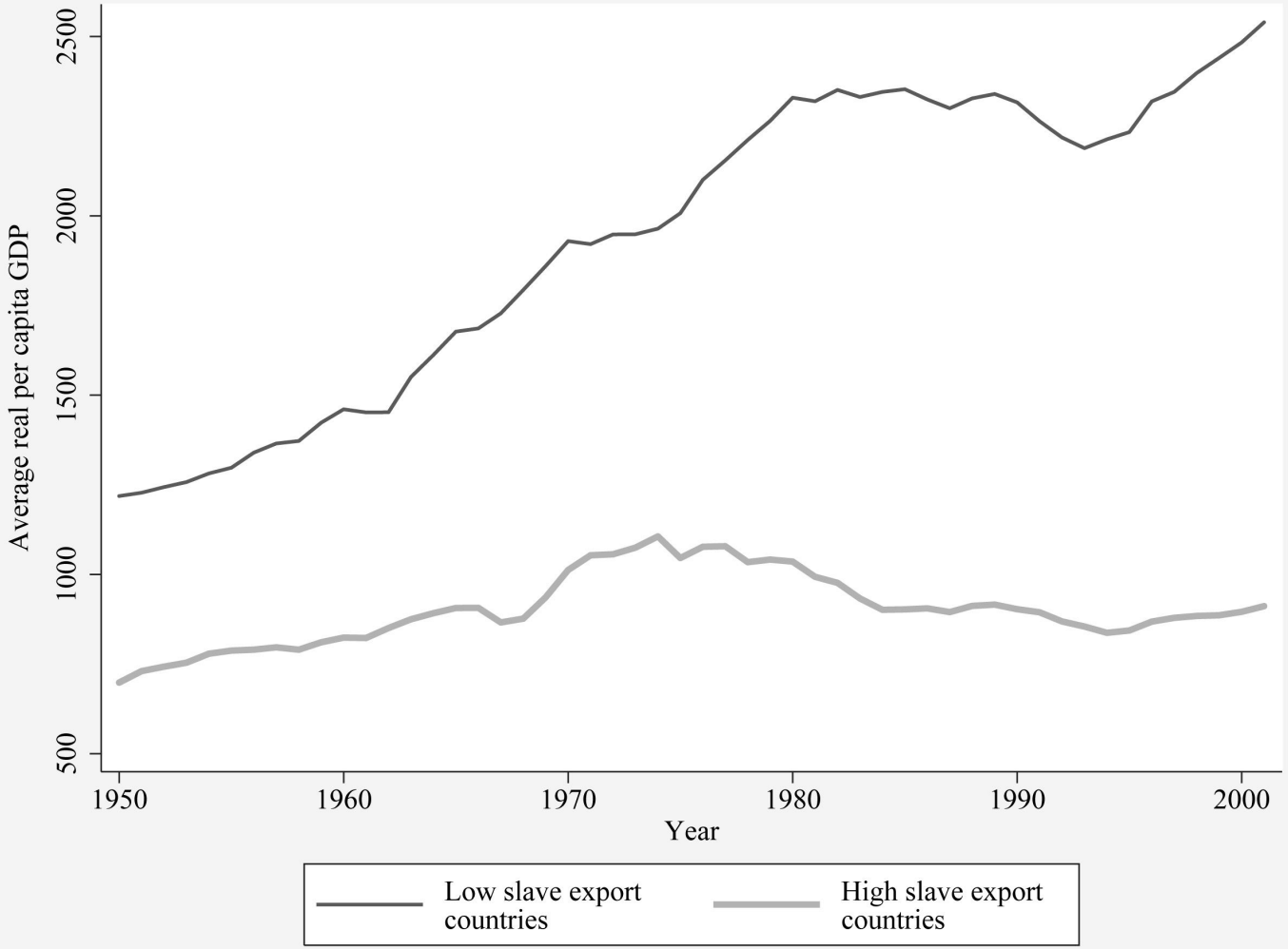
(beta coef = .42, t - stat = 3.30, N = 52, R2 = .18)

Instrumental Variables

- Instruments: Sailing or overland distances to the closest slave trade markets for the four different slave trades
- If slave trades affected subsequent economic growth, a larger distance from locations of demand for slaves would mean greater prosperity today
- All four distance instruments are positively correlated with income
- Confirmation of results of the OLS estimation

Possible Channels of Causality

- Data analysis confirms:
  - Positive relationship between slave exports and current degree of ethnic fractionalization
  - Negative relationship between slave exports and level of state development in the 19th century
- Economic impact of institutional underdevelopment was most strongly felt after colonial independence
- One possible channel of causality which requires a more detailed analysis is the mechanism of mistrust


Average real per capita GDP
500
1000
1500
2000
2500
1950
1960
1970
1980
1990
2000
Year
Low slave export countries
High slave export countries

The Slave Trade and the Origins of Mistrust in Africa (Nunn and Wantchekon, 2011)

- What is the exact causal mechanism underlying the negative relationship between the slave trade and income today?
- Did slave trade cause mistrust within Africa that persists until today? And if yes, what are potential channels?
  - Did the slave trade change cultural norms of the ethnic groups exposed to the slave trade, making them and their descendants less trusting?
  - Slave trade lastingly deteriorate legal and political institutions in these areas. Residents of such areas might be able to cheat others more easily. Individuals might be less trusting because others are less trustworthy.

<u>Internal Norms</u> versus External Factors

- Initially, slaves were captured in large conflicts and state organized raids.
- As the slave trade progressed, individuals increasingly turned on each other, including friends and family members. They tricked and kidnapped others to sell them as slaves in exchange for guns and iron weapons.
- This created insecure environments outside and within local communities.
- In environments with imperfect information, the use of heuristic decision-making strategies may be optimal. In areas exposed to slave trade, norms of mistrust towards others may have been superior to norms of trust
  - Slave trade may have eroded trust even between neighbours, friends and family members.
  - These behavioural norms which evolved during the over 400 years of slave trade may persist until today.

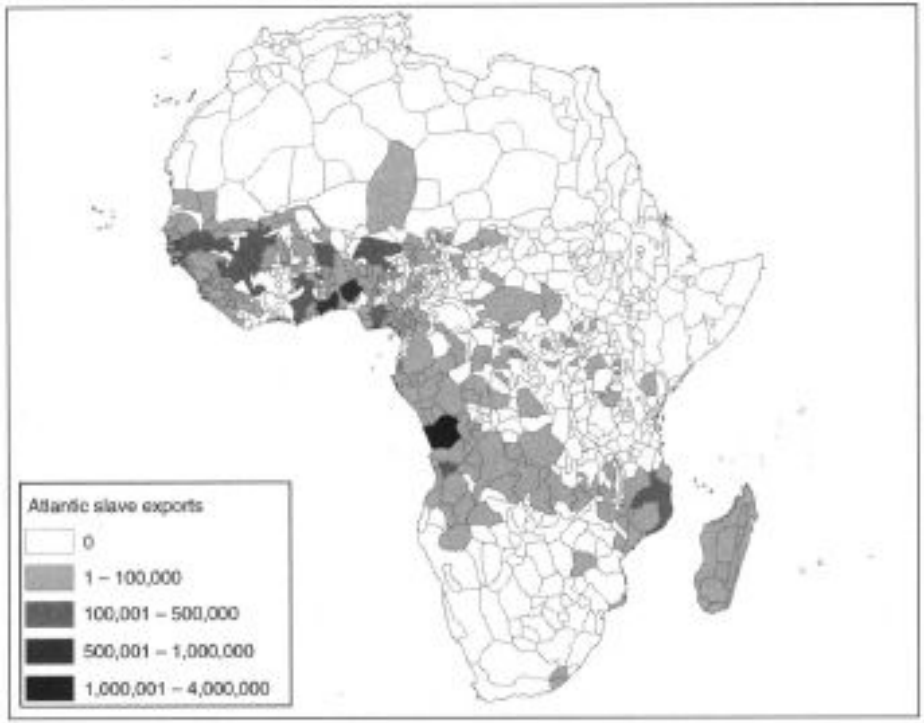
Internal Norms versus External Factors

- The slave trade deteriorated legal and political institutions.
- Due to slow institutional change, these poor institutions may persist until today.
- Poor institutions permit poor behavior which may be the cause of mistrust. Individuals might be less trusting because others are less trustworthy.

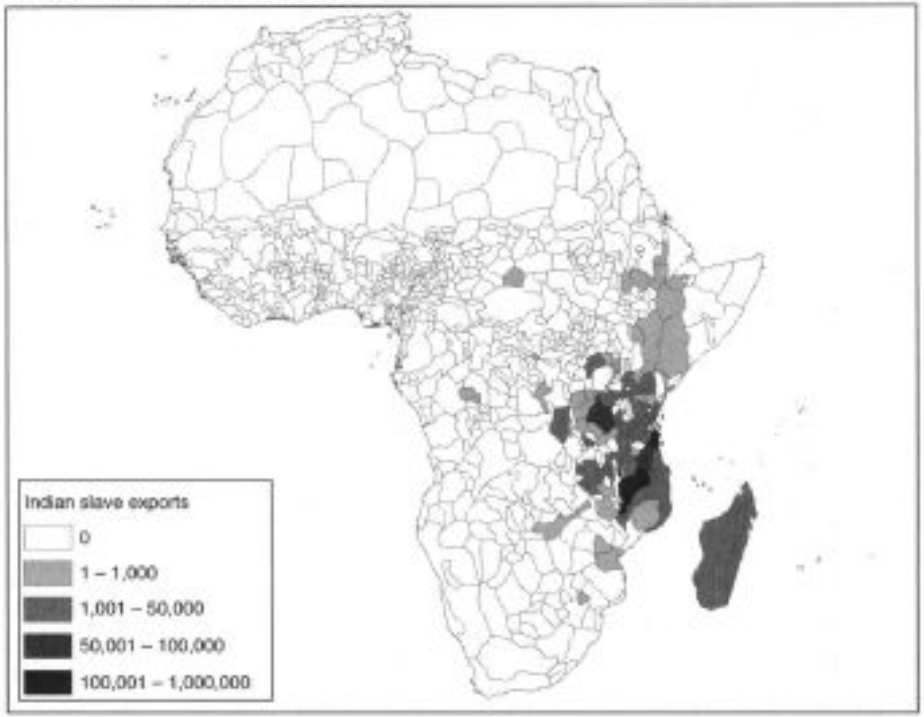
Data

- 2005 Afrobarometer surveys
  - 17 sub-Saharan African countries
  - nationally representative survey data on the individual level
- Country-level slave export data from Nunn (2008) disaggregated to the ethnicity-level
- The empirical analysis is restricted to the transatlantic and Indian Ocean slave trades.
- The variation of the number of slaves taken from an ethnic group is used to explain current individual trust levels.

Panel A. Transatlantic slave trade



Panel B. Indian Ocean slave trade



Methodology

- OLS estimation including a set of control variables
- Identifying causal relationships
  - Controlling for observable variables like the initial disease environment and colonial population density to capture the effects of colonial rule.
    - The intention is to capture any potential effects of non-slave European influence on long-term trust
  - Assessing bias from unobservables
  - Instrumental variable regression: distance from the coast as an instrument
    - The IV estimates are valid if the slave trade is the only channel through which distance from the coast affects trust (falsification tests)

Methodology

- Testing for different channels of causality: Effect of Slave Trade on Internal Norms versus External Factors
  - Controlling for perceived trustworthiness of local government council
  - Controlling for the effect of slave trade on trustworthiness of other ethnic groups living near the individual
  - Ethnicity-based slave export measure and location-based slave export measure

Results

- Individuals' belonging to ethnic groups that were most exposed to the slave trade exhibit lower levels of trust in their relatives, neighbors, coethnics and local government.
  - It is unlikely that the effect of slave trade on trust is fully driven by unobservable factors
  - The effect is causal and robust to the inclusion of a variety of control variables
  - The OLS estimates are qualitatively identical to the IV estimates.
- There is evidence that slave trade negatively affects trust through both the internal and the external channel however the internal channel seems to be more important.

Conclusion

- Slave trade has affected economic development in a negative way.
- The culture of mistrust that has developed as a consequence of the slave trade is one causal mechanism of the negative effect of slave trade on economic development.
- The examination can be used to derive some knowledge about:
  - the role of the slave trade for the economic trajectory of Africa.
  - the importance of internal norms and beliefs in transmitting historical shocks.
- Which causal mechanisms exist between slave trade and economic development other than mistrust?