

Consequences of Colonial Rule in Africa: Institutions and Modern Economic Growth

Connor M. Button

Department of Economics, Queen's University

Econ 232: Diffusion of Modern Economic Growth

Professor Ian Keay

March 28th, 2025

Abstract

This paper examines the impact of European colonization and its disruption of indigenous African institutions particularly how these disruptions impacted the modern economic growth in African states. Using analysis of many key authors of the topic, the paper touches on the institutional changes in Africa before, during, and after colonial rule. It argues that colonial interventions such as the Atlantic slave trade and the imposition of foreign land governance undermined traditional systems of trust, political authority, and resource distribution. These institutional fractures often persisted in post-independence impeding the emergence of inclusive economic institutions critical to sustained development. The paper examines the attribution of underdevelopment to geography, population density, real wages, and absence of data as well as provides contrasting views to topics in the paper to further detail the complexity of the region.

Economic Consequences of Colonial Rule in Africa: The rise and fall of Institutions and Growth

Understanding the current economic landscape of many struggling African nations requires an analysis of the historical disruptions in their institutions caused by European colonization. African nations are marked by significant economic, racial, social, and political disparities rooted in deep historical origins. The history of these nations is essential in addressing current challenges in economic development and the comprehension of institutional inefficiencies that persist today.

This paper argues that European colonization significantly disrupted African institutions and hindered modern economic growth. Research from Nathan Nunn, James Fenske, James A. Robinson, and many more provide insight into how these institutions were altered over time through mechanisms such as the Atlantic slave trade, changes to indigenous land tenure systems, and the restructuring of social and political institutions, all for economic gain.

The following analysis explores these institutional disruptions and their lasting economic impacts through detailed case studies of Rwanda and Ghana reflecting the greater trends that plagued the whole continent. It integrates institutional analyses, economic data on real wages, and factor endowment analysis to clearly illustrate how historical disruptions echo throughout these nations presently. The paper will conclude with an analysis of how all these factors lead to negative economic outcomes while also offering alternative explanations that support the institutional topics for a nuanced perspective on Africa's complex economic development.

Pre-Colonial Institutions

Before the scramble for Africa in the 19th century, populated African states had a diverse range of social, political, and economic institutions that governed the lives of the indigenous populations. These institutions were often informal yet intertwined within the local culture, lineage structures, and communal expectations rather than formal state apparatuses, "rulers were typically unable to govern without the support of councils comprised of hereditary elites and, sometimes, broader elements of society" (Robinson, J. A., et al. 2022). These social contracts formed the foundation for governance and property rights in many African communities as they utilized local accountability through the checks and balances provided by these outside councils that inhibited centralized governments.

All of Africa wasn't constrained to the informal institutions with select societies forming centralized kingdoms of formal hierarchies and tributary systems. Examples of this are the areas that were involved in the long-distance trade of natural resources and slaves or possessed greater ecological diversity such as the Yoruba Oyo, Songhai, Toro, Suku, Luba, and Lozi Empires highlighted by James Fenske (2014). Contrasting these communities, a large portion of the continent was governed through the decentralized models. In these regions power was often distributed among many, with chiefs and leaders constrained by councils or communal norms that prevented autocratic rule, (Robinson, J. A., et

al. 2022). This inhibited the progression of institutions to increase global trade and often kept the growth of these communities lower than their centralized counterparts.

We can contrast the different types of precolonial institutions by analyzing the centralized system of the Yoruba Oyo Empire from James Fenske's 2014 paper on pre-colonial Africa and comparing it with the decentralized example of Igbo societies in the 2022 NBER paper (Robinson et al, 2022). The divergent institutional paths of the Oyo Empire and Igbo societies exemplify the spectrum of governance in precolonial Africa. The Oyo developed a centralized state structure with a formalized hierarchy led by the Alafin (king), supported by a council of head chiefs called the Oyo Mesi which assisted and maintained internal checks. This dual structure facilitated growth for resource extraction, military expansion, and participation in long-distance trade for all the communities within its empire (Fenske, 2014). In contrast, the Igbo maintained a highly decentralized model with institutions and assemblies on the village level with elders representing the families, and age-grade systems guiding policy governance without a central authority. This decentralized structure reinforced egalitarian norms and communal accountability but also limited the capacity for large-scale coordination, expansion, and economic growth. These contrasting systems illustrate how institutional form shaped economic and political capabilities. Oyo's semi-bureaucratic organization enabled external engagement and internal consolidation, while Igbo institutions prioritized local autonomy over administrative centralization.

This variation in institutional form was not random. Environmental and geographic conditions often played a critical role in shaping whether societies centralized authority or maintained communal governance. Learned from Fenske's paper on precolonial Africa, Regions with ecological diversity and access to trade routes were more likely to develop state capacity and institutional specialization. Opposed by the land-abundant and low labor areas which favored the more flexible community and lineage-based systems to prioritize mobility and subsistence (Fenske, 2014). The institutions both

centralized and decentralized evolved over centuries before the rise of traditional European colonialism with the social and economic pressures present in indigenous Africa.

These factors are shown further in Gareth Austin's 2008 paper on factor endowments on their growth from the 16th century onward. He provides an analysis for interpreting the African institutional landscape before colonization emphasizing how the continent's land abundance and labor scarcity shaped the evolution of its political and economic systems. These assets, also known as factor endowments, led to reliance on land-use systems, and the decentralized authority structures given the mobility of the decentralized systems fit their current institutions and were more productive than the rigid hierarchies. Austin's analysis shows the same information provided in Fenske's 2014 paper which reinforces the type of institution that was deeply dependent on ecological constraints, seasonal labor needs, and shifting access to trade. Austin highlights how simply taking advantage of the abundant land leads to the decentralization of infrastructure socially and economically, but how further steps were still needed to separate them from other decentralized communities. He states, "These strategies were sources of economic growth and development." supporting his statement "land-intensive methods where necessary, but land-extensive ones where possible" (Austin, 2008, p.33). This framework helps explain why Africa's precolonial institutions often differed from those in Europe or Asia and why they were later vulnerable to colonial restructuring.

Understanding the foundational structures of pre-19th century Africa is crucial for evaluating how colonial interventions disrupted and reshaped them.

Institutional Change through Colonial Disruption.

The African Slave Trade.

European presence in Africa was prevalent as early as the 15th century, examples of this are found in the Portuguese traders who established contact and trading posts along the West African coast. Most notable was the Kongo Kingdom between 1472 and 1483 building relationships around trade and

commerce. These early trading relationships were only made possible “because the Kongo kingdom had a centralized government, a national currency, and well-developed markets and trading networks” (Nunn, 2008, p.157). These early trade relationships almost exclusively demanding slaves highlight the relationships the Europeans prioritized as centralized institutions were much easier to work with and manipulate (Nunn, 2008).

While targeting the centralized systems to trade with, Europeans also largely benefitted from the supply provided by decentralized communities. The transatlantic and internal African slave trades significantly weakened the already diffused institutions. The communities less centralized were further destabilized through individuals and rival groups engaging in slave raiding which was incentivized by the European demand and the connection it gave communities to nearby trade capitals (Nunn, 2008). This introduced widespread insecurity and violence which broke down the foundational norms and accountability structures weakening the already diffused institutions to allow for more colonial control. These vulnerabilities were instrumental during the onset of colonialism. Although the slave trade within Africa was prevalent before the Europeans, the scale and demand that came from European trade greatly increased the business. The economic opportunity was so strong that it caused the fragmentation of local governance in pursuit of European commerce, “The result of this vicious cycle was not only that communities raided other communities for slaves, but also that members of a community raided and kidnapped others within the community” (Nunn, 2008, p.143). This fragmentation and demand only gave more authority to the European powers allowing them to impose control with minimal resistance.

The slave trade's legacy from the colonial regimes of the Portuguese, British, and more allowed for the eventual scramble for Africa by building on the broken institutions that remained of the slave trade. This was seen with the breakdown of law and order that resulted from the slave trade which was partially responsible for the eventual fall of the Kongo Kingdom (Nunn, 2008). This primarily happened

along the 'Slave Coast' which was disproportionately impacted in the long-term studies. Although the economic effects trickled through the African institutions it led to slow growth as the colonial powers attempted to empower new local authorities. This rule was rooted in collaboration with the Europeans and not in traditional legitimacy further destabilizing the economic landscape of Western Africa through mistrust. These institutions weren't trusted and lacked legitimacy among the indigenous population, as seen in the research of Bolt, Gardner, Kohler, Paine, and Robinson "The early Warrant Chief system in Eastern Nigeria highlights the drawbacks of inventing authoritarian rulers . . . the Warrant Chief system was ineffective at raising taxes because the chiefs were perceived as illegitimate" (Robinson et al, 2022, p.11-12).

Nunn (2008) highlights how the disproportionate impacts of the Western slave trade have an overwhelmingly negative impact on the modern economic growth of the stakeholders present in these locations. This is further supported by the institutional manipulation formed from the diffusion of centralized power that was seen to fail at bringing modern economic growth to these nations (Robinson et al, 2022). Evidence shows that countries impacted most by colonialism passed a tipping point in which they no longer benefited from the technology and institutions that came with European trade, and instead were left with primarily negative benefits had they not engaged in the initial slave trade, "the large increases in inequality and the racial and ethnic conflicts bequeathed to these colonies after the end of colonialism, make it plausible that development outcomes in places such as Zimbabwe would be better today and over the last century had it not been colonized." (Robinson, Heldring, 2012, p.7).

Land Policy and Tenure Systems.

The disruption of land tenure systems in Africa was one of the reasons for slow economic growth by hindering local investment incentives and long-term productivity. The Europeans benefited from the imposition of centralized land tenure systems to allow them control of resources. An example of this is the case of Rwanda during WWI when the Belgians gained control through the League of

Nations and the Treaty of Versailles (PBS, n.d). They began prioritizing the population and systems of the Tutsi people to benefit from the fact that they were a minority population. They favoured the Isambu land tenure system of the Tutsi people where the Tutsi Mwami (King) was the ultimate landowner and could distribute land based on what benefited Belgium and the Tutsi economically. They extended this system to the entire country to allow the Belgians control over what was farmed and required subsistence farmers to produce a percentage of their crop as coffee which the Tutsi could then sell to the Belgians for a large profit (Fenske, 2011[2], p.144). This is an example highlighting the manipulation of colonizing powers and how they could control the supply of land through the imposition of their preferred tenure systems.

These impositions had lasting effects and are largely the reason for many African states being economically underdeveloped. Although these systems brought global trade to countries on a scale that they had not seen, the prioritizing and favouring of certain groups for economic gain often led to intense conflict long after colonization had ended. Heldring and Robinson (2012) focus heavily on the implications on Rwanda's development throughout Belgian colonization and highlight the outcomes present from the prioritization of the Tutsi people over the Hutu. Through policies such as the identification cards for Hutu in 1932 and the recognition of Tutsi as the governing elite, it guaranteed conflicts for political power after independence. "In Rwanda this tragically interacted with what were already highly hierarchical class relations by African standards to completely discredit the traditional political system and create intense conflict" (Robinson, Heldring, 2012, p.20).

Fenske (2011[1]) argues the case of decentralization as African land institutions were historically adaptive and evolved based on the abundance of land and the need for flexible labor deployment from scarcity. This shows how the landscape of political systems before colonization plays a role when it comes to the economic control of land tenure. The disruptions to political systems like the case with Rwanda were not merely unintended consequences but were often strategically used to impose land

policies as tools of control to secure fertile land for colonial interests and reduce the indigenous political powers (Robinson, Heldring, 2012). The long-term result was a fragmented system of land governance in postcolonial states where formal and customary polities had to coexist in tension.

This complication of property rights discouraged investment and led to low economic growth, perpetuating political instability which acted as a simultaneity of negative effects for the economies. “Colonialism not only blocked further political development, but indirect rule made local elites less accountable to their citizens. After independence, even if these states had a coherence others lacked, they had far more predatory rulers.” (Robinson, Heldring, 2012, p.6). While separate from their economic consequences this highlights the findings of Robinson and Heldring in many post-colonial institutions having been better off if not for the land tenure systems and political entities established by European powers. These disruptions in policy were present in many of the colonies in Africa throughout most of the 20th century and resulted in instability after independence in these countries.

Implications for Institutional Growth and Modern Economic Growth

The disruptions to African polities detailed in the previous sections laid the foundation for institutional inefficiencies across the post-colonial African states. This was evident after the independence of many nations as the indigenous populations and institutions struggled to transition effectively and support long-term structures that promoted economic growth. As mentioned previously, this was seen in Rwanda in which the culmination of political and racial medalling led to the destruction of many social institutions through the civil war in 1994, just 32 years after independence, “it seems undeniable that these policies played a significant role in intensifying Hutu-Tutsi tensions and ultimately leading to a genocide in which 800,000 people perished” (Robinson, Heldring, 2012, p.18). This section aims to explore the consequences throughout colonization and after independence on African states with a strong emphasis on both qualitative institutional factors and quantitative economic evidence.

Using Ghana as a case study we can understand specific outcomes that lead to lower economic growth. Under British colonial rule, Ghana's framework was significantly transformed to favor export-oriented agricultural policies primarily with their cocoa production. The British introduced systems of indirect rule to leverage the region's land and labour conditions to prioritize large landowners and migrant farmers (Fenske, 2011[2], p.142-143). This economic model yielded immediate benefits through colonialism such as increasing incomes and greater integration into international markets with the major downsides being the dependency on single commodity exports and limited local institutional innovation. Economic institutions were made less efficient through the indirect rule of chiefs and lineage systems implemented by the British as it removed them from consequence making them less accountable when making decisions on the allocation and regulation of land (Robinson and Helling, 2012, pg.20). This was another factor that lowered investment and increased distrust in land ownership systems that slowed the rate of growth for many African economies post-independence.

Quantitatively Ghana's colonial economic trajectory is unique but can still explain the impacts on institutions in many African states given the economic potential presented as well as the impacts from exploitation. Urban real wages, particularly for unskilled male workers were significantly improved due to the increased demand for cocoa exports and associated urban development like transportation and construction. Frankema and Waijenburg emphasize that urban wages in Ghana remained above subsistence levels rising through the 20th century this indicates enhanced living standards for certain segments of society (Frankema & Waijenburg, 2012). However, these gains were uneven as rural wages lagged substantially due to the seasonal agricultural market and colonial economic policies heavily favoring export agriculture. The lagging in real wages in many sectors was exemplified by a lack of investment in human capital as the investment instead went towards what benefited the exporting industry for European commerce. Austin (2008) highlights that cocoa cultivation transformed agricultural practices and encouraged investment in long-term improvements like tree planting and

fertilizer use on lands where secure tenure was assured leaving distrusted land to lag in investment. Similarly, with human capital, this investment came from foreign markets only used to benefit the parties that stood to gain from these institutions. The lack of domestic investment in financial institutions echoed throughout African states as it left many independent nations to rely on their former Colonizers. This reflects the direct relationship between institutional land tenure structures and economic incentives that can cause modern economic growth with investment in the right places (Austin, 2008).

This is where one of the fundamental issues arose as Ghana's export economy heavily favored cocoa production in the 20th century leading to dramatic falls when disruptions occurred over political instability during independence "The fight for power after 1957 led to political instability, coups, military rule, the expropriation of the cocoa farmers who were at the heart of the most dynamic sector of the economy" (Robinson, Heldring, 2012, pg.20). The extractive nature of British colonial institutions on Ghana's institutions leads them to rely heavily on their physical resources primarily cocoa. This limited economic diversification continued well after independence and although seemingly growth was strong this volatility resulted in economic decline for nearly five decades. "The timing of the decline varies . . . while in Ghana decline began in the late 1960s . . . Ghana finally managed to return to the level of income per-capita it had attained at independence in 1957 in around 2005." (Robinson, Heldring, 2012, pg.10)

In the case of Ghana and many other African states, it is all too easy to place economic blame on the colonization in the late 19th, and 20th centuries. But the persistent institutional hardship in many cases is built up through centuries of mistrust from the Atlantic and African slave trades highlighted by Nunn (2008) in the previous sections. Ghana's experience underscores a broader pattern of economic and institutional implications faced by many post-colonial African states that simply didn't recover from the institutional manipulation of their European counterparts. The exploitative nature of European

economic policy in Africa was seemingly beneficial to the countries initially but left many states economically unstable at independence which rippled through the social, economic, and political institutions leading them farther from modern economic growth (Fenske, 2011[2]) (Robinson, Heldring, 2012).

Conclusion

This paper analyzed European colonization in Africa and how its disruption of institutions significantly hindered modern economic growth through the repercussions of the slave trade, manipulated land tenure, and the restructuring of local political systems. Pre-colonial African institutions were shaped by factors that fit the ecological and financial needs of the indigenous people of the time leading to a large mix of centralized and decentralized governance structures. Colonial disruptions through the Atlantic slave trade and European land tenure policies fragmented and manipulated these traditional political and social institutions creating long-term reliance, inefficiencies, and vulnerabilities throughout the institution. Using Rwanda and Ghana as case studies the paper illustrated the impacts clearly showing the long-term effects, particularly along the western coast from the initial export of slaves through European trading partners (Nunn, 2008). The immediate economic benefits like rising incomes and international market integration masked the vulnerabilities and the path dependency that shaped the African institutions. These vulnerabilities resulted in prolonged economic instability and hindered sustainable growth post-independence shown by the long period before the African nations returned to their GDP per capita amounts at independence (Robinson, Heldring, 2012).

While colonization played a significant role in the degradation of institutions alternative explanations may provide additional insights into these economic challenges. Geographic determinism suggests inherent ecological and resource limitations independent of colonial influences (Austin, 2008). Global economic conditions such as volatility in global markets and external shocks like the fall of cocoa in the late 20th century contributed significantly to the economic instability of African states given these

nations' fragile financial institutions (Frankema, Waijenburg, 2012). Finally, domestic political dynamics played crucial roles in the long-term sustainability of these nations. Many of these were set forth by colonial manipulation such as the Hutu and Tutsi decisions made post-independence often exacerbated existing vulnerabilities rather than resolving them (Robinson, Helling, 2012).

The complexity highlighted throughout this paper from many factors emphasizes the connection between institutions and their negative economic outcomes. Constantly updating research might further support modern economic growth in Africa despite the institutional challenges set forth through colonialism over many centuries. Understanding the deeply rooted impacts of colonial legacies is essential for creating modern social, political, and economic policy to support economic growth and promote domestic trust within institutions.

References

- Fenske, J. (2011)[1]. "Does land abundance explain African institutions"? *Munich Personal RePEc Archive*. <https://mpira.ub.uni-muenchen.de/34862/>
- Nunn, N (2008). "The Long-Term Effects of Africa's Slave Trades. *Quarterly Journal of Economics*, 123: 139-176. <https://doi.org/10.1162/qjec.2008.123.1.139>
- Nunn, N, (2007). "Historical legacies: A model linking Africa's past to its current underdevelopment". *Journal of Development economics, Elsevier*, vol. 83(1), pages 157-175, May. <http://dx.doi.org/10.1016/j.jdeveco.2005.12.003>
- Fenske, J. (2014). "Ecology, trade, and states in pre-colonial Africa". *Journal of the European Economic Association June 2014 12(3):612–640*. <https://doi.org/10.1111/jeea.12042>
- Robinson, J. A., Helling, L (2012). "Colonialism and Economic Development in Africa". *NATIONAL BUREAU OF ECONOMIC RESEARCH (NBER Working Paper No. 18566)*. [Colonialism and Economic Development in Africa | NBER](https://www.nber.org/papers/w18566)
- Austin, G. (2008). "Resources, techniques and strategies south of the Sahara: revising the factor endowments perspective on African economic development, 1500–2000". *Economic History Review*, 61(3), 587–624. <https://doi.org/10.1111/j.1468-0289.2007.00409.x>

Robinson, J. A., et al. (2022). "African political institutions and the impact of colonialism". *NATIONAL BUREAU OF ECONOMIC RESEARCH (NBER Working Paper No. 30582)*.

<https://doi.org/10.3386/w30582>

Frankema, E., & Waijenburg, M. V. (2012). Structural Impediments to African Growth? New Evidence from Real Wages in British Africa, 1880–1965. *The Journal of Economic History*, 72(4), 895–926.

<https://doi.org/10.1017/S0022050712000630>

Fenske, J. (2011)[2]. Land tenure and investment incentives: Evidence from West Africa. *Journal of Development Economics*, 95(2), 137–156. <https://doi.org/10.1016/j.jdeveco.2010.05.001>

PBS. (n.d.). Chronology: The roots of genocide. *FRONTLINE*. Retrieved from

<https://www.pbs.org/wgbh/pages/frontline/shows/rwanda/etc/cron.html>