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## **The Sources of Variation in Empirical Statehood**

The impact of assimilation and ethnic group rights on patterns of taxation in a sub-Saharan African comparative perspective

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### **Abstract**

Despite great similarities among modern states in terms of juridical statehood, empirically, states still vary a lot in terms of how successful they are in governing their societies. This study asks how we can understand this variation in empirical statehood. More in specific, it asks how we can understand variation in patterns of taxation. The study concludes that nationally distinctive patterns of taxation can in part be understood as a result of contrasting definitions of the national political community, specified during formative periods of state development in key legal and policy documents. More specifically, building on the argument that a shared national identity is decisive for solving collective action problems such as the one of taxation, the study contends that the degree to which the national political community was officially recognized as being ethnically diverse at the time of independence in Botswana, Zambia, and Uganda influenced notions of 'us' and 'them' and, ultimately, the ability of these states to collect income taxes in the post-independence period.

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## **Juridical and empirical statehood in comparative perspective**

Today almost all states are, or at least claim to be, nation-states. As such, they subscribe to the legitimating doctrine of national sovereignty and claim to derive state power from, as well as exercise it for, a nation. Yet, despite great similarities in terms of juridical statehood, empirically, states vary a lot in terms of how successful they are in governing their societies. In fact, states today are more varied in their capacities and capabilities than they ever were (Rotberg 2003: 2). As a result, real states vary considerably in how closely they fit Max Weber's ideal type of a state, understood as an organization that, at least in part through a monopoly of violence, has the authority to make and implement the binding rules for all the people in a given territory.<sup>1</sup>

This article asks how we can understand this variation in empirical statehood and, more specifically, how we can understand the varying abilities of states to collect taxes. Taxes have been argued to be the prerequisite for any governance as such (Lieberman 2003: 6). It has moreover been argued that there is no better measure of a state's reach than its ability to collect taxes (Migdal, Kohli & Shue 1994; Herbst 2003). States that have been able to regularly collect taxes from a wide range of societal actors have generally also been able to govern effectively in a wide range of other areas, while the inability of a state to generate significant revenue through taxation has often been a precursor to state failure, or even collapse (Alesina & La Ferrara 2000; Bergman 2003; La Porta 1999; Lieberman 2003; Tilly 1990). Especially income taxes have been linked to cooperative state-society relations and increased state capacity (Schumpeter 1991 (1918); North & Weingast 1989; Tilly 1990). Such taxes are paid to the state directly by individuals and firms. They are also among the most progressive, most difficult to administer, and least required of any government revenue streams (Lieberman 2002; Stern & Burgess 1993; Peters 1991). In addition, since the collection of income taxes is a comparatively very visible form of taxation, the collection of such taxes reflects the degree to which citizens cooperate and "quasi-voluntary" comply with tax demands too. In fact, mainly because of their visible character, throughout history state leaders attempting to collect income taxes have been highly dependent on the willingness of citizens to pay (Lieberman 2001).

In the article, I advance the argument that the degree of quasi-voluntary compliance in a society and, as a consequence, the varying ability of central states to collect income taxes

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<sup>1</sup> See Migdal 1988 for a similar understanding of Weber's definition. In more exact terms, Weber understands the state as "a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory" (Weber 1946: 78).

as a share of GDP, at least in part depend on the ways in which the formal criteria for citizenship get officially defined during formative periods of state development. More specifically, the argument put forward in this article emphasizes the importance of the degree to which states officially recognize ethnic diversity in key legal and policy documents during formative periods of political change for understanding varying notions of ‘us’ and ‘them’ and, ultimately, varying taxation outcomes.

The study contributes with novel insights in several respects. Most importantly, the empirical investigation – a historical comparative case study of Botswana, Zambia, and Uganda – reveals that there is an unambiguous causal relationship between the number of ethnic cleavages (i.e. regional, tribal, and linguistic cleavages) that are officially recognized during formative periods of political change, the construction of notions of ‘us’ and ‘them’, and sub-sequent taxation outcomes. More specifically I demonstrate how the general reluctance of Botswanan elites to recognize pre-existing ethnic cleavages at the time of independence eventually allowed for the development of a comparatively stronger sense of a shared national identity and, consequently, a comparatively greater ability to collect income taxes as a share of GDP. In Zambia, on the other hand, the recognition of ethnic group rights along multiple ethnic cleavages (tribe, region, and language) at the time of independence led to an outcome characterized by a comparatively rather complex dynamics of ethnic self-definition and ascription. While ethnicity matters for politics, ethnic identities are not necessarily indivisible. As such, they do not constitute an absolute threat to the identification with and support for the nation state. This partly also explains Zambia’s middle position in terms of taxation capabilities. Finally, I demonstrate how Uganda – once known as the ‘Pearl of Africa’ – to a comparatively greater extent leaned upon a one-dimensional multicultural framework, recognizing primarily regional differences through the adoption of a federal political system within the framework of which some tribal territories gained full federal status and others semi-federal status. Despite attempts later on to reduce the political impact of regional cleavages, such cleavages have continued to be the most important bases for political mobilization in Uganda throughout the independence period. Partly because of this, the Ugandan state remains a comparatively very weak income tax collector.

In sum, the results of the study reveal the comparative advantage of assimilation over multicultural approaches towards citizenship when it comes to promoting a shared national identity and, ultimately, the ability of states to collect income taxes. This is because, within assimilative political systems, individuals are more willing to pay since they are comparatively more confident that ‘they’ will not enjoy the benefits of state action more than ‘us’. Yet, the study also shows that a multicultural approach which recognizes a larger number of ethnic cleavages (i.e. a multi-dimensional multicultural approach) still promotes less conflict along ethnic lines and hence a greater willingness among the population to pay income taxes than does a multicultural approach recognizing only one

dimension of ethnicity (i.e. a one-dimensional multicultural approach). In other words, if a state chooses to pursue a multicultural approach over an assimilative one, the results of the study reveal that a multicultural approach which recognizes only one ethnic cleavage is considerably more crippling when it comes to promoting a shared national identity and quasi-voluntary compliance than is a multicultural approach which recognizes a larger number of ethnic cleavages. This is because, within multi-dimensional multicultural frameworks, barriers to in-group membership are more permeable and fluid than they are within one-dimensional multicultural frameworks. As such, while individuals in one-dimensional multicultural polities in comparison do not perceive tax payment as very beneficial or rational, in multi-dimensional multicultural frameworks, individuals have a harder time finding out whether it is actually very wise not to support state demands for taxation, making individuals in such polities more inclined to willingly comply with tax demands compared to individuals in one-dimensional multicultural polities. As such, the results at least partly contradict the prevalent assumption that ‘the more multiculturalism, the worse’. Furthermore, by providing evidence that the *number* of ethnic cleavages officially recognized is comparatively more important to subsequent social and political developments than the *type* of cleavages recognized, the results challenge the commonly put forward assumption that some types of ethnic cleavages are more indivisible than others and hence more of a threat to the nation-state project. Finally, by demonstrating the pervasive impact of early official manifestations of ethnic diversity – as ultimately specified in key legal documents and policies during the formative years around independence in Botswana, Zambia, and Uganda – on patterns of political competition between ethnic groups and, ultimately, taxation outcomes, the study provides a strong defense of historical institutionalism.

The remainder of this article examines this argument further through a comparative analysis of the relationship between state-promoted definitions of the national political community during formative years of state development, the construction of notions of ‘us’ and ‘them’, and taxation patterns in Botswana, Zambia, and Uganda. It begins by considering the limitations of several possible explanations to account for the variation in income tax collections between different countries. It then proceeds to investigate the main argument more in detail as it explores how official definitions of the national political community in Botswana, Zambia, and Uganda at the time of independence have influenced notions of ‘us’ and ‘them’ in the post-independence period and, ultimately, the ability of the state executive to gain quasi-voluntary compliance with tax demands.

## **National patterns of income tax collection**

The focus of this comparative study on taxation is Botswana, Zambia, and Uganda. The reasons for choosing these three cases are twofold. First, despite great similarities in terms

of patterns of taxation before independence, today, the three cases provide the differences in tax regimes – primarily measured by central government income tax collections as a share of GDP – that could enrich the theory of taxation. Secondly, with the point of departure in widely acknowledged theories about the relationship between natural resource abundance and taxation, the three states of concern vary in quite an unexpected way. According to such theories, we should expect states rich in natural resources like oil, gas, and minerals to be characterized by lower levels of taxation than states less rich in natural resources.<sup>2</sup> The underlying reasons for this negative relationship between unearned income and taxation outcome are at least twofold. To begin with, since states that gain substantial incomes from external sources do not rely on domestic taxes for their survival and/or for public goods provision, the incentives for such states to establish cooperative relations to their societies are not very strong. In fact, a large number of studies have rather pointed at a positive relationship between rentier income and non-accountable, even authoritarian, rule (Karl 1997; Ross 1999). In other words, there seems to be a strong relationship between taxation and the *vertical* social contract between states and their societies as captured in the American revolutionary dictum: “No taxation without representation” (Yates 1996). Secondly, abundance of natural resources has been argued to weaken the horizontal social contract between citizens too since different groups want to benefit from the natural resources to the greatest extent possible. In line with this argument, a large number of studies relate the abundance of natural resources to intra-state conflict, and even civil war (Collier & Hoeffler 1998; 2004). That is, abundance of natural resources seems to weaken the willingness among the population to cooperate around national development goals and to redistribute resources, in the end constraining the state in its demands for progressive forms of taxation (such as income taxation). Yet, quite contrary to what theory predicts, while compared to Zambia and Uganda, the Botswanan state today stands out as the one depending most heavily on unearned income from natural resources (mineral export constituted 35.1 percent of GDP in 1995) (Ross 2004), it has still successfully avoided the resource curse and been able to establish a social contract between the citizens and the state, as well as between citizens, that allows it to extract a comparatively large amount of taxes, especially in the form of progressive individual and corporate income taxes. As a result, Botswana today defies the picture of

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<sup>2</sup> The concept of the rentier state and the relationship between unearned income, state-society relations, and taxation was first postulated by Hossein Mahdavy with respect to pre-revolutionary Pahlavi Iran in 1970 (Mahdavi 1970). The idea has since been appropriated especially by a community of Middle East Specialists in their discussion of the Arab world. However, more recently, the discussion on rentier states has also been extended outside the Arab world (for excellent reviews of the rentier state literature, see Cooley 2001; Ross 1999).

the 'weak' African state and is considered a success case not only in African comparison, but also by global standards. In fact, Botswana has one of the most effective and progressive tax systems of all the former British colonies in the region with a total tax-to-GDP ratio of 32 percent and income tax collections mounting up to a total of 26.4 percent of GDP (World Bank 2005b; 2005a). Quite contrary to Botswana, Uganda – the only country in the sample not being a highly mineral-dependent state<sup>3</sup> – experienced a long period of political violence and state failure after independence and even today the country remains an archetype of the weak state. In terms of taxation abilities, Uganda is far below the sub-Saharan African average with total tax revenues mounting up only to about 10 percent of GDP, and income tax collections to about 2.4 percent of GDP (World Bank 2005a). Compared to the tax systems in Botswana and Zambia, the Ugandan tax system is in addition considerably more regressive. Finally, Zambia falls somewhere in between Botswana and Uganda both in terms of dependence upon unearned income (in 1995 mineral exports constituted 24.97 percent of Zambia's GDP) (Ross 2004) and taxation abilities. Zambia hence provides a good example of a middle-range case, not only in a comparison between the three countries of interest for this study, but in a comparison of all the former British colonies in sub-Saharan Africa. Today, total tax revenues in Zambia amount to about 18 percent of GDP, and income tax collections to about 7.2 percent of GDP (World Bank 2005a).

In sum, the three cases chosen for this study run the gamut of possibilities from one comparatively very weak tax state, Uganda, to one relatively strong tax state, Botswana, Zambia falling somewhere in between.<sup>4</sup> Accordingly, if the degree to which citizenship is associated with ethnic group rights matters for how notions of 'us' and 'them' get constructed and sub-sequent taxation patterns, we should expect the respective states to have officially recognized ethnic diversity to a varying degree at the time of independence. That is, the three states should vary in terms of the number of pre-existing ethnic cleavages (i.e. linguistic, regional, and tribal cleavages) that were officially recognized at the time of independence. However, to be able to assess the explanatory power of the account put forward in this article to why states vary in terms of taxation outcomes, we need to know more about the explanatory power of potential alternative explanations. In the next

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<sup>3</sup> According to Ross's classification, countries that have mineral exports worth more than 5 percent of GDP are referred to as mineral-dependent countries while countries with mineral exports worth more than 20 percent of GDP are referred to as highly mineral-dependent states (Ross 2004).

<sup>4</sup> On average, the GDP-to-total tax ratio in sub-Saharan Africa is around 21 percent, compared with the OECD average of about 32 percent (Fjeldstad & Rakner 2003; Kangave 2005). Between the years 1999 and 2003, average central government income tax collections as a share of GDP in sub-Saharan Africa were 7.1 percent.

section, I consider several possible alternative determinants of the varied taxation patterns described above – including economic, cultural, and state-centered factors. I also demonstrate the limited explanatory power of these factors alone when it comes to accounting for cross-country variation in taxation outcomes.

## Earlier approaches towards taxation

This section considers several alternative explanations to why states vary in terms of the ability to collect taxes. I argue that the potential alternative explanations can be divided into mainly four, not necessarily exclusive, categories. The *first* category includes explanations which fail to fully account for cross-country variation in taxation outcomes because they lack a consistent theory about the relationship between the specific explanatory factor they refer to and varying taxation outcomes. The *second* category on the other hand includes approaches which fail to fully account for cross-country variation in taxation outcomes because the specific explanatory factor they refer to is part of the same puzzle as is taxation, or because it is the result rather than the cause of varying taxation outcomes. The *third* category includes approaches which fail to account for cross-country variation in taxation outcomes because of methodological limitations. Finally, the *fourth* category includes approaches which can account for some of the variation in taxation outcomes, but fail to account for the variation in taxation outcomes among the three countries of specific concern for this study. In sum, the section reveals that while some prevailing theories of the political economy of taxation can account for common, over-time patterns of income tax collection, critical differences in the trajectory of those collections remain unexplained, providing room for alternative hypotheses.

In the *first category*, we find *cultural explanations*, as well as arguments emphasizing the important influence of *group size* and *regime type*. What these explanations share is that, while they at a first glance might seem fairly reasonable, they are often most impossible to test empirically because of theoretical limits. There are several reasons for this. First, with regard to cultural approaches – i.e. approaches arguing that political culture (defined as “shared values legitimating desired social practices”) determines the tax systems different countries adopt (Webber & Wildavsky 1986) – their lack of explanatory power can be argued to result from at least three major theoretical weaknesses. To begin with, the concept ‘culture’ has itself been criticized a lot. What does it really mean? Furthermore, as a result of the vagueness and indistinctiveness of the key concept culture, it has been hard to use culture as an analytical tool. Instead, culture has often been argued to be the “black box” that explains outcomes when other explanations fail (Campbell 1993; Lieberman 2003). Finally, cultural approaches have generally had problems in terms of specifying the specific causal mechanisms involved (Campbell 1993). As a result, they have been criticized for not being able to separate cause and effect (Lieberman 2003). If patterns of

taxation or patterns of compliance are described as tax cultures, then culture cannot be said to explain patterns of variation since this would be true by definition.

The inconclusiveness of explanations emphasizing group size and regime type on the other hand lies in the failure to explain how the two factors respectively actually relate to varying taxation outcomes. For instance, while some would argue that the administrative costs of collecting taxes are higher in countries where there are more people than in countries with smaller populations and that it might be easier for smaller groups to solve collective action dilemmas than it would be for bigger groups (Olson 1965), others would argue exactly the opposite, taking their point of departure in theories emphasizing the economies of scale.<sup>5</sup> This theoretical inconclusiveness in turn leads to difficulties in terms of how to interpret found empirical relationships between group size and taxation outcomes. Should the fact that the smallest country, i.e. Botswana, collects the largest amount of income taxes as a share of GDP be interpreted as an extreme case of success or is it what we should expect from theory? Before there is any consensus on this matter, the argument holding that group size matters for collective action does not help us much in our analysis.

Arguments emphasizing the important impact of regime type in a similar way fail to provide any robust theoretical framework that can help us understand empirical correlations between varying regime types and taxation outcomes. On the one hand, some stories suggest that, if rulers are revenue maximizers and if the bargains formed in representative government allow rulers to extract more revenue than would otherwise be the case, then democracies should have higher levels of taxation than authoritarian regimes. It has moreover been argued that democratic institutions may have a direct influence on the quality of state-society relations by establishing mechanisms of rewards and sanctions, and an indirect influence by helping individuals governing themselves by providing information, technical advice and alternative conflict resolution mechanisms that are conducive for the development of cooperative state-society relations (Ostrom & Ahn 2001). Yet, on the other hand, other stories suggest that authoritarian regimes are much better at disregarding public pressures and conflicting interests within societies and hence able to collect taxes more effectively since they are not as reluctant in terms of using more coercive means. In addition to this theoretical inconclusiveness, the regime

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<sup>5</sup> In fact, both the small population and the small scale of many African countries have commonly been cited as a structural problem. For instance, Stock has complained that “there are forty-six independent states, some of which are too small to be considered economically viable” Stock 1995: 15. Similarly, Alesina and Spolaore have noted that “any model with increasing returns in the size of the economy implies increasing returns in the size of the countries (Alesina & Spolaore 1997: 1029, see also Alesina & Spolaore 2003).

type approach is empirically inconclusive too. As such, while there is some empirical evidence in favor of the argument that democracies are more effective tax collectors than dictatorships (Thies 2004), there is just as much evidence in favor of the argument that authoritarian regimes are more effective tax collectors than are democracies (Fauvelle-Aymar 1999). Yet other evidence suggests that there is no *independent* effect of regime type on the amount of taxes collected by governments whatsoever (Cheibub 1998).

The regime type explanation can be argued to fit also into the *second category*, i.e. among the factors that fail to fully account for cross-country variation in taxation outcomes because they are themselves part of the puzzle that needs to be explained or since they are the result rather than the cause of varying taxation outcomes. As regards the argument that regime type matters for taxation outcomes, at the time of independence, hopes were high in terms of the prospects for democratic development in all three countries in focus of this study. Yet, over time, the situation has changed and Botswana is today ranked as the most democratic country, followed by Zambia and, lastly, Uganda. In other words, there seems to be reason to believe that democratic development to a certain extent requires the *previous* consent of the community. That is, the explanation put forward in this article of why states vary in terms of tax capacity may very well be an important factor accounting for the development of varying regime types too.

Other theories fitting into this second category would be theories emphasizing the positive effects of a *large public sector* and *general welfare programmes* on taxation outcomes (Levi 1988; Rothstein 2003). This is because one of the necessary prerequisites for welfare programs in general, and universal welfare programs in particular, is exactly a significantly large tax capacity. Universal welfare programs are expensive and, as a result, most societies that have them have a strong tax capacity too. What seems to be at stake if we want to further understand varying levels of taxation is then rather how some countries managed to collect the taxes necessary to develop any welfare programmes whatsoever. In this article, I argue that what advocates of the welfare state approach have in general been inclined to dismiss is the fact that the establishment of a welfare state (or a quid-pro-quo of taxation), similar to the establishment of democratic institutions, to a certain extent requires the *previous* consent of the community. Before reaching a solution in terms of who belongs to the national political community and on what terms, it is difficult to establish welfare programmes since they in themselves demand a large amount of cooperation.

Yet another approach which can be argued to at least partly fit into the second category is the *bellicist approach*. Given that Western Europe's early experience with the expansion of taxation began with inter-state war, a large number of studies have put forward the argument that war is a great stimulus to taxation (Mann 1988, Tilly 1985; 1990; Herbst 2003). Yet, while the explanation of why states vary in terms of taxation outcomes put forward in this study indeed attributes importance to both inter- and intra-state conflict, the limits of the bellicist approach when it comes to explaining variation in

taxation outcomes across Botswana, Zambia, and Uganda become evident if we consider that – apart from Uganda which experienced the 1978-79 Uganda-Tanzania War – all three countries were under British control during the two world wars. As such, apart from the two world wars, only Uganda has had any real experience of inter-state war. In other words, considering the fact that Uganda is today the weakest tax state of the three countries in the sample, there is little reason to believe that this factor can explain any of the variation in tax regimes (apart from that Uganda would perhaps have had an even weaker tax regime without the war). With intra-state conflict, however, things are different. The dynamics of civil war – the type of conflict most prevalent in younger states – have proved to differ radically from the dynamics of inter-state war that contributed the most to state-building in Western Europe. In fact, at the same time as sub-Saharan Africa is home to most of the armed conflicts in the world today, the region is also home to a large percentage of the world's worst-performing states (Herbst 2003). Also if we consider the three cases in focus of this study, there seems to be a clear negative relationship between intra-state war and tax capacity. Since independence, Uganda has experienced significant intra-state conflict in the form of civil war while Zambia has experienced conflict, if not as prolonged and violent as in Uganda. Botswana, on the other hand, has not experienced any violent intra-state conflict at all. Yet, once again, the most interesting thing would be to take one step backward and instead ask why states vary in terms of conflict patterns in the first place. The model put forward in this study provides a framework for the deeper understanding of why varying conflict patterns emerge.

In the second category we also find the notion that a country's *economic structure* has an important bearing on taxation. Especially foreign aid has been argued to impact negatively on the ability of states to carry out basic state functions (Bräutigam 2000; Goldsmith 2001; Moore 1998). Yet, if we consider the three countries in focus of this study, the thesis that foreign aid has an adverse effect on taxation abilities does not find much support. Rather, overtime data reveal that if we are to consider any potential relationship between dependency on foreign aid and taxation abilities, we should expect weak states to attract foreign aid and not the other way around. At the time of independence, Botswana was a comparatively very poor country, and in fact the only country of the three countries of concern for this study that was dependent on foreign aid (i.e. net development assistance to the government was greater than 10 percent of GNP, (Goldsmith 2001) The state with the second greatest ability to collect taxes in the sample, i.e. Zambia, did not become aid dependent until between 1980-89, and at this point Botswana was no longer in the group of aid-dependent countries. Uganda, today the weakest tax state in the sample, became aid dependent first between the years 1990-97, and has, like Zambia, remained so up to today (Goldsmith 2001). That is, while a relationship between foreign aid dependence and (tax) state capacity may very well exist, with reference to the three countries of interest for this study, the causal relationship seems to run in the reverse direction to what has commonly

been assumed. That is, states receive foreign aid because they are weak and hence not able to mobilize internal resources.

In terms of the *third category*, i.e. approaches which fail to account for cross-country variation in taxation outcomes because of methodological limitations, we find theories emphasizing the positive effects of trustworthy state institutions (Levi 1988; 1997). According to such theories, citizens are less likely to meet their tax obligations quasi-voluntarily if they believe that public resources are being used for private or narrow gains. However, while the idea that trustworthy state institutions affect the ability of states to solve national collective action dilemmas positively is indeed very attractive, such an explanation still faces problems. More specifically, while it seems reasonable that perceptions of corruption or the perception that one's interests are not being considered, as well as the perception that other peoples' interests are to a larger extent looked after compared to ones' own, are likely to make the government seem less trustworthy – in the end justifying evasion – studies focusing on these aspects of public policy face problems when it comes to explaining cross-country variation. In the studies that put forward corruption and similar factors as the explanation to cross-country variation in tax regimes, it is often presumed that the higher the level of corruption and the lower the level of trust in absolute terms, the lower will the state's ability to collect taxes be, since the less quasi-voluntarily citizens will comply with taxes. Such an analytical framework is, however, most problematic in at least one sense since it, as forcefully argued by Lieberman, completely neglects the fact that people seem to be more sensitive to changes in their own environment than these studies do actually presume (Lieberman 2003). That is, a comparatively small increase in the levels of corruption in a state with already high levels of corruption will probably lead to quite a different outcome in terms of compliance with tax demands compared to a similar change in the level of corruption in a less corrupt state. On the other hand, a state that makes improvement despite comparatively high levels of corruption, can still increase levels of quasi-voluntary compliance. It has furthermore been proven that transparent institutions may lead the average citizen to perceive higher levels of corruption and/or lower levels of trustworthy and credible behavior on the part of the government (Lieberman 2003). That is, while perceptions of corruption and trustworthy and impartial state institutions are likely to influence on people's willingness to comply with government demands for taxation, cross-country studies do not seem to be very well-suited to capture these aspects of taxation. Rather, as suggested by Lieberman, in order to understand the relationship between trustworthy state institutions and taxation outcomes, we should focus on making corruption and trustworthiness endogenous variables in the explanation (Lieberman 2001).

Finally, in the *fourth category*, i.e. approaches which can account for some of the variation in taxation outcomes, but fail to account for the variation in taxation outcomes among the three countries of specific concern for this study, we find for example

*modernization theories* and theories which emphasize the positive effects of *administrative capacity*. Two general empirical observations have been derived from the literature which emphasize the important influence of modernization in taxation outcomes (Peters 1991; Hinrichs 1966; Musgrave 1969). First, there seems to be a positive relationship between modernization and tax revenues in an *absolute* sense. Secondly, there seems to be a positive relationship between modernization and tax revenues in *relation* to the size of the economy (Lieberman 2003). In addition, while the modernization argument has traditionally been put forward to explain cross-national variation in *levels* of taxation, economic development has moreover been argued to be an important factor when trying to account for cross-national variation in tax *structures*. According to this latter argument, the least developed countries rely more on taxes that are easy to administer but not very productive and efficient, such as tariffs and excise, while the reliance on direct income taxation tends to increase with the level of economic development (Peters 1991). Thus, in sum, according to the modernization argument, the level of economic development in the end explains both the level and the structure of tax revenue (Fauvelle-Aymar 1999; Burgess & Stern 1993).

However, despite great convergence along similar modernization paths, persistent and even increasing differences in taxation outcomes have been discovered in more recent comparative public policy studies (Lieberman 2003). That is, while varying degrees of modernization can potentially explain some of the variation in taxation outcomes and structures, it cannot possibly account for all the variation. These limits of modernization theory become evident even if we consider only the three cases of concern for this study. As such, while Botswana had both the highest level of modernization as measured by GDP per capita and collected the greatest amount of income taxes as a share of GDP between 1999 and 2003, Uganda collected less income tax as a share of GDP than did Zambia despite the fact that Uganda had a higher GDP per capita level during the relevant period.<sup>6</sup> In addition to the evidence against modernization theory provided by the cross-country comparison, over-time evidence too suggests that there are certain limits in terms of how far the modernization thesis can be stretched. Especially the Zambian and Ugandan cases provide good evidence that economic growth is not necessarily related to greater taxation abilities and the expansion of the tax base. Since 2000, Zambia's economy

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<sup>6</sup> While Botswana had an average GDP per capita of \$8763 between 1999 and 2003, it collected 26.4 percent of its GDP as taxes on income and profits during the same period. Uganda, on the other hand, had an average GDP per capita of \$1189 and income tax collections mounted up to only 2.4 percent of GDP. Finally, Zambia had the lowest degree of modernization at the time with a GDP per capita of \$807, but still managed to collect more income taxes as expressed as a percentage of GDP; 7.2 percent.

has grown by 4.4 percent on average with no increase in the tax-to-GDP ratio, indicating that the Zambian Revenue Authority has not been able to participate in the expanding economy (von Soest 2006). The same pattern exists in Uganda (Rakner & Gloppen 2002). As such, in sum, even though modernization theory has traditionally been able to explain much of the variation in tax regimes, there are certainly limits to the theory's explanatory power with regard to the variation in taxation outcomes among the three cases in focus of this study.

Finally, much of the public finance literature identifies the poor technical quality of administration in developing countries as the root of high levels of tax evasion. In addition, authors of multiple prominent case studies on the development of tax systems and tax reform around the world have emphasized the importance of a well-functioning, well-trained bureaucracy for achieving high levels of tax collection. The implication of such arguments is that it is possible to improve the performance of collections by reforming the technical skills of the state bureaucracy (Kangave 2005; Taliercio 2004). However, this argument faces resistance given that, at the time of independence, especially Botswana had a serious shortage of qualified personnel which, in turn, had fundamental repercussions on the public administration (Acemoglu, Johnson & Robinson 2003). In addition, Botswana was the only territory in the world whose administrative center lay beyond its territorial boundaries during the colonial period (Best 1970). As such, at the time of independence, Botswana lagged behind both Zambia and Uganda in terms of administrative capacity. Over the last couple of years, however, all three countries of concern have undergone significant administrative reforms with regard to the tax system. More specifically, they have employed what is commonly referred to as semi-autonomous revenue authorities, responsible for collecting government taxes.<sup>7</sup> Yet, while the introduction of semi-autonomous revenue authorities have to some extent helped produce more effective tax collection institutions, at least Zambia and Uganda have followed about the same pattern as have most other countries to which the semi-autonomous revenue system has been introduced. That is, there has been an initial success with tax revenues rising, and then stagnation. The fact that both Zambian and Ugandan

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<sup>7</sup> With the introduction of semi-autonomous agencies, the collection of revenue as a core state function was outsourced from the traditional public administration for at least three reasons. First, a semi-autonomous revenue authority has been argued to limit political interference in tax matters. Secondly, it has been argued to have the potential to attract and retain more competent staff compared to a public revenue authority since it can offer better remuneration to the staff than civil service. Thirdly, it was hoped that higher pay would motivate staff and reduce corruption of tax officials. Since the employees of the semi-autonomous revenue authorities are still being public servants, they are not completely run as enterprises which would make them fully autonomous (compare Rakner & Gloppen 2002; Rakner & Gloppen 2003; Kangave 2005: 148).

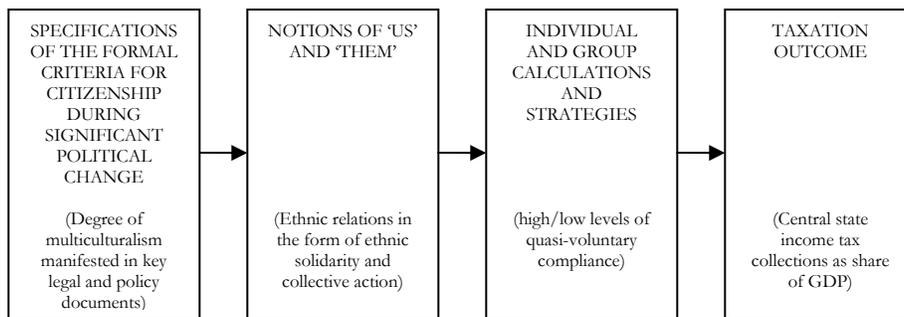
revenue collections seem to have reached a plateau despite significant administrative reform supports another critique that can be directed towards the administrative efficiency explanation, namely that technical skills should be seen as a necessary but yet far from sufficient basis for collection (Lieberman 2003). As argued by Lieberman, in a context in which evasion and false reporting are the norm, the most skilled and efficient administration would still find it difficult to collect taxes since society plays at least as an important role as the state in the process of tax state development (Lieberman 2003).

In sum, while many earlier approaches aiming to explain varying taxation outcomes across countries have produced a large number of important insights, there is still a lot of variation that needs to be explained. Given the limits of earlier approaches to fully understand cross-country variation in taxation outcomes, this article considers the role played by other factors as well and, more specifically; the impact of the degree of official multiculturalism specified in key legal and policy documents during formative moments of state development. In the next section, I develop this argument further.

## The argument

The argument developed in this article is a historical institutional argument in the sense that it highlights the important role played by the formal criteria for citizenship – articulated by national elites during formative periods of state development, so called ‘critical junctures’ – in shaping notions of ‘us’ and ‘them’ and, ultimately, taxation outcomes. More specifically, if the formal boundary of the national political community is an issue that manifests itself in the answer to three questions: Who is a citizen? Among citizens, who has what privileges? And whose norms and practices (i.e. identity) are symbolically aligned with those with the state? (Horowitz 1993), this article focuses on the third question. As such, it explores the impact of the degree of multiculturalism codified in key legal and policy documents during periods of significant political change on subsequent developments of notions of ‘us’ and ‘them’ and, eventually, taxation outcomes (see Figure 1).

Figure 1. The analytical model



According to the tenets of institutional theory, as the highest level definition of the nation (in a hierarchy of possible definitions of the nation advancing from how the public, elites, mainstream parties, and the state ‘imagine’ the nation), the formal criteria for citizenship is frequently at the heart of the idea of a community and should hence be intimately connected with sets of common values and a shared identity. As such, they should provide an extraordinary opportunity for the state to tie people to specific geographic entities, as defined by territorial boundaries. That is, the formal criteria for citizenship have the potential to serve as what Brubaker has called a ‘powerful instrument and object of social closure’ of the nation-state (Brubaker 1992). Furthermore, depending on how citizenship gets defined, the formal criteria for citizenship have the potential to serve as a powerful instrument and object of social closure *within* the nation-state. That is, depending on how the ethnic boundaries of the national political community are drawn, certain identities – including regional, tribal, and linguistic ones – are more likely to become politically salient than others (Lieberman 2003). As argued by Posner, this is not necessarily the product of some passive psychological process, but could also be the result of deliberate decisions designed to maximize material and/or non-material payoffs (Posner 2005). Accordingly, the specification of ethnic group rights in the form of official state documents and policies are likely to provide a strong set of incentives for political entrepreneurs and individual citizens to make claims based on such identities. In the same vein, when particular identities or cleavages are ignored in the definition of the national political community, they are much less likely to become politically mobilized (Lieberman 2003).

Since the most prominent characteristics of the national political community are defined during comparable periods of significant change, so called critical junctures, they have according to the historical institutional perspective the potential to cast a long shadow on the future, even after the initial conditions have changed (Lieberman 2003; Goldstone 1998). This potentially happens via a variety of different channels (apart from the specifications in the constitution, various laws, and national policies), including the media, museums, the census, and maps (Anderson 1983; Lieberman 2003). Because of the costs of inventing new bases for political mobilization are likely to be high, political entrepreneurs have strong incentives to preserve existing patterns of political organization. The idea that some people are insiders and some outsiders, that some groups are allies and some are adversaries, hence becomes a natural part of political life in a given society, shaping reactions and counter-reactions to particular political orders. As such, once an ethnic identity has become politically salient, the state has not always the power to easily dismantle its creation (Lieberman 2003). Accordingly, the formal criteria for citizenship as defined by national elites during formative periods of state development may ultimately function as a hegemonic power, understood as “the political forging and institutionalization of a pattern of group activity in a state and the concurrent idealization

of that schema into a dominant symbolic framework that reigns as common sense” (Laitin 1986).

In this article I argue that, by structuring the organization of political parties, political organizations, as well as of the political discourse more generally, institutions regulating the official manifestation of ethnic diversity help give meaning to ethnic interests and ideas which could otherwise aggregate in multiple alternative forms and configurations. Politically salient ethnic labels in turn provide a basis for discussions about fairness and equity that are central within the process of political competition. As such, varying official manifestations of ethnic diversity provide a starting point for individual and collective actors to evaluate the likely benefits of complying with government demands for taxation (Lieberman 2002). According to existing theory, the more individuals identify politically with the smaller ethnic community rather than the larger national community, the less likely they will be to quasi-voluntarily comply with tax demands. This is because the political identification with ethnic groups implies a more exclusionary set of views regarding who to trust, a decreased willingness to contribute to the welfare of ‘others’, preference divergence across groups, and difficulties to cooperate across groups because of the use of different languages and codes of conduct (Habyarimana et al. 2007; Miguel 2004). Ethnic conflicts can in this sense be interpreted as struggles for the collective goods of the nation-state (Wimmer 1997). As such, “the socially enacted relationship between ethnic identity, authority, and legitimacy competes with the legally sanctioned membership, authority, and legitimacy of the nation-state” (Ndwesa 1997: 602). In the end, since, within the public economy, individuals are more willing to pay when they are confident that “our” group will enjoy the benefits of states action, if there is political ground for believing the state will potentially transfer benefits to “them”, or if the barriers to in-group membership are permeable, citizens are less likely to perceive tax payment as a beneficial or rational move (Lieberman 2001). That is, everything else being equal, citizens will be more willing to quasi-voluntarily comply with tax demands if the state can make credible promises that the money will go to “us” either in the near-term, or to the in-group’s offspring (Lieberman 2001). However, while communitarians and liberals have time and again engaged one another in discussions over the importance of individual and group rights as means to forge solidarity among culturally diverse populations, on the whole, quite few systematic comparisons have been conducted on the subject. In addition, the relatively few studies that have been conducted tend to point in contradictory directions (for a similar critique, see (Kymlicka & Banting 2003; Miguel 2004; Horowitz 1985). As a result, we still have a poor understanding of which approaches towards citizenship have the greatest potential to generate a sense of ethnic and social solidarity. The aim of this study is to fill some of this empirical gap. In the next section, I turn to the empirical analysis.

## **Degree of official multiculturalism in Botswana, Zambia, and Uganda at the time of independence**

In order to evaluate the theoretical argument developed in this study, i.e. that cross-country variation in the degree of multiculturalism recognized in key legal and policy documents during formative periods of state development, can account for cross-country variation in taxation outcomes, it is necessary to identify the periods when modern definitions of the national political community were forged in the three countries in focus of the study. In all three countries, independence paved the way for constitutional negotiations and, ultimately, new constitutions. For the first time in history, African elites were now able to define who should belong to the respective national political community, and on what terms. The constitutional conventions took place in London and were in all three countries characterized by consultations between the Colonial Office and local ministers and officials (Hatchard, Ndulo & Slinn 2004). In all three countries, these periods of constitutional negotiations were critical junctures during which Botswanan, Zambian, and Ugandan political elites peacefully engaged in the process of specifying definitions of the national political community. For constitutional planners, legacies of colonial rule rendered the project of establishing clear and cohesive criteria for citizenship extremely difficult. Specifically, mainly as a result of British policies of indirect rule, tribal-territorial cleavages created political fault lines that risked threatening national cohesion and, as such, stood in the face of the very notion of nationhood. As Geertz wrote upon observing the lack of integration of the “new states” of the Third World, “we have not just competing loyalties, but competing loyalties of the same general order” (Geertz 1973: 261). All three societies were in addition characterized by significant linguistic diversity. In all countries there was furthermore widespread fear that one specific politically and economically dominant grouping would come to dominate the political arena after independence. In Botswana, it was Tswana dominance that was feared, in Zambia Bemba dominance, and in Uganda Baganda dominance.<sup>8</sup> Since in all three countries political and economic power was vested in one particular, well-defined ethnic group – sharing a common language, culture, as well as a common regional and tribal identity – at the time of independence, if the newly independent states were to be able to build a strong tax capacity, it was of great importance that they managed to tie these groups to their territory. Yet, since a state’s failure to gain the support of even the most remote villages

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<sup>8</sup> However, in neither of the countries, these politically and economic dominant majority groups formed a numerical majority.

negatively affects its ability to govern (Migdal 1988), it was also important that the support of political and economic majorities was not gained at the expense of the support of other, less-advantaged groups. As such, the situation in Botswana, Zambia, and Uganda did not differ much from the situation in most other former colonies. As described by Horowitz: “Everywhere the word domination was heard. Everywhere it was equated with political control. Everywhere it was a question of who were the ‘real owners of the country’ and of who would rule over whom” (Horowitz 1985: 189). Given the great similarities in terms of ethnic relations in Botswana, Zambia, and Uganda at the time of independence, there was as such all reason to expect that the three states would promote similar definitions of the national political community in their independence constitutions and ancillary institutions. Yet, despite the similarity of constitutional questions, and the availability of a similar set of options for addressing such questions, elites ultimately constructed very different definitions of the national political community (see Table 1). That is, following the logic of Benedict Anderson’s notion of ‘imagined communities’, leaders constructed very different notions of what it meant to be a member of the respective national political communities. More specifically, while all three countries to some extent aimed to reduce ethnic loyalties through the adoption of neutrality policies which ignored ethnic loyalties altogether, the countries still differ in terms of which approach they pursued alongside this neutrality approach.

**Table 1. Official definitions of the national political community at independence**

		BOTSWANA	Country: ZAMBIA	UGANDA
	TRIBE AND TERRITORY	Pure assimilation with some elements of multiculturalism	Combination of neutrality and multiculturalism	Multiculturalism
Overall approach towards:	LANGUAGE	Combination of neutrality and pure assimilation	Combination of neutrality and multiculturalism	Neutrality with some acceptance of diversity
	SUM-UP: INITIAL COMPARATIVE OFFICIAL APPROACHES TOWARDS ETHNIC DIVERSITY	Combination of neutrality and pure assimilation, with some elements of symbolic recognition of tribal diversity	Combination of neutrality and multi-dimensional multiculturalism (recognition of partly overlapping regional, linguistic, and tribal identities)	Combination of neutrality and one-dimensional multiculturalism (recognition of regional diversity), with some acceptance of linguistic diversity

### *Primarily pure assimilation in Botswana*

Compared to their Zambian and Ugandan counterparts, Botswanan elites were not very eager to recognize the ethnically diverse character of the Botswanan national political community at the time of independence. Rather, the approach adopted favored the assimilation of political minority groups into the Tswana political majority culture. Building one state was, in other words, more or less equivalent to building one nation – the Tswana nation. Within this nation-building framework, political minorities were not prohibited from speaking their own language or engaging in their own cultural practices, but the public sphere clearly reflected the language, interests, everyday practices and dispositions of the Tswana political majority (Solway 2004). According to the same logic, to the degree that the Botswanan elites at all agreed on multicultural policies, it was only to the extent that such policies in the end favored the overarching idea of a shared nationhood based on the Tswana identity.

Several policy choices served to substantiate the consolidation of the Tswana identity as the national identity of Botswana. While chiefly power was significantly reduced in the years following independence through the adoption of a centralized, unitary state structure and through the implementation of a series of legislative and executive measures attenuating the power of the tribal leaders, these measures in effect served to strengthen the position of the Tswana political majority since, while portrayed as neutral, the public sphere by and large exclusively reflected the culture, language, and values of the Tswana. As such, the adoption of the 1965 Chieftainship Act, the 1970 Chieftainship Amendment Act, the 1973 Chieftainship Amendment Act, the 1965 Local Government Tax Act, the 1968 Matimela Act, the 1968 Tribal Land Act, and the 1976 Mines and Minerals Act, all serving to undermine tribal territorial authority from below by transferring chiefly power to the central state, in effect served to strengthen the position of the Tswana.<sup>9</sup> The adoption of Setswana – i.e. the language of the Tswana tribes – as the sole national language to be used in the media, education, and administration alongside the official language English further served to establish the Botswanan state as a Tswana state. Moreover, despite significant centralization Tswana chiefs were as the only chiefs still able to retain certain responsibilities as they continued to administer customary law, resolve

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<sup>9</sup> These acts meant that chiefs were replaced with District Commissioners selected by the national government, made ex-officio members of the District Councils, became subjected to the authority of the state, were appointed by the Minister of Local Government and Lands, were placed in the salary scale of the general administration class of the civil service, lost the authority to levy and collect taxes and the disposal authority over stray cattle, and lost all rights of ownership in minerals to the national government.

personal disputes and grievances, and articulate local interests in the Kgotla. Tswana chiefs were in addition granted advisory powers in both government and parliament issues of national importance through the House of Chiefs. Tribes whose members did not speak Setswana as their mother tongue were not allowed to be represented by paramount chiefs. Instead, they had to be represented by someone who spoke Setswana as a first language. As such, at independence, the ruling party introduced a constitution that enshrined a qualified, somewhat contradictory version of the overall assimilative approach as it contained – and still contains – clauses which fixed continuity in tribal citizenship, but in a highly unequal way, in the end favoring the Tswana at the expense of other tribal groupings (Werbner 2002). Sections 77, 78, and 79 in the Independence Constitution, regulating the rules of the House of Chiefs, continue to be the reality in Botswana even today. In the same vein, the Chieftainship Act of 1965 and the 1968 Tribal Land Act recognized exclusively Setswana-speaking tribes as sovereigns of tribal land. Furthermore, what determined, and still determines, whether a tribe is major or minor according to Botswanan official policy is not the actual number of members, but whether the tribe belongs to one of the eight Tswana tribes and if the members speak one of the eight Setswana dialects (Nyati-Ramahobo 2000). The ways in which the provision of government services became organized after independence further strengthened the position of the Tswana as the real owners of the country since the village capital of the ‘major’ (as in political majority) tribe, i.e. the village capital of Tswana tribes, were treated by the government as the capital of all the other tribes nearest to it. Consequently, it also became the place where government services were delivered and the way in which linguistic and cultural hegemony penetrated the social and economic lives of those tribes that did not speak Setswana as a first language. This official policy allowing for the preservation of the spatial basis of Tswana hegemony, especially the tribal capital, continues to marginalize political minorities within the public sphere even today (Solway 2004: 125). In general, it is against this background that the Botswana government, if yet partly outside the realm of the constitution, up to today continues to promote the assimilation of political minorities into the Tswana language and culture. The nation-building project that was initiated in Botswana at the time of independence was – as will be evident from the discussion in the next two sections – to a comparatively greater extent than its Zambian and Ugandan counterparts premised on the notion that “for the nation to live, the tribe must die” (Berman et al. 2004), at least all but one – the Tswana. The nation-state was as such, and still is, seen largely as the site of ethnic homogeneity in which the main goal is to achieve one language in a politically unified territory and under the rule of one law.

### *In favor of multi-dimensional multiculturalism in Zambia*

Quite in contrast to the Botswanan approach towards nation-building stands Zambia's approach. While alert to the potential dangers that ethnic cleavages can give rise to, Zambia's first president Kenneth Kaunda set out to build 'One Zambia, One Nation', Zambian leaders still chose to officially recognize ethnic group rights along several and partly overlapping ethnic dimensions (regional, linguistic, and tribal) in key legal and policy documents. As such, the Zambian approach tilted considerably more towards multi-dimensional multiculturalism than did its Botswanan and Ugandan counterparts.

In the years following independence, several acts deepened the idea of the Zambian national political community as being made up of several and partly overlapping regional, tribal, and linguistic groupings. While similar to in Botswana significant moves towards centralization were made – for example through the adoption of a unitary state structure, the replacement of native authorities as decision-making agencies in favor of district councils through the passing of the 1965 Local Government Bill, and the passing of the 1967 Chiefs Act which gave the President the unilateral power to recognize or depose any chief in Zambia as he deemed fitting – tribal authorities were still able to retain important sources of power. The Barotseland Agreement – signed on May 18<sup>th</sup> 1964 in London by the Lozi paramount chief (Litunga) and Kaunda – guaranteed that the traditions of the Lozi people would be preserved within the new nation. As such, the Barotseland Agreement gave wide-ranging concessions, if still not the full autonomous status, to the Barotse National Government over wildlife and local government (Public Records Office 1964; Sichone & Simutanyi 1996). Section 4 of the Zambia Independence Act preserved the status of the agreement. Furthermore, after independence the political importance of provinces – and the scale of the economic resources allocated to them – became large enough for provincial administrators to become perceived as potential sources of patronage. Moreover, since, leaving aside the provinces located along the rail line, the provincial boundaries that gained increased political importance after independence by and large overlapped with pre-existing linguistic cleavages, the decentralization of power over political and economic resources to provincial district councils served to recognize linguistic cleavages too (Dresang 1974; Posner 2005). In addition, at the time of independence, in Zambia as well as in most other African countries, tribal and language groups were (and still is) organized in concentric circles, with all the members of each tribal group located entirely within a single language category and each language category containing several different tribal groups. Furthermore, the name of each of the four major language groups in Zambia is the same as the name of the largest tribe in each language coalition (Bemba, Lozi, Tonga, and Nyanja) (Posner 2005). Thus, every Lozi tribesperson, for example, is also a Lozi-speaker, but every Lozi-speaker is not a Lozi tribesperson (Posner 2005). The increased political importance granted to provinces as

such served to recognize not only the political importance of partly new regional and linguistic identities, but it served to recognize the political importance of pre-existing tribal identities too. A large number of other institutions have then further recognized the importance of tribal, regional, and linguistic identities. For example, similar to in Botswana, the independence constitution of Zambia provided for a House of Chiefs which allowed chiefs to retain at least some of their symbolic power even after independence. By establishing a House of Chiefs, the government hoped to create a link to the political legitimacy of the pre-colonial past (Sichone & Simutanyi 1996). However, while membership in the House of Chiefs in Botswana was, and still is, based on linguistic origin (and heavily favors the assimilation of political minorities into the Setswana-speaking political majority), the Zambian allocation of chiefly symbolic power as specified in the independence constitution was based on provincial origin and more evenly balanced between regions. More specifically, the Zambian House of Chiefs consists of twenty-seven chiefs in total that, in turn, “consist of three chiefs elected by the Chiefs [i.e. Paramount Chiefs] from each of the nine provinces of the republic” (Republic of Zambia 1991). In addition to the recognition of tribal and regional diversity in the House of Chiefs, the years around independence furthermore witnessed the concession of tribal rights in continuing attempts to achieve tribal balance in the parliament and on key government positions. For the first years after independence, Zambia was ruled by a government and party whose top officials had been selected with the outspoken mission to achieve a balance between expertise and political support on the one hand, and a representation of all major ethnic groups on the other (Dresang 1974). In addition, national censuses have collected information about the tribal heritage of the population throughout the post-independence period, further strengthening the impression among the population that such identities matter for politics.

In response to the question of how to deal with linguistic diversity, since independence, Zambia has officially (and besides the official language of English) promoted the use of as many as seven different national languages in the bureaucracy and media, as well as for the purpose of education. Furthermore, as previously argued, by giving extended administrative powers to provinces, the government recognized particularly recognized the Tonga-, Nyanja-, and Lozi-speaking groups of the country. As a result of the increased recognition given to provincial identities, in each of these cases, the name of the province and the name of the language group are today used interchangeably in popular discourse: Tonga-speakers are referred to as Southerners, Nyanja-speakers as Easterners, and Lozi-speakers as Westerners (Dresang 1974).

In sum, besides a neutral approach towards nation-building, aiming to integrate the diverse character of the Zambian national political community on the basis of the ethnically ‘neutral’ English language and a unitary state structure, the Zambian state has

since independence officially promoted and recognized ethnic diversity along as many as three ethnic cleavages: regional, tribal, and linguistic.

### ***One-dimensional multiculturalism in Uganda***

The approach that Ugandan leaders adopted at the time of independence tilted considerably more towards multiculturalism than did the Botswanan approach. Yet, while the Zambian state recognized ethnic diversity along three, partly overlapping ethnic cleavages, Ugandan leaders ultimately constructed a solution that alongside neutrality promoted multiculturalism mainly along regional cleavages. Within this one-dimensional multicultural framework, Ugandan leaders adopted an independence constitution that allowed for a pseudo-federal arrangement which gave the kingdom of the southern region of the country – Buganda – full federal status and a couple of other kingdoms pseudo-federal status. In addition, a large number of districts were granted at least some degree of political autonomy. More specifically, chapter 1 (section 2) of the 1962 Independence Constitution reads: “Uganda consists of Federal States, Districts and the territory of Mbale. The Federal States are the Kingdom of Buganda, the Kingdom of Ankole, the Kingdom of Bunyoro, the Kingdom of Toro and the territory of Busoga. The Districts are the Districts of Acholi, Bugisu, Karamoja, Kigezi, Lango, Madi, Sebei, Teso and West Nile” (Government of Uganda 1963). That is, in the 1962 Ugandan constitution, the four kingdom regions in Uganda, as well as the territory of Busoga, kept, or even gained, power in terms of the recognition of some form of power-sharing rights. Each kingdom had a local government made up of chiefs, who reported to the king, and a central government official who was an adviser to the king. In addition, non-monarchical districts that had before independence not been very well-organized, did, soon after independence, and in an attempt to achieve some parity with the kingdoms in terms of federal status, appoint district constitutional heads. As such, at least in a formal sense, the non-monarchical districts too moved one step closer to achieving federal powers (Mutibwa 1992).

In sum, while the Ugandan central government during the first four years of independence did not completely surrender its crucial position with respect to the security, stability and well-being of Uganda in terms of territorial control, it still went quite far in the 1962 Constitution in terms of decentralizing functions and powers, and particularly in the case of Buganda (Rothchild 1964).

In the end, in comparison, the Botswanan state clearly stands out as the state having recognized ethnic diversity the least since it, alongside policies of neutrality, pursued mainly policies of pure assimilation. Zambian leaders, on the other hand, pursued the most radical multicultural approach since they officially recognized diversity along as many as three, partly overlapping, ethnic cleavages; tribe, region, and language besides policies of neutrality. Finally, the Ugandan approach falls somewhere in between the Zambian and Botswanan ones in terms of the number of ethnic cleavages officially

recognized alongside policies of neutrality. That is, in terms of the degree of official multiculturalism, Botswana had the lowest degree at the time of independence, Zambia the highest, while Uganda fell somewhere in between. As will be discussed in the next section, the different solutions that were constructed at the time of independence have, amidst later changes, had a decisive impact on constructions of ‘us’ and ‘them’, and ultimately; taxation outcomes.

### **The Mechanism: Notions of ‘us’ and ‘them’**

Amidst later changes in the initial definitions of the formal criteria for citizenship, the group identities that were officially recognized in key legal and policy documents at the time of independence remain central to political life in Botswana, Zambia, and Uganda even today. More specifically, early definitions of the national political community are largely responsible for the relative salience of certain identities over others, as the political identities that were officially recognized in the past still shape what matters today. In turn, those identities structure organizational development, political idioms, and the political discourse more generally in which calculations and strategies concerning the pro and cons of complying with state demands for taxation are made. In the end, the more individuals came to identify politically with the smaller ethnic community rather than the larger national community, the less likely they have been to quasi-voluntarily comply with tax demands since the political identification with ethnic groups implies a more exclusionary set of views regarding who to trust, an increased unwillingness to contribute to the welfare of ‘others’, preference divergence across groups, and technical difficulties to cooperate across groups.

#### ***Towards a sense of shared nationhood in Botswana***

Botswana’s explicit assimilation of political minorities into the Tswana identity was quite successful in generating a sense of shared national identity compared to the Zambian and Ugandan approaches. As such, since independence, patterns of political competition in Botswana have not to a considerable extent been structured along ethnic lines, allowing the government to, apart from a few detours, continuously reinforce the assimilative approach that was initially adopted at the time of independence. The country scores comparatively very low on all the potential indicators of ethnic mobilization. For example, while natural resource abundance has appeared to be a curse rather than a blessing for many other countries, Botswana’s extensive diamond resources have not generated any major ethnic conflicts so far. In addition, there are no overtly ethnic parties in Botswana. Neither are there any clear patterns of ethnic voting, even though some degree of ethnic voting can be discerned. To the extent that the mobilization of ethnic interests has in fact occurred, it has been in the form of the establishment of political minority cultural

organizations and, in some regards; in more organized attempts to alter existing laws and policies in order to further advance minority interests with regard to recognition and redistribution. In a categorization of countries made by VanHanan and based on the extent to which countries are characterized by institutionalized and violent ethnic conflict (VanHanan 1999),<sup>10</sup> Botswana scores as low as a 5 on the scale of institutionalized ethnic conflict and a 0 on the scale of violent ethnic conflict, meaning that the share of ethnic parties comprises less than 10 percent of the votes cast in parliamentary or presidential elections, that only a few ethnic organizations exist, that there are minor ethnic inequalities in political representation, that some small ethnic groups are being discriminated, and that there are no reported ethnic demonstrations, riots, or violence. In other words, among the political minority groups in Botswana, it is not Botswana citizenship that is in question, but rather the *terms* of that citizenship. That is, while to some extent minority groups may try to alter the internal boundaries of the country, they do not try to alter the external ones. In other words, Botswana minorities are neither irredentist nor nationally secessionist in kind. As such, even though recent years have witnessed the rise of increasingly vociferous ethnically-based consciousness and demands, most citizens of Botswana still seem to share some kind of civic identity based on the Tswana ethnic identity (Solway 2004). In addition, as a result of the assimilation of minority languages into Setswana, most Botswana share a common language making interaction and cooperation between different ethnic groups at least technologically easier as compared to in many other African countries. In fact, Setswana is today spoken by a total of 80-85 percent of the population as a first or second language (Obondo-Okoyo & Sabone 1996). Furthermore, intermarriage rates between Setswana-speaking and non-Setswana-speaking ethnic groups are high (Solway 2002; Solway 2004; U.S. Department of State 2001). That is, in conclusion, the Botswanan state can be argued to have been quite successful both in terms of ethnic conflict-avoidance and nation-building in the post-independence period. The development of a sense of shared national political identity has, in turn, helped create a sense of collective interest, transcending various ethnic cleavages, making it easier to solve the free-rider problem generally associated with taxation. Botswana's definition of the national political community as such provided an institutional basis for societal organization and strategy which in the end favored the collection of income taxes to a

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<sup>10</sup> The institutional dimension of ethnic conflict is measured in terms of the relative significance of ethnic parties and organizations, significant ethnic inequalities in governmental institutions and customary ethnic discrimination. The violent dimension of ethnic conflict extends from demonstrations, strikes, destruction of property and sabotage to attacks on persons, violent clashes between groups, arrests, killing of people, rebellions, terrorism, forceful deportation of people, ethnic guerilla war, separatist war, ethnic civil war, ethnic cleansing and genocide.

greater extent than the *Zambian* and *Ugandan* respective approaches. Different ethnic groups in Botswana to a greater extent calculated that the state was serving the nation as a whole and not only 'them', and decided to cooperate with the state in the construction of policies and in the collection of income taxes.

### ***Code-switching between national and ethnic identities in Zambia***

Zambia's official approach towards nation-building, recognizing partly overlapping regional, tribal, and linguistic identities, made the calculation surrounding how best to employ ethnicity as a coalition-building tool in Zambia more complicated than in both Botswana and Uganda. More specifically, since three partly overlapping ethnic cleavages were officially recognized in Zambia at the time of independence alongside policies of neutrality, the process of deciding on which strategies to employ has entailed an additional decision compared to in Botswana and Uganda; that is the question about whether to stress national connections, tribal connections, territorial connections, or linguistic ties. As a result, at the same time as the *Zambian* official approach towards ethnic diversity has in many ways successfully functioned to prevent the development of deep political cleavages between different ethnic groups, it has still paved the way for the continued importance of ethnic loyalties. In other words, while ethnicity matters for politics, ethnic identities do not constitute completely contrasting political identities. Neither are they completely indivisible. Rather, since independence, there has been widespread political code-switching among the elite, as well as among the masses, between different politically relevant identities. As argued by Posner, framing political conflicts in terms of one dimension of ethnic identity rather than another, politicians and political parties have been able to shape perceptions about the fairness of the distribution of government resources to convince voters that they are disadvantaged and that mobilization for change should be a priority. And by defining themselves in terms of the right (in the sense of strategically optimal) dimension of ethnic identity, they have also been able to convince voters that this mobilization should take place behind their banner. The fact that people have more than one ethnic political affiliation moreover means that the information that ethnic identities convey about, for example, patronage commitments is ambiguous and sometimes even misleading (Posner 2005). Because of the widespread political code-switching among both the masses and the political elite, the national motto "One Zambia, One Nation" has been able to manifest itself at least in the absence of violent ethnic conflict. Yet, ethnic mobilization has still manifested itself in ethnic voting, ethnic party mobilization, and in the organization of (if yet weak) autonomy movements. In addition, up to today, there is only limited social bonding across ethnic boundaries in Zambia. In his categorization of countries in terms of the degree of institutional and violent ethnic conflict, VanHanan classifies *Zambia* as a 20 on the measure of institutional conflict and as a 10 on violent conflict, meaning that the share of ethnic parties is 15-29 percent, that there is significant

ethnic organization, significant ethnic inequality in governmental institutions, serious forms of ethnic discrimination, sporadic ethnic demonstrations, riots or violence involving small groups, destruction of property in ethnic riots, and killing on the basis of ethnicity (VanHanan 1999).

Yet, while the multidimensional multicultural policy adopted after independence has perhaps helped Zambia to avoid at least extremely violent manifestations of ethnicity, the policy seems also to have prevented the development of any real broad-based identification with and support for the Zambian state. The liberal multicultural policy towards linguistic cleavages pursued by the Zambian state has complicated the national integration project. More specifically, in addition to the confusion in terms of ethnic self-identification and ascription and, as a result; the inconsistency in terms of ethnic preference formation and networking, nation-building in Zambia has been further complicated by the fact that most adults in Zambia, particularly in the rural areas, speak only their home language. As a result, they rely on it entirely for communication and their choice of social contacts is made within the limits set by language. Language thus, in large, serves to further separate Zambians into several non-interacting groups, whose members perform their main roles within the social confines of their particular language group (Molteno 1974). In addition to the problems of ethnic and national mobilization already described, it is obviously difficult for a sense of common identity to develop among people who seldom interact across the boundary of language.

In sum, in comparison, Zambia's combination of multi-dimensional multiculturalism and policies of neutrality created the institutional basis for polarization along several ethnic identities, as well as between different ethnic identities and the Zambian national identity. The multiple bases of loyalty in turn made it more difficult than in Botswana to develop a sense of national cohesion which could provide any significant leverage for the state executive to enact policies and collect income taxes. Yet, as will be discussed in the next section, compared to Uganda, the Zambian approach has still proved more successful in terms of providing the basis for solving the collective action dilemma of taxation.

### ***The importance of mainly regional identities in Uganda***

Uganda's combination of one-dimensional multiculturalism and policies of neutrality at the time of independence created the institutional basis for significant polarization along ethnic lines. Especially regional differences have played an extraordinarily important role for post-independence politics in Uganda as a result of that such cleavages were the only ones that were given special recognition. In fact, since independence, every Ugandan government has sought the support of Buganda, the most influential and wealthy province in the country. Needless to say, as a result, a large number of non-Baganda Ugandans continue to resent what they perceive as special treatment for Buganda. It is also for this

reason that repeated attempts to foster national unity have failed and that Uganda has stayed a divided country. Although all post-independence governments in Uganda until recently but Obote's regime during the first four years of independence have downplayed the role of ethnicity, Ugandans continue to regard particularly their ethnic background as a critically important factor in both their professional and private lives. As such, bureaucrats, business people, farmers, and all other Ugandans rely on ethnic considerations to conduct their day-to-day affairs (Ofcansky 1996). In fact, in his categorization of countries in terms of the degree of institutional and violent ethnic conflict, VanHanen classifies Uganda as a 40 on the measure of institutional conflict and as a 40 on violent conflict. That is, according to VanHanens's measure, in Uganda, the share of ethnic parties is 30-49 percent, ethnic organizations cover a significant part of the population, ethnic interest conflicts characterize social life, there is conspicuous ethnic inequality in governmental institutions, large ethnic groups are discriminated, there is repeated violent conflict between ethnic groups or between ethnic groups and government forces, there is suppression of particular ethnic groups, ethnic rebellions, significant ethnic terrorism, and ethnic refugees (VanHanen 1999). In other words, there is by and large no political glue to hold together different ethnic groups in Uganda, making it appear more likely that 'others' might some day profit more from tax payments made to the central state, in the end constraining the state executive in its attempts to convince citizens of the collective benefits of tax payment.

## **Summary and conclusions**

The central finding of this study is that the degree to which ethnic diversity is officially recognized during formative periods of state development plays a decisive role in shaping subsequent notions of 'us' and 'them' and, ultimately taxation outcomes for a long period of time, also after the initial conditions have changed. More specifically, the study reveals how, in Botswana, the adoption of policies that aimed at assimilating various ethnic groups into the political majority culture at the time of independence positively affected the ability of the state to extract revenues from the population to a much greater extent than did a multicultural approach in Zambia and Uganda. This is because the assimilative approach pursued by the Botswanan elites at the time of independence helped create a sense of collective interest among the various ethnic groups residing within the territorial borders of the country, in the end making citizens more willing to quasi-voluntarily comply with tax demands. However, while an overall assimilative approach stands out as the comparatively most effective approach when it comes to fostering nation-based collective action, the study also shows that a multicultural approach which recognizes a larger number of ethnic cleavages fosters a greater willingness among the population to quasi-voluntarily comply with tax demands than does a multicultural approach recognizing only

one dimension of ethnicity. That is, if a state chooses to pursue a multicultural approach during formative periods of political change, the results of the study reveal that a multicultural approach which recognizes only one ethnic cleavage is considerably more crippling than a multicultural approach which recognizes a larger number of cleavages. Accordingly, the Zambian overall approach combining mainly neutrality and the official recognition of multiple ethnic cleavages (regional, linguistic, and tribal) ultimately resulted in a comparatively very complex dynamics of ethnic self-definition and ascription. More specifically, it favored the development of only partly indivisible ethnic identities in the sense that while today regional, linguistic, and tribal cleavages all serve as bases for political competition in Zambia, such loyalties are not necessarily mutually exclusive. Consequently, they do not either pose the same kind of direct threat to the development of cooperative state-society relations and, ultimately, government attempts to collect taxes, as do regional identities in Uganda. Rather, in Zambia, a lukewarm support for a variety of ethnic identities seems to co-exist with an equally lukewarm support for the nation-building project in a way which can partly be described in terms of what Amartya Sen has referred to as *non-contrasting identities* (Sen 2006). Distinctive for such identities is that when they are not involved in any disputes about who ‘owns’ the state, they can still compete with each other for attention and priorities. In other words, when one has to do one thing or another, the loyalties can conflict between giving priority to, in the case of Zambia, region, language, tribe, and nation. Hence, compared to Botswana, while citizens in Zambia to some extent comply with tax demands, people are still not willing to sacrifice as much as in Botswana. However, compared to the Ugandan state, the Zambian state must still be considered successful. In Uganda, the adoption of a combined approach of mainly neutrality and one-dimensional multiculturalism (regional cleavages being the only ones officially recognized) at the time of independence has severely undermined all subsequent attempts to foster a sense of national unity. Rather, the Ugandan approach favored the development of a clear demarcation line between ‘us’ and ‘them’ in the form of regional cleavages. As such, the post-independence period in Uganda can best be described in terms of the ongoing dispute between different regionally-based ethnic groups (and especially between Baganda and non-Baganda) regarding who should be the ‘legitimate’ owner of the state, severely constraining the central state in its attempts to consolidate its authority in general, and to collect taxes in particular. Since there is by and large no political glue holding together different ethnic groups, it appears more likely that ‘others’ might some day profit more from tax payments, in the end making it comparatively very difficult for the Ugandan state to extract revenue in the form of progressive income taxes on a more regular basis from the citizens.

In addition to supporting the historical institutional argument that political institutions continue to influence tax collections also after significant change has occurred in the initial conditions, the analysis presented in this study both confirm and contradict a large

number of other prior beliefs and existing knowledge about state development in general, and African state development in particular. *First*, by highlighting the important role played by political institutions in shaping not only taxation outcomes, but also notions of ‘us’ and ‘them’, the results of the study reveals the limits of today’s generally claimed ‘truth’, assuming that ethnic diversity is *per se* a threat to the nation-state project. Rather, according to the results of this study it is the *degree* to which such identities are given official meaning that in the end affects patterns of social and political organization and competition. As such, while all three societies in focus of this study share a common history in the sense that their societies were all characterized by similar patterns of ethnic diversity and mobilization at the time of independence, ethnic identities have affected state development to a very different extent in the three countries in the post-independence era. On a more general level, my comparative historical analysis of the factors shaping varying taxation outcomes in Botswana, Zambia, and Uganda in the post-independence period as such confirms the commonly put forward theory that political institutions matter a great deal when it comes to forming and setting the incentive structures for sub-sequent development paths. More specifically, political institutions structure politics by influencing individuals’ subjective models of the world, by making the development of certain types of organizations and coalitions more likely than others. That is, it is the political meaning that is given to ethnic identities during formative periods of state development that determine the extent to which different ethnic groups in a society are willing to redistribute resources and contribute to the collective good, not ethnic diversity *per se*.

*Secondly*, in addition to questioning the notion that ethnic diversity is a threat to nation-states *per se*, the results of this study force us to question also another commonly held belief about the relationship between ethnicity, ethnic mobilization, and state development and that is the belief that the *type* of ethnic cleavage matters for the degree of ethnic mobilization. At the time of independence, regional cleavages were officially recognized in both Zambia and Uganda. Yet, such cleavages have served as a basis for political mobilization to a much greater extent in Uganda than in Zambia. The most plausible explanation to why this is the case is that it is the *degree* of multiculturalism – i.e. the *number* of ethnic cleavages officially recognized – rather than which dimensions of ethnicity that are recognized, that determines the degree to which ethnic group identity serves as a basis for political mobilization. Socially, individuals most often have multiple identities, i.e. they recognize themselves as members of a large number of different groups. If the state responds to such facts ‘on the ground’ by recognizing individuals as members of a large number of different groups, this leads to a more complex pattern of ethnic self-identification and ascription compared to in polities in which only one cleavage line is recognized. As the demarcation line between ‘us’ and ‘them’ becomes unclear, group mobilization becomes difficult. The result is a weaker degree of ethnic group

mobilization compared to in political systems where only one ethnic cleavage is officially recognized.

However, while the central findings of this study are suggestive for a broader understanding of the relationship between political institutions, the construction of identities, and the impact of such identities on sub-sequent paths of state development, the context in which the argument has been developed and tested still demands us to be careful in making too wide-reaching generalizations. Most importantly, since the three countries in focus of this study all share a history in which the problems of ethnic diversity had been highly relevant before the critical juncture occurred – and since they were all comparatively very weak states when the critical juncture occurred – the impact of varying definitions of the national political community as described in this article are relevant primarily for other weak states in which the problems of ethnic diversity have been similar to how they were in Botswana, Zambia, and Uganda in the pre-independence period. Yet, whether all such states *should* be recommended to adopt assimilative policies presuming they have positive effects for state development is a question that still needs to be answered. As always when more complex policy areas are dealt with, there is not necessarily a straightforward answer. As argued by Okin (1999), while until the past few decades, ethnic minority groups were typically expected to assimilate into majority cultures, this assimilationist expectation is now often considered inherently oppressive and discriminatory. Instead, many countries are seeking to devise policies that are more responsive to persistent cultural differences and more compatible with the pursuit of democratic politics. However, while it cannot be denied that the ability of ethnic political minorities to actually enjoy the full benefits of citizenship is in many ways compromised by assimilation, as this study illustrates, depending on the perspective, it is at least from some aspects still possible to defend such an approach. In a country like Uganda, both majorities and minorities have suffered tremendously due to the one-dimensional multicultural solution ultimately constructed by elites at the time of independence and that recognized the political importance of regional identities. The Ugandan state is up to today beyond fragile, unable to coordinate itself for the easiest of purposes, let alone tax collection. In Zambia too, the population has, if yet not to the same extent as in Uganda, suffered enormously from the implications of state weakness, and perhaps especially in terms of widespread poverty. In this light, assimilation can perhaps still be at least partly defended. While a multi-cultural approach towards citizenship is perhaps quite easily defended on a normative level and is today an integral part of international human rights

law,<sup>11</sup> the Ugandan and Zambian cases illustrate how such an approach may also be a potential political tool to be used by less democratic leaders to continue what the British started with the politics of divide and rule, but now framed within a rights-based discourse.

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<sup>11</sup> Minority rights cover protection of existence, protection from discrimination and persecution, protection and promotion of identity, and participation in political life. Sub-sequent human rights standards that codify minority rights include the International Covenant on Civil and Political Rights (Article 27), the United Nations Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities, two Council of Europe treaties (the Framework Convention for the Protection of National Minorities and the European Charter for Regional or Minority Languages), and the OSCE Copenhagen Document of 1990.

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