

# THE ROLE OF INFORMAL INSTITUTIONS IN BUILDING THE INSTITUTIONAL FRAMEWORK OF AN AFRICAN STATE: THE CASE OF THE KANURI IN NIGERIA.

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**Abstract:** Most institutional economists agree that Africa's overall poor economic performance is connected with its weak institutions. Among others, institutional research has highlighted the importance of cultural norms and the colonial past. In this context, colonialism presents a "natural experiment" – a phase in which European institutions were imposed on local and predominantly informal institutions. While the persistence of informal institutions have been highlighted among others by Douglass North and Oliver Williamson, case studies investigating their influence on institutional development are rare. This article aims to contribute to filling this gap. It focuses on the institutional development of the Kanuri, a larger ethnic group in north-eastern Nigeria. It uses a theoretical framework of institutional hierarchy to examine the development of key institutions throughout the pre-colonial, colonial and post-colonial period of the Kanuri. The article argues that informal Kanuri institutions have prevailed throughout colonial times and still present powerful norms today. Wherever Kanuri pre-colonial institutions conflict with modern, formal institutions of the Nigerian federal state, they set adverse incentives for economic behavior. Furthermore, the article's findings shed light on the hitherto neglected role of informal institutions in the institutional development of former African colonies.

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## 1. Introduction

“What is it about informal constraints that gives them such a pervasive influence upon the long-run character of economies?” (North 1991, p. 111).

Although the influence of informal institutions on long-term economic growth has long been recognized, most institutional economists find it difficult to work with cultural norms, customs or religion. In most cases they take culture as given and leave the field of their investigation to economic historians and social scientists (Williamson 2000, p. 596). Cross-country regressions have proven that institutions matter for long-term economic growth. Analytical narratives can help us understand how effective institutions evolve and which factors promote or hinder the development of “good” informal constraints. This paper contributes to the growing field of such narratives. It investigates the institutional development of the Kanuri, a larger ethnic group in north-east Nigeria. By analyzing key institutions of the Kanuris’ pre-colonial, colonial and post-colonial period it explores the question of which factors make for effective and less effective institutions.

Institutional economics maintains that social, political and economic institutions set the frame for economic transactions and thus influence economic development. Over the past two decades, institutional research has confirmed that the quality of a country’s political and economic institutions “trump” other factors in explaining long-term economic growth (see for example Rodrik et al. 2004). Institutional research by David Landes (1998) and Jean Philippe Platteau (2000) have emphasized the relevance of cultural endowment of societies to their institutional and economic development. A rich body of literature followed which investigated the connection between culture, institutions and economic performance (see for example Tabellini 2007, Greif 1993, and Guiso et al 2006).

The fact that Nigeria was a former British colony matters for this paper. From an institutional point of view colonization is a period of intensive institutional transformation. In this sense the colonial era provides a “natural experiment” in which foreign institutions have been imposed on existing and predominately informal institutions of the local population (Acemoglu et al. 2004, p. 20). Consequently, influential research has investigated factors related to a country’s colonial past and their impact on present-day institutions. Among others, studies have investigated the impact of distinct settlement strategies (Acemoglu et al. 2001a), the initial differences in factor endowment (Engerman and Sokoloff 2002) or the distinct legal institutions, which had been imported by the European colonial powers (La

Porta et al. 1999). Furthermore, the impact of pre-colonial institutions and cultural norms on the post-colonial institutional framework and hence economic performance has been investigated (Gennaioli and Rainer 2005, Englebert 2000).

More recently narrative in-country studies have tried to move the field beyond simply estimating causal relationships between historic events, institutional development and economic outcome. They aim to explain how colonial history matters for institutional and thus economic development. Many of these case studies again point at the importance of informal institutions which can best be understood in their historical and cultural context. Among others, Botswana with its good institutions and its impressive record of economic growth has been well investigated (see for example Acemoglu et al. 2001b, Robinson 2009 or Lange 2009) but more narratives – in particular applying a common methodology and conceptual framework – are clearly missing.

The paper is part of my broader research on the role of informal institutions in which I investigate institutional development of former British colonies<sup>2</sup> applying a common conceptual framework. The research builds on my personal experiences as development worker in Africa, before I returned back to academic life.

The case of the Kanuri illustrates how institutional arrangements have locked-in with clearly sub-optimal economic outcomes. The paper argues that persistent Kanuri institutions were opposed by rather “weak” foreign institutions (i.e. largely formal institutions with low legitimacy). Different from Botswana, where European institutions were successfully adapted to existing local norms, British institutions failed to gain legitimacy in Nigeria’s north. Low rates of urbanization and education contributed as influential factors. The findings support conclusions of comparable narratives and shed light on the origin of Nigeria’s overall very weak institutional framework.

The paper proceeds as follows. The following section introduces the common conceptual framework I use in my broader research and in this study. Section 3 applies the framework to examine key economic institutions of the Kanuri and their development throughout pre-colonial, colonial and post-colonial period. Section 4 concludes.

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<sup>2</sup> My research sample comprises 37 former British colonies and protectorates. British colonies have been chosen because their sample displays the widest variety of institutional quality.

## **2. A Conceptual Framework for the Role of Informal Institutions**

To understand how informal institutions influence economic outcomes, I use a conceptual framework which organizes institutions along its legitimacy. Legitimacy describes the social ranking of a norm which is its ability or inability to impose constraints on human behavior. In a first step the framework defines a hierarchy among informal and formal institutions. It then distinguishes between local and imported institutions. The resulting conceptual framework helps us understand why local and informal constraints tend to prevail against imported and more formal institutions. The framework builds on the hierarchy of institutions introduced by Oliver Williamson in 2000 (Williamson 2000) and the concept of institutional “stickiness” more recently introduced by Peter Boettke, Christopher Coyne and Peter Leeson in 2008 (Boettke et al. 2008)

### **Formal and informal institutions**

Formal institutions consist of written rules and constraints such as a constitution, the law and regulations etc. Informal rules are unwritten norms of repeated human interactions. They embody moral codes and norms, which can be very diverse across cultures (North 2005, p. 50). People in developed economies rely on highly developed formal rules (such as the law) but also on informal institutions to facilitate transactions. In less developed economies, informal institutions prevail, either because formal institutions have not been established yet or because they are ineffective (Jütting 2003, p. 11).

The distinction in formal and informal institutions is necessary, because the two types differ considerably in normative power and their horizons of changeability. In 2000, Oliver Williamson proposed a scheme of four interconnected levels of institutions. The highest level (level 1) enjoys highest legitimacy and imposes constraints on lower levels. This means people would rather follow rules of institutions of higher level, if in conflict with lower ranking institutions. Figure 1 shows that informal institutions rank highest within the institutional hierarchy. They impose constraints on lower ranking, formal institutions. In other words, human behavior (including economic activities) tends to be organized by informal institutions (e.g. moral codes based on kinship) before formal institutions (e.g. the written law) are taken into account (Williamson 2000, p. 596-598).

Level	Examples	Changeability	Effect
1. Informal institutions related to social structure of the society	Cultural norms, religion, customs	Very persistent to change. 100-1000 years.	Defines the way a society conducts itself
↓			
2. Formal institutions related to law and bureaucracy	Formal rules defining property rights, the judiciary system	Long horizon to change (10-100 years). Shocks and crises may affect sudden change.	Defines the overall institutional framework
↓			
3. Formal institutions related to governance and rules of doing business	Specific laws and regulations defining contractual relations (e.g. limitation of liability, business contracts)	Mid-term horizon (1-10 years)	Defines the "rule of the game"
↓			
4. Formal institutions which regulate resource allocation (incl. employment)	Adjustments of prices according to neoclassical analysis, setting incentives	Short time adjustments, continuous	Define marginal conditions under which markets function

Figure 1 Hierarchy of Institutions

Source: Own based on Williamson 2000 and Jütting 2003

If informal institutions are so powerful, where do they come from? Institutional economists believe that they emerge spontaneously and endogenously as solutions to particular coordination problems<sup>3</sup>. Once adopted by society such institutional arrangements may "lock in" over generations and become a part of the society's cultural heritage, tradition or religious beliefs. Path-dependence has a big role here. It explains why informal institutions are so persistent to change. Unfortunately, locked-in institutional arrangements may turn out

<sup>3</sup> Greif and Laitin use game-theory to explain endogenous institutional change (Greif and Laitin 2004).

suboptimal in regards to economic performance. Hence historic analysis is necessary, if we want to understand how particular institutional arrangement has originated (Boettke et al. 2008 p. 332).

However, informal institutions may later undergo a process of “formalization” (e.g. by legal acts of society). The use of money and the codification of property rights are examples for such a process. Formalized institutions allow more complex economic transactions and still enjoy considerable legitimacy, but changes and modernization are possible only within limits. If the EURO members states decided that ashtrays would circulate by tomorrow as new legally mandated medium of exchange, people would most likely refuse to follow this new institutional norm. They would resort to the black market to continue trading trade in EURO, or would most likely use gold or other international currencies (Boettke 2008, p. 341).

### **Local and Imported Institutions**

Oliver Williamson’s hierarchy of institutions can explain why informal institutions impose constraints on lower ranking norms. In the next step the conceptual framework will set out to explain what happens to an existing framework of informal institutions, if foreign institutions are introduced.

Because existing informal institutions hard to change, newly introduced formal institutions (e.g. a parliamentary system based on a constitution) need to be embedded within the existing informal institutions in order to be respected by individual actors (i.e. to “stick”). Embeddedness means that new formal institutions are adapted to local culture and to existing informal institutions<sup>4</sup>. Japan’s Meiji Era is often cited as an example of successful institutional embeddedness (Boettke et al. 2008 p. 341-3). Another possibility is a crisis or revolution in a positive sense. Although rather the exception than the rule, a sharp break from established procedures presents a rare window of opportunity to introduce a range of new formal institutions with reasonable good chances of adherence (Williamson 2000, p. 598). As the example of Botswana shows independence from colonial rule may present such a rare window of change (Acemoglu et al. 2001b).

On the other side, imported formal institutions lack legitimacy, unless they are adapted to existing informal institutions. This is an important point. Weak state institutions,

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<sup>4</sup> The idea of embeddedness originated in the field of economic sociology with the influential work of Mark Granovetter (Granovetter 1985, see also Smelser and Swedberg 1994).

characteristic for many developing countries, can be a result of ill adapted and incongruent set of institutions imported from foreign countries (Englebert 2000).

Figure 2 shows the connection between various forms of institutions and the legitimacy these institutions enjoy among individual actors. The closer an institutional norm is located to the core of the model, the higher its legitimacy and persistence. Therefore, core institutions represent level 1 institution in Table 1. On the other side, institutions placed at the model's periphery have little chance of effectively influencing human interactions and economic transactions.

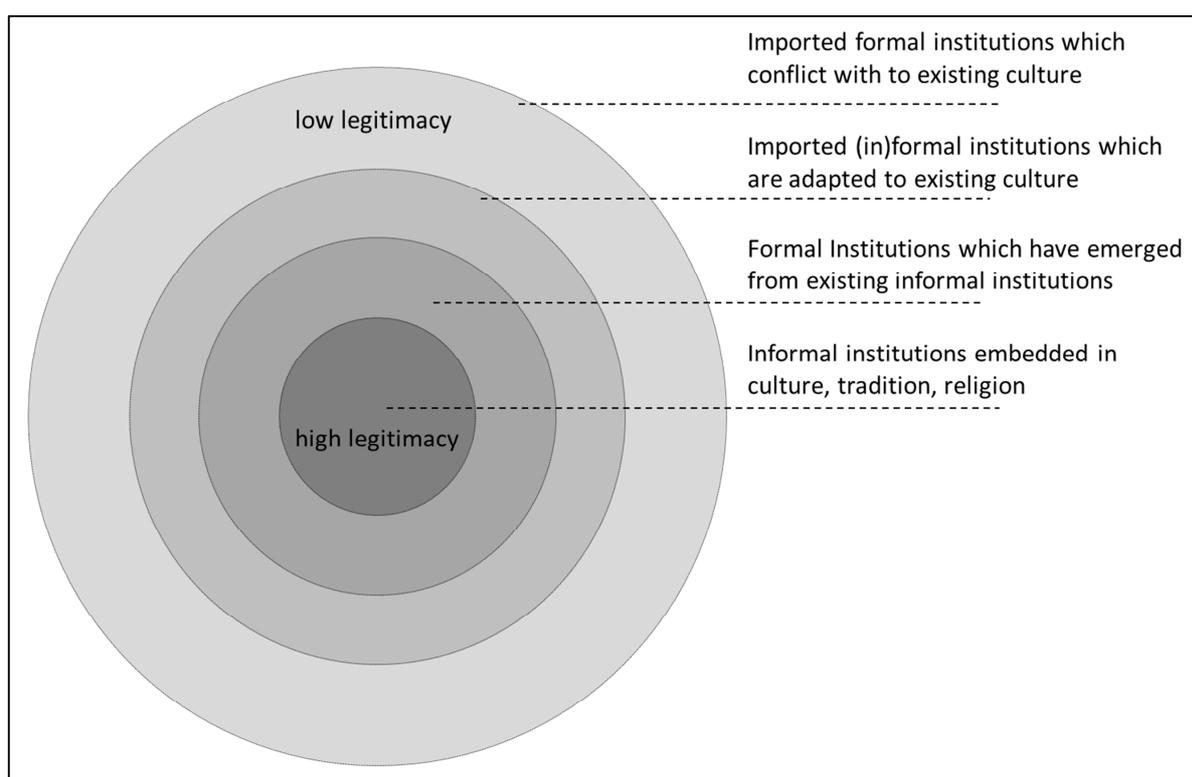


Figure 2 Hierarchy of institutions and legitimacy

Source: Own based on Boettke 2008

It is noteworthy that this conceptual model depicts the effectiveness of institutions and not their efficiency under the perspective of economic development. Core institutions may highly effectively regulate social interactions but have detrimental effects on transaction costs and resource allocation.

Institutional economics maintains that long-term economic growth and economic development are largely the result of well-functioning institutional framework. If slow changing informal institutions trump their formal counterparts within a country's institutional setup, then they too seem to be relevant factors for economic development.

### 3. The Case of the Kanuri in Nigeria

The land west of Lake Chad has been under administration of the ethnic group of the Kanuri over generations. Their empires had various names. Today, the Kanuri are organized under the name of Borno State which is one of 36 Nigerian states.

Although the administrative status of Borno has varied over the centuries, the territory around Lake Chad has been dominated by the Kanuri for a millennium (Sarch 2000, p. 4). Islamification of the region began in the 11th century and in its wake came literacy and strong interregional trade with the north and north-east of Africa (Curtin et al. 1978, p. 90).

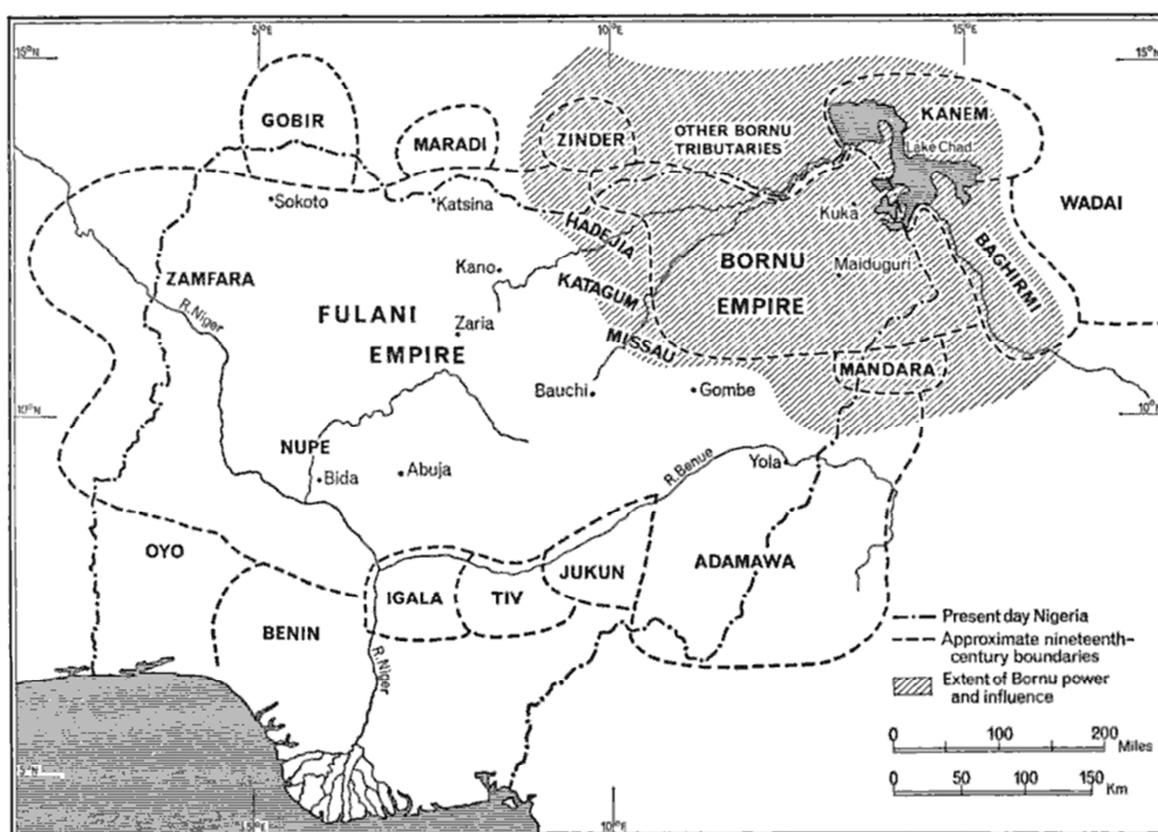


Figure 3: The Bornu Empire in mid-19th century Nigeria.

Source: Cohen 1971, p. 76

By the mid-19th century, the Kanuri and their subjected ethnic groups were ruled a by powerful Shehu (Sheik). This last Bornu<sup>5</sup> Empire dominated the region and subjected ethnic groups around the Lake Chad. At that time the Kanuri language - the vernacular of the dominant ethnic group - was widely used in Borno (Crowder, 1978a, p.15). Educated Kanuri spoke Arabic which also served as written language in the Empire (Denham et al. 1828b,

<sup>5</sup> Borno is the modern name. Until the early 20<sup>th</sup> century, Bornu was more common.

p.162). In 1902, it came under colonial (mostly British) domination around 1902 (Crowder 1978a, p.180-182).

British control over today's Nigeria was a piecemeal process which lasted over half a century. The colony was by no means uniform and remained highly decentralized. This reflected the enormous cultural difference of the ethnic groups which had been artificially united in one territory<sup>6</sup>. European immigration has remained minimal. Colonial administration was effectively regionalized in the hands of Lugard's two Lieutenant-Generals (one for the North and one for the South). Even working languages differed. The Northern administration used widely common Hausa whereas the South used English (Coleman 1963, p. 46-7).

The British applied indirect rule. This basically meant that existing political hierarchies were remodeled into units of local self-government that fitted into the British colonial administration. Existing traditional political leaders (Emirs, Shehu, chiefs etc.) were to govern their people, not as independent but as dependent rulers. At least in theory, the attitude of the British officials was that of a watchful adviser not as interfering ruler (Crowder 1978b, p. 221-222 and Crowder 1978a, p. 199-200). In Northern Nigeria Emirs, local suzerains, and the Shehu of Bornu ruled as "sole native authorities" with most of their pre-colonial powers largely unchanged. Here the British successfully pursued their policy of minimal interference. Colonial officers acted as advisers rather than supervisors. Only two objectives of British colonial rule broke with this policy of low involvement: Revenues and Budgeting<sup>7</sup> (Crowder 1978b, p. 199).

In 1960, Borno became part of the newly independent Nigeria. Today – after years of military rule and constitutional revisions - Nigeria is a federal republic and Borno State one of 36 federal states. However, federal Nigerian state institutions broadly fail to provide a framework for basic political and economic institutions on a nation-wide scale<sup>8</sup>. It seems that the only effect it achieves is keeping dissolution of the country at bay. But Nigerian unity

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<sup>6</sup> As a result today, Nigeria is a nation of three major ethno-linguistic groups and some 250 ethnic groups and minorities share one country.

<sup>7</sup> Colonial administration of Northern Nigeria was confronted with the difficult task to establish control over a population of ca 15 million people divided in various ethnic groups with nothing more than a handful of men and meager budget. Consequently, the British focused on effective taxation and the establishment of free trade directed towards the coast (Crowder 1978a, p. 179).

<sup>8</sup> A brief institutional comparison with other countries gives a picture of Nigeria's institutional ranking. I use the average of all six World Bank Governance Matters indicators. In 2008 Nigeria reached a value of -1.04 ranking 187<sup>th</sup> among the worldwide sample of 213 countries. This is a low value for a lower middle income country and also well below the average institutional quality of African countries (-0.62) (Kaufman et al.2009).

comes at great costs. Oil revenues are squandered to create political dependency of the states and local governments towards the federal government (Bach 2006, p.75).

### **Kanuri institutions**

Political institutions in present-day Borno are still shaped by the political structure the Shehus used in the 19<sup>th</sup> century. Interview with Kanuri farmers give evidence that head of hamlets or villages are the first reference persons for all legal and political issues. In everyday life traditional leaders are called to settle disputes and can command federal police for their support, even if they formally hold no such executive powers. If necessary these traditional leaders will go to the local government on behalf of common men. Only “big men” ought to go directly to the local government (Kirscht 2001, p. 73-79 and 90-96).

Figure 4 reveals obvious similarities between pre-colonial rule, indirect colonial rule and modern administration. It seems that the stability of the Kanuri political institutions is grounded on the legitimacy it draws from the repetitive pattern of patron-client relationships throughout the Kanuri society (Malone 2011). At its lowest level, the household represents this patron-client relationship between the head and household members. The household still has an important economic allocation function where it provides information and contract enforcement at relatively low costs. The same norms applied between household heads and village heads and up to the Shehu (Cohen 1967, p. 46).

The modern political hierarchy (in this form since 1976) forces Kanuri traditional leaders and representatives of the federal government structure to cooperate. Important features are among others:

- a. On village level and below the pre-colonial structure has practically not changed.
- b. The newly elected offices are to some extent filled with former traditional leaders and men loyal to the Shehu.
- c. The Shehu himself has kept important powers such as the right to staff traditional offices, the right to administer justice and his function as religious leader for his people. (Kirscht 2001, p. 77-80).

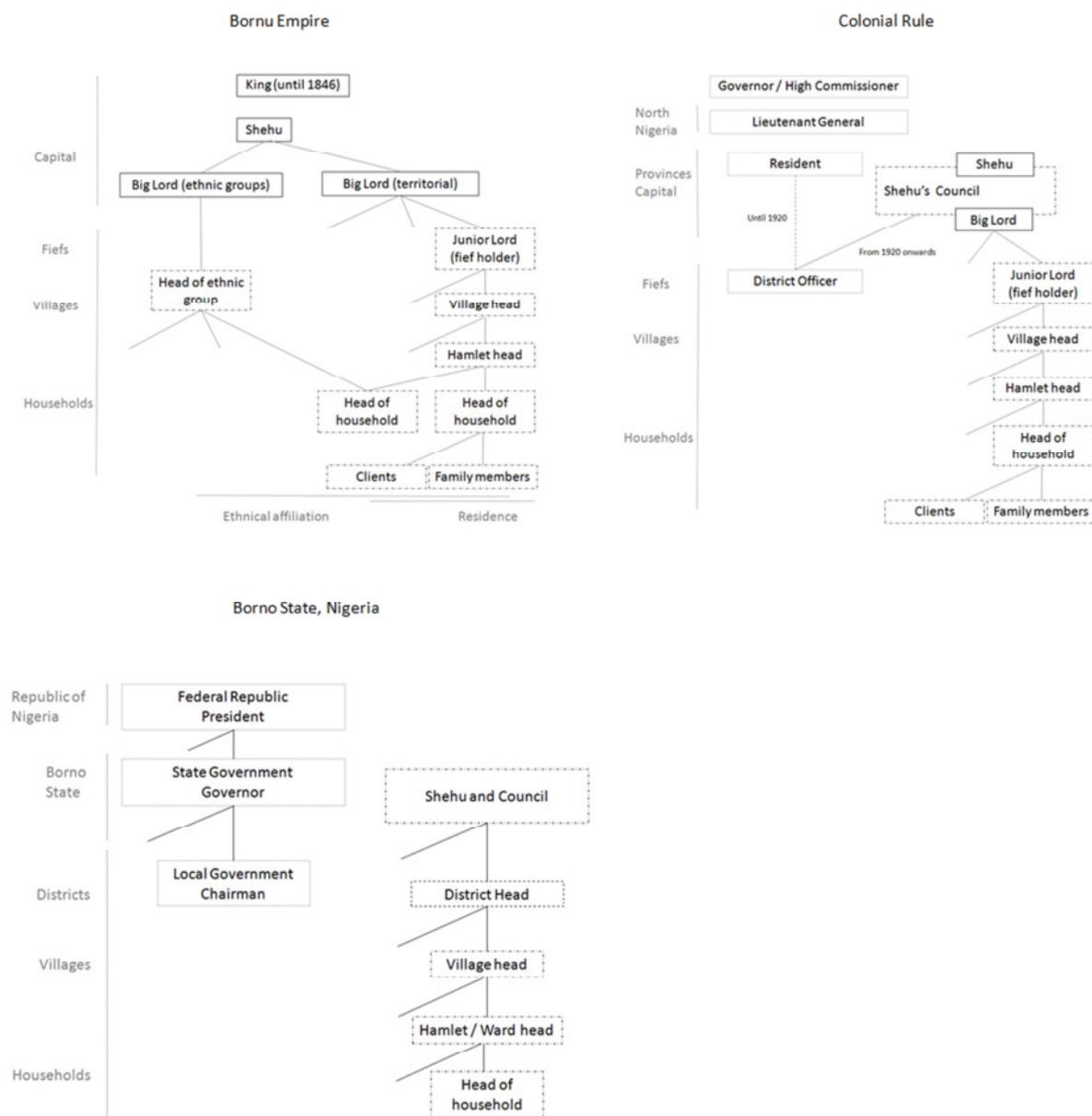


Figure 4: Kanuri Political Institutions

Source: Own, Cohen 1971, Crowder 1978 and Kirscht 2001

Although State and Local Governments can and do raise their own revenue, they mostly rely on Federal Government allocation. In contrast, the traditional administration under the Shehu continues to raise most of its revenues at a local level predominately by taxing the rural population (Sarch 2000, p. 4). Here again a parallel institutional structure has evolved. Conflicts are inevitable as an example of property rights shows.

On paper, the Land Use Decree of 1978 nationalized all land and vested its management to the Local Governments (Sarch 2000, p. 5). Although this federal law applies to all unoccupied and non-urban land belongs to the state, the heads of villages or hamlets keep practicing their rights of land allocation within their village areas. This has been silently accepted by state

authorities (Kirscht 2001, p 86). This practice of conflicting institutions of property rights has led to numerous cases of problems and inefficiencies. The following gives three examples.

In the 1980s, the South Chad Irrigation Project – a major state led initiative to modernize agriculture – ran into massive problems and confusion with land rights. In the end the project failed for various reasons. One of them was that the government had to acknowledge traditional land rights on project territories (Kirscht 2001, p. 268-311).

In the 1970s and 1980s, new and fertile land became available which had been freed by Lake Chad's receding shoreline. Its allocation followed very much pre-colonial institutional rules. The head of the geographically closest village nominated a hamlet head among the new settlers, who was given the right to allocate lands to the families in his settlement. In return the head of the hamlet was responsible for collecting annual taxes and settle conflicts on behalf of the village head. Disputes over the right to allocate farmland were settled in the favor of the Kanuri community, where this was an option, and in the favour of those able to deliver the largest tax payment to the hamlet head. Members of non-Kanuri ethnic groups suffered from discrimination (Sarch 2000, p. 6).

Finally, an interesting example of the persistence of informal institutions of property rights are the fishing rights on the shores of Lake Chad. The Inland Fishing Decree of 1992 (federal law) authorizes state authorities and officers of the Local Governments to issue fishing permits for the local population. In addition, it bans the use of obstructing fishing traps such as the highly effective "dumba"<sup>9</sup>. Both rules (fishing permits and ban of dumba) caused some confusion and eventually failed to prevail against an arrangement based on traditional institutions. Up until 1993, dumbas had been a source of conflict between dumba fishers and those downstream of them. In 1993, the conflict was resolved by influential heads of village, who agreed to issue written licenses that could be checked enforced by the Army patrols on the lake. Army officials obviously also financially benefitted from the arrangement. Then in 1994, Local Government officials – obviously unaware of the 1992 Inland Fishing Decree - attempted to license and tax dumba and confusion developed over who had the right to license them. This was resolved when, in early 1995, Federal fisheries officers visited the Local Government to explain the regulations of the 1992 decree. These prohibit dumba and thus

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<sup>9</sup> A dumba obstructs small rivers of receding water as the lake surface contracts during the dry season. Fish which want to swim back to the main lack are conveniently and effortlessly trapped. However, its use is problematic, because its high effectiveness prevents any other fisherman living downstream to catch any fish at all.

prevent officials from taxing them. Nonetheless, the use of dumba persists and in the case study villages, the traditional administration again filled the void created by the withdrawal of Local Governments and expanded its authority over fishing, in particular over the allocation of dumba (Sarch 2000, p.7).

These three cases provide evidence of the prevalence of traditional institutional arrangements based on pre-colonial institutions with very little impact of British colonial rule (Kohli 2004, p. 301). According to the conceptual framework introduced before, these examples provide further proof of the prevalence of level 1 norms (e.g. land allocation according to pre-colonial Kanuri tradition) against formal rules (e.g. the ban of dumba fishing, which is largely ignored). The institutional norms cited constitute mainly cultural core institutions of high legitimacy. However, the issuing of licenses for dumba fishing is an example of the second layer norms i.e. formal institutions which have emerged from informal norms. In short: no imported institutions so far.

The example of the introduction of British currency – part of the effort to create free trade within Nigeria and better integration with the overseas market in London – provides an example of low legitimacy of imported formal institutions. In 1825 the British Home Government claimed that “...the shilling was to circulate wherever the British drum was heard.” (Chalmers 1893, p. 23) At least in Nigeria their success was limited. British money needed some time to penetrate Nigerian markets. In 1904 colonial administration banned the import of Maria Theresia Thalers. Thereafter, circulation of the shilling increased considerably in the Lagos and the south. In Bornu however, it took until after World War II to crowd out non-currency units such the cowries (Wale-Kuteyi 1971, p.137-8). Even with the shilling in circulation, cash based transfers remained a minority. In 1948, only 43% of the adult male population could be considered as being involved in economic transactions using money at all. Most of Nigeria’s money economy was located in the towns on the coast and in urbanized areas. In the north the most economic activities continued to take place within the household and most likely involved a form of barter. The introduction of a foreign currency was obviously more problematic where urbanization and the level of education were lower: in Nigeria’s North (Coleman 1963, p. 66 and 69).

### **Land rights**

In the whole colony, British rule had a dissimilar impact on land rights. Whereas the traditional land rights in the north prohibited anyone (European, Nigerian – whether from the

south or the north) from acquiring a freehold title, the urban and semi urban areas in the south, which had been under British influence much longer, developed early forms of individual land tenure (Coleman 1963, p. 60). In Bornu, the traditional institutions of property of land were de facto left unaffected by colonial rule and have survived until today.

The colonial Land and Native Rights Proclamation was passed in 1910 and revised in 1916. It declared "... all native lands and all rights over the same.... to be under the control and subject to the disposition of the Governor and [that it] shall be held and administered for the use and common benefit of the natives;..." However, this claim was never enforced (Wale-Kuteyi 1990, p.132-133). British colonial reports show that the head of a village assigned unoccupied land to local villagers, for which he received a small fee or gift (Temple 1919, p. 221). This institutional framework of property rights proved rather incompatible with British intentions to promote economic growth. It made it very hard for anyone who was not part of the particular ethnic group (e.g. non Kanuri) to gain access to land. Customary land laws proved a bulwark against fast economic integration with the European economy. Nigeria stands here in stark difference with Ghana (formerly Gold Coast) where many owners of cocoa farms were individuals belonging to the educated classes in living in the coastal towns (Coleman 1963, p. 68). Traditional land rights inhibited internal migration of Nigerians. Ethnic groups from overpopulated land (such as for example was the case of Ibo territory in the south) were not allowed to settle in other areas in Nigeria (Crowder 1978a, p. 191 and Coleman 1963, p. 58-59). Today, these customary land rights have been partly formalized and constitute probably the biggest problem to long-term economic growth. Land rights are closely linked to civil rights and differentiate between Nigerians indigenous to a specific state (blood ties) as opposed to mere Nigerian residents in the same state. The latter (non-indigenous) are discriminated against in their access to land<sup>10</sup>, access to education, health facilities and public services. Consequently, economic impacts (mobility of workforce, protection of property rights etc) are disastrous. Together with the progressive fragmentation of Nigeria's territories and states this means that the territorial space within which a Nigerian can claim full rights as a citizen (i.e. the state of his blood ties) is far smaller than 50 years ago, when Nigeria was divided into only three regions (Bach 2006, p.79-80).

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<sup>10</sup> Compare with colonial Bornu's limited access to land for foreigners and other Nigerians.

## **Factors promoting institutional transfer**

Indirect rule was common throughout the British Empire. British rule in Botswana was equally indirect and even “lighter” than in Nigeria. Yet Botswana is a showcase for the development of strong institutions. What went wrong?

First, European institutions of social life hardly reached the Kanuri. In Bornu there was low urbanization, no European immigration, very little waged employment, almost no missionaries or European education. Hence, there were limited possibilities of contact with Europeans or European institutions. This is quite a distinct development from southern Nigeria and other colonies in Africa (e.g. Botswana, German Cameroon) .

Colonial administration in Northern Nigeria showed little enthusiasm in promoting education of the African population. Indeed many colonial officers openly expressed their contempt for the “savvy boy” or “trousered” African (Crowder 1978b, p.206). The 1939 census in Northern Nigeria counted only 25,067 pupils in primary schools out of a population of 11.5 million. In the South 267,788 attended school out of a population of 8.6 million (Crowder 1978b, p.124). According to the few figures available the Kanuri rated low even among the population of the Muslim north. In 1952 eight years before independence, literacy in Bornu in roman script was 0.9 per cent and in Arabic script a mere 2.1 per cent (Coleman 1963, p. 135). Only in 1959, the education department opened one school in Maiduguri the capital (Coleman 1963, p. 113).

Another reason for low school attendance may have been the absence of missionaries, who ran more than 90 per cent of schools in southern Nigeria. Missionaries were largely excluded from the Muslim north by agreement with the British (Crowder 1978a, p. 192). In 1900 when Frederick Lugard became High Commissioner of the Northern Provinces, he promised - on behalf of his Queen Victoria – to maintain all pledges which had been assumed by the Royal Niger Company. This included not supporting Christian missions in the Muslim north. Missionaries (and thus European education) could only operate upon invitation by the traditional ruler of a province. This was not the case in Bornu (Coleman 1963, p. 133-6).

Although more research is clearly necessary the examples shed light that education and urbanization may have a role in increasing legitimacy of foreign imposed institutions. Employment in non-agricultural sectors shows a similar effect. In the whole of Nigeria only railways, the plantations (in the south) and mining offered wage labour. The wage earning class remained tiny in comparison with the masses of subsistence farmers. We are lacking

figures for the north, but in 1936 the colony counted only 227.451 wage-earners out of a population of roughly 20 million (Crowder 1978b, p.123-124). In 1954, only 257.000 out of 30 million received wages (Coleman 1963 p. 69). Salaried employment concentrated on government, transport services and construction and repair. It was undoubtedly more prevalent in the south and in towns. In 1952 nine of ten towns above 40.000 were located in Yorubaland, in the south-west of Nigeria. The Yoruba have a culture of urbanization that dates back to pre-colonial times (Coleman 1963, p. 73).

We can imagine towns as the engine of institutional development and transformation during colonial times. Only there, European institutions such as language, money system, education, and linear time management brought about by salaried jobs were introduced to a very thin class of Nigerians. Taking again the number of wage earners their number cannot have been more than a mere one per cent of the population in 1954. In Bornu, the only town of relevance was its new capital Maiduguri, which counted 16.274 inhabitants in 1921 and 54.646 inhabitants in 1952 (Coleman 1963, p. 70-79).

All in all the Kanuri in Bornu were largely left to themselves and there was only little transfer of British non-market institutions to the population. It might be possible that the common Kanuri farmer probably never saw a British or European face. The situation was quite different in other British colonies such as Botswana, where close contact with European missionaries and job contractors imported English language, money and way of life (Schapera 1933). In neighboring German Cameroon indigenously owned land was alienated and the local population was forced to work in European plantations. Here traditional corporate lifestyle was undermined to a greater extent than (Crowder 1978a, p. 191). Even in southern Nigeria the situation was quite different. 1906, when the Lagos Protectorate was merged with the Protectorate of Southern Nigeria, may be seen as the beginning of effective British influence in Southern Nigeria. Missionaries, traders, plantation owners and British administrators introduced European language and way of life. Urban centres such as Lagos attracted an educated work force with aspiration to work in the colonial administration. European education and Christian faith weakened traditional institutions of kinship (Coleman 1963, p.72-79).

#### 4. Conclusions

Kanuri institutional development provides evidence of important features of informal institutions. Pre-colonial Kanuri institutions have persisted over centuries and they have shown prevalence against imported, formal institutions whether they were introduced by the British or by the Nigerian federal government.

The paper has explored the question of what makes effective institutions. The analysis of the Kanuri institutional framework has shown that institutions of high legitimacy are those closest to core Kanuri cultural norms. In the case of the Kanuri, the norms stemming from a pattern of patron-client relationships are still prevalent and effectively shape economic behavior. However, the Kanuri case provides evidence of how effective institutions may turn out to be sub-optimal for economic development. Core Kanuri institutions may be highly effective in regulating social interactions and provide stability to the Kanuri society, but they have detrimental effects on transaction costs and resource allocation. Several examples given in the paper underline the sub-optimal economic outcomes of these persistent informal norms. Among others, land development projects near Lake Chad have failed because of traditional land rights stemming from the 19<sup>th</sup> century. Furthermore, the connection of civil rights and land rights effectively obstruct free movement of labor and access to public services. Although more research is desirable, the limited numbers of examples in this paper underline that informal institutions clearly matter for long-term economic growth.

Finally, the findings of this paper are of a somewhat pessimistic tone. If cultural norms are given and change slowly over generations, the economic perspectives of Borno State and Nigeria's north in general are limited. The paper's findings shed some light on the role of urbanization and education, the levels of which are both relatively low in Nigeria's north.

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