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Bruna Ingrao²

ABSTRACT

Recent literature in development economics associated ethnic diversity and poor growth performance. The 'ethnic conjecture' should be firmly rejected as a meaningful hypothesis to explain slow growth in African States, since it is grounded on a slippery and ill-conceived concept. Alleged ethnic groups are neither 'objective categories' nor their classification is exogenous with respect to economic and political issues. Overwhelming historical evidence points out to these negative conclusions. Extensive literature in the social sciences has argued against both "objective" partitions and exogeneity. The rigid ethnic classifications in ethnology are now rejected. When such perceived, partitions of ethnic identities are often not commonly shared by the people involved, as regards both their definitions and relevance. The paper criticises the literature on ethnicity and growth performance in development economics along four main lines: the flimsy semantics of ethnicity; the alleged exogeneity of the ethnic fractionalisation variables; the fallacious idea of causality in growth processes that the ethnic conjecture illustrates; the political conclusions that result from the ethnic conjecture.

1. ETHNICITY IN ECONOMICS: OLD WINE AND NEW BOTTLES.

Writing on the advancement of the human spirit, Turgot underlined the importance and value of encounters and exchange in the development of nations and languages [Turgot, 1750]. Languages and nations meld as an effect of migrations or assimilation of conquered nations with their conquerors. Different customs and dialects mark out different nations, but the entire course of history has seen peoples recurrently merging and melding. Languages and customs, as Turgot put it in an evocative image, are coloured stripes crossing the nations of a continent in all directions, forming a sequence of shades and tones varying by degrees. Each nation is but a touch different from its closest neighbour. Herder and Humboldt perceived nation, culture and language as an integrated whole. A humanistic approach to the variety of cultures inspired Humboldt, when suggesting a deep relationship between language and culture, language being firmly bound up with the nation [Abbagnano, 1993; Leroy, 1963].

The notion saw unhappy developments, paving the way for the false iden-

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tification of language and nation, or openly racist interpretation of human cultures [Leroy, 1963; Poliakov, 1971]. The identification of language and nation of romantic roots was assimilated in positivist culture, and it was often imbued with racist prejudices; it left a mark on the rigid ethnic classifications in ethnology in the nineteenth century. The changing spirit of the age also infected economic theory³. Marshall explicitly pointed to 'race' as an element of unity in national experience, racial homogeneity possibly facilitating and fostering economic growth. The hypothesis was conjectural, but it was clearly stated in *Appendix A* in the *Principles of Economics*. Marshall valued the plurality of cultural experiences as possibly enriching society, since it might foster economic growth through the competition of entrepreneurs with different backgrounds and capabilities; but he saw a limit to fruitful pluralism, namely the difficulties incurred by non-homogeneous societies in building common institutions. Risks of failures were higher in multiracial societies. The term 'race' had in this context an ambiguous meaning, covering both physical characteristics and moral attitudes. Race qualities, according to Marshall, are caused by the combined effect of the action of individuals, the evolution of custom and the climate conditions. Racial differences are thus conceived as the result of long-term evolutionary processes since remote times [Marshall, 1920: 723]. According to Marshall, pluralistic societies might be favourable to growth if pluralism was confined to people belonging to the same race: which – English, Teutonic, white, European, Aryan or whatever – Marshall did not specify. In *Appendix A*, however, he placed explicit emphasis on the superior qualities of the first two. Marshall's conjecture on ethnic diversity, grounded in an unpalatable mixture of racism and evolutionary theory, is expressed as follows [Marshall, 1920: 752]:

Australia also shows signs of vigour, and she has indeed some advantage over the United States in the greater homogeneity of her people. For, though the Australians – and nearly the same may be said of the Canadians – come from many lands, and thus stimulate one another to thought and enterprise by the variety of their experiences and their habits of thought, yet nearly all of them belong to one race: and the development of social institutions can proceed in some respect more easily, and faster than if they had to be adjusted to the capacities, the temperaments, the tastes, and the wants of people who have little affinity with one an-

³ D. Levy and S. Peart devoted well documented essays to the influence of eugenics on post-classical economics, and the consequent ranking of human groups into superior or inferior 'races' with stereotyped characteristics [Peart, 2000; Peart and Levy, 2003; 2005]

other.

A new version of the 'ethnic conjecture', strengthened by statistical apparatus, was back into contemporary development economics in the mid nineties of the last century. It was rephrased in more neutral terms, and a flow of literature originated on this controversial issue.

2. THE 'ETHNIC CONJECTURE' IN DEVELOPMENT ECONOMICS.

In 1995 Mauro, studying corruption and growth, instrumentally introduced into the regressions an index measuring ethno-linguistic fractionalisation, the ELF index drawn up in the Seventies by Taylor and Hudson [Taylor and Hudson, 1972; Mauro, 1995]. Mauro argued that there is a negative and significant correlation between institutional efficiency and ethno-linguistic fractionalisation, so that the latter is a good instrumental variable to correct for the endogeneity bias⁴. The assertion was based on the assumption that ethno-linguistic fractionalisation was exogenous, being «unrelated to economic variables other than through its effects on institutional efficiency [...] not only do institutions affect economic performance, but also economic variables may affect institutions. In order to address the issue of exogeneity, I use an index of ethnolinguistic fractionalization [...]. Ethnolinguistic fractionalization is highly correlated with corruption and other institutional variables. Yet it can be assumed to be exogenous both to economic variables and to institutional efficiency [Mauro, 1995: 682-683].

An additional conjecture was that the index might adversely affect investment, «not only by increasing corruption and political instability», but by slowing down diffusion of knowledge and technological innovation [Mauro, 1995: 698]. The new concept entered into comparative growth theory in the Nineties. In the literature on the 'growth tragedy' in sub-Saharan Africa, the conjecture was advanced that ethnic diversity, as measured by appropriate indexes, is a significant variable to explain failures in growth performance. In 1997 Easterly and Levine advanced the hypothesis that high ethnic diversity, as measured by ethnolinguistic fractionalization indexes, had a negative effect on

⁴ «The criteria for characterising groups as ethnically separate related mainly to historical linguistic origin, and no economic or political variables were considered during the project» [Mauro, 1995: 692].

African economic performance, generating political instability and adverse policies, and thus negatively affecting long term growth [Easterly and Levine, 1997a]. Ethnic fractionalisation was included side by side with other exogenous – environmental or geographical – variables, to be measured with *ad hoc* indexes and allegedly accounting for Africa's poor growth performance:

Why did so many public policies all go so badly wrong in Africa? This paper examines a simple hypothesis: cross-countries differences in ethnic diversity explain a substantial part of the cross-countries differences in public policies, political instability, and other economic factors associated with long-run growth. This paper seeks a better understanding of cross-country growth differences by examining the direct effect of ethnic diversity on economic growth and by evaluating the indirect effect of ethnic diversity on public policy choices that in turn influence long-run growth rates [Easterly and Levine, 1997a: 1205].

In the literature on ethnic diversity the rationale for the association between ethnic heterogeneity and poor growth performance was argued on two grounds: the lobbying activities by organised ethnic groups, with paralysing or distorting effects on economic policies adopted by the government; the increased potential for conflict and civil war. On the first ground, ethnic diversity in local communities allegedly lowers the ability to provide public goods, because of heterogeneous preferences on public goods and the potential for conflicts on public choices (how to allocate scarce resources) or the mutually paralyzing effect. On the second ground, ethnic diversity in national communities raises the risk of conflict, civil war, political instability or poor governance, because of conflicting ethnic loyalties. Subsequently, Easterly and Levine explored the 'speculative' conjecture that in sub-Saharan Africa a high concentration of 'ethnically divided countries' created negative spill-over effects at the regional level, leading to imitation in bad economic policies [Easterly and Levine, 1997b: 138]. Africa's growth tragedy seemed rooted in ethnic fractionalisation, estimated to be especially high in African countries.

Our data and results here suggest that what was unique about Africa was a high geographic concentration of poor policies, which Easterly and Levine showed was related to the high geographic concentration of ethnically-divided countries [Easterly and Levine, 1997b: 138].

At the turn of the last century ethno-linguistic heterogeneity had been used in growth regressions by many authors as a significant variable to explain growth

performance or discuss issues in public finance [Bloom and Sachs, 1998; Collier and Hoeffler, 1998; Alesina, Baquir and Easterly, 1999; Arcand, Guillaumont and Guillaumont-Jeanneney, 2000; Collier, 1999a; 2000; Englebert, 2000; Putterman, 2000, among others]. Some authors maintained that ethnic diversity might be growth neutral. Polarised countries with two opposing ethnic groups may suffer seriously from their confrontation; a multiethnic democratic State should successfully manage to keep the balance among ethnic groups, avoiding acute conflict [Collier and Hoeffler, 1998]. Collier built a theoretical model to argue that ethnic diversity may be seriously damaging in terms of growth only if accompanied by the lack of political rights [Collier, 2000]. In undemocratic systems ethnically homogeneous societies grow more rapidly than highly fractionalised ones: «The lack of political rights is economically ruinous in ethnically highly fractionalised societies» [Collier, 2000: 233]. The ethnic conjecture was qualified, arguing that only moderate ethnic fractionalisation is dangerous, because it augments the risk and persistence of violent conflict among opposed ethnic factions. In highly fractionalised societies it will be more difficult to form coalitions among ethnic groups to fuel conflicts:

Only moderate fractionalisation is associated with an increased risk of civil violence; highly fractionalised societies are less likely than homogeneous societies to experience civil war. Indeed, the high diversity in Africa reduces rather than exacerbates the risk of civil conflict there. Moreover democratic institutions can substantially reduce the risk of violence. Because income is also an important determinant of the risk of conflict, democracy reduces risks both directly, by helping to defuse conflict, and indirectly, by increasing the opportunity cost of rebellion. That democracy effectively eliminates the potentially negative effects of ethnic diversity on growth while ethnic diversity reduces the risk of violent conflict is encouraging for highly diverse countries [Collier, 1999a: 388].

In 1999 Rodrik analysed growth collapses as emerging in divided societies, with weak institutions to manage conflict; he included ethnic fragmentation among the indicators of social division [Rodrik, 1999]. Khalil pointed out to ethnicity to explain African conflicts: «Some of the most intractable African conflicts have, as a root cause, the disturbance of social equilibrium as a result of historical disparities between the ethnic or tribal components of the population» [Khalil, 2000: 296-297]. Elbadawi and Sambanis perceived the danger to revive a simplistic image of African tribalism as the main drawback for growth: «Deep political and economic development failures - not tribalism or ethnic hatred - are the root causes of Africa's problems» [Elbadawi and Sambanis, 2000:

245]. They argued that the relatively high incidence of civil war in Africa was due «not to extreme ethno-linguistic fragmentation, but rather to high levels of poverty, heavy dependence on resource-based primary exports and, especially, to failed political institutions» [Elbadawi and Sambanis, 2000: 245]. The ELF index, in combination with other estimates, was used in their paper to estimate the probability of war, but they subscribed to the thesis that high ethno-linguistic fragmentation in Africa is a deterrent for civil war, since it avoids the dangerous polarisation of ethnic conflicts:

Paradoxically, Africa's high degree of ethnic diversity, which is widely blamed for causing violent conflict, is a source of safety for most heterogeneous countries. [...] Note, for example, the extremely high risk of civil war in Asia - this is directly related to the extreme ethnic polarisation that we observe in Asian countries [Elbadawi and Sambanis, 2000: 254].

Arcand, Guillaumont and Guillaumont Jeanneney questioned the soundness of Easterly and Levine's empirical results, concluding that they were fragile and pointing to the channels and conditions that bring ethnicity to bear more or less forcefully on growth [Arcand, Guillaumont, Guillaumont-Jeanneney, 2000: 926]. However, they did not reject the conjecture that ethnicity affects growth, and that ethnic fragmentation negatively affected growth in Africa. Englebert agreed that «the ethno-linguistic fractionalisation (ELF) index displays a significantly negative coefficient», but he pointed out to weak State legitimacy to explain Africa's slow growth, arguing that «the ethnicity index itself loses all explanatory power upon controlling for state legitimacy» [Englebert, 2000: 1831]. Collier suggested that ethnic diversity negatively affects trust among fellow citizens, increasing transactions costs [Collier, 1999a: 388]. In more ethnically homogeneous countries, mutual confidence and trust are easier to achieve. Ethnic diversity, so it seems, imposes costs reducing social capital⁵. Bates argued, on the contrary, that ethnic affiliation helps to enforce contracts between generations, on which education depends; it promotes development by promoting urbanisation and investment in education. Bates set out to test the relationship between a time-invariant measure of ethnicity ('the size of the

⁵ Miguel and Gugerty argued that ethnic diversity in rural Keynia lowers the ability of imposing social sanctions and has a negative impact on the ability to cooperate in collective action and the provision of public goods [Miguel and Gugerty, 2005].

largest ethnic group') and measures of violent conflict, admitting that the testing was severely limited by the time-invariant nature of the variable measuring ethnicity [Bates, 2000]. When the largest ethnic group became the majority of the population conflict might peak through fear of dominance and exclusion. He concluded that in Africa ethnicity had a mild effect in terms of violent conflict on account of the high ethnic diversity in most countries [Bates, 2000: 134].

Although different opinions were expressed and the conjecture was qualified, the available data on ethno-linguistic fractionalisation were assumed as scientific evidence on the phenomenon of 'ethnicity'. The concepts of 'ethno-linguistic fragmentation', 'ethno-linguistic diversity' or 'ethnic fractionalisation' were introduced as conceptual tools in development economics. Economists indulging in such exercises utilised as the main relevant variable the ELF (or ETHNIC) index, supposed to measure «the probability that two randomly selected individuals in a country belong to different ethno-linguistic groups» [Easterly and Levine, 1997a: 1206]. In growth regressions aiming at comparative analysis of the wealth of nations, scholars should take into account the different degree of homogeneity of the population in each country, as measured by this or similar indexes of 'ethno-linguistic fragmentation'. A number of economists and econometricians claimed that it is possible to build objective indexes of alleged ethnic diversity, as if the degree of ethno-linguistic diversity were an objective measurable variable, exogenous and sufficiently stable over the decades to be significant in explaining long term growth.

In 2005 Alesina and La Ferrara carefully surveyed the 'ethnic' literature with ambiguous results: the ethnic conjecture is substantially confirmed, especially as regards the lower provision of public goods in fragmented societies, though with a number of important qualifications [Alesina and La Ferrara, 2005: 794]. The authors clearly stated that the reviewed literature assumes the 'objective' classification of individuals into ethnic groups and deals with such ethnic data as exogenous variables:

All the work surveyed above shares the assumption that ethnic groups are 'objective categories' into which individuals can be classified, and that such classification is commonly shared and exogenous. [...] Underlying most research undertaken so far is the assumption that people's ethnicity is easily identifiable and can be used to construct categories of 'homogeneous' individuals [Alesina and La Ferrara, 2005: 788].

However, in the same survey Alesina and La Ferrara emphasized four aspects, which contrast with the assumption above: the variable definition of boundaries between ethnic groups, and the possible disagreement on which they are; the endogeneity of ethnic partitions because of active policies to reduce diversity, or because people choose identity in response to political or economic conditions; the variable relevance of various affiliations in politics, that is the changing nature of salient ethnic or religious groupings that make diversity relevant for conflict; the connection between social mobility and affiliation or identity, and thus diversity [Alesina and La Ferrara, 2005: 789-790]. In a full section devoted to *Open Questions*, they conceded that a number of crucial issues remain with no answer in the literature, these including the proper definition of ethnicity and ethnic groups, the controversial exogeneity of ethnic partitions and their saliency in different historical contexts, the robustness of the indexes used in the literature, and a number of other qualifying assumptions: «To date it is still unclear how to integrate linguistic or ‘ethnic’ differences with other dimensions that make the latter politically or economically salient» [Alesina and La Ferrara, 2005: 793].

The present paper argues that the open questions above undermine the soundness of all the reviewed literature. The ‘ethnic conjecture’ should be firmly rejected as a meaningful hypothesis to explain slow growth in African countries or elsewhere, since it is grounded on a slippery and ill-conceived concept. Alleged ethnic groups are neither ‘objective categories’ nor their classification is exogenous with respect to economic and political issues. Overwhelming historical evidence points out to these negative conclusions. Extensive literature in the social sciences has argued against both ‘objective’ partitions and exogeneity. The rigid ethnic classifications in ethnology are now rejected. When such perceived, partitions of ethnic identities are often not commonly shared by the people involved, as regards both their definitions and relevance⁶. The paper criticises the literature on ethnicity and growth performance in development economics along four main lines: the flimsy semantics of ethnicity; the alleged exogeneity of the ethnic fractionalisation variables; the fallacious idea of causality in growth processes that the ethnic conjecture illustrates; the political con-

⁶ Of course, the racial partitions aimed at discriminating some group in the population are not shared by those discriminated against as being racially inferior. The perception of self-identity by the victim of racial or ‘ethnic’ hatred is not the same as the stereotype identity label imposed on him or her by the persecutor.

clusions that result from the ethnic conjecture.

3. THE FLIMSY SEMANTICS OF ETHNICITY.

What do we mean by ‘ethnic groups’ or by ‘ethnicity’? How are ‘ethnic’ partitions defined? The new variable (‘ethnic diversity’, ‘ethno-linguistic fragmentation’, ‘ethno-linguistic fractionalisation’, ‘religious-ethnic heterogeneity’) adopted in growth theory was especially slippery in definition. Meanwhile, anthropologists were critically revising the significance of both the received classification of ethnic groups as reported by earlier ethnographic literature and the meaning (operational and theoretical) of ethnicity concepts in social science [Poutignat and Streiff-Fenart, 2005]. Initially, the ethnic conjecture was based on a revival of the identity between language, culture and ethos of Romantic descent, although conscious appreciation of these roots was lacking. A large part of the literature seemed to share the assumption that ethnicity is to be identified by language, both in the sense that ethnic groups include speakers of the same language and in the sense that language and ethnicity are coextensive concepts admitting of clear-cut partition. The primary sources of the alleged scientific measure of ethno-linguistic diversity were linguistic studies carried out in the sixties and an atlas produced in the USSR in 1964.

In 1972 Taylor and Hudson published a data set on ethno-linguistic fragmentation in the *World Handbook of Political and Social Indicators*, where they reproduced, with some adjustment, the indexes from three sources, and in particular the Soviet *Atlas Narodov Mira* [Bruk and Apenchenko (eds.), 1964]⁷. The operational assumption was that linguistic maps are to be used to map ethnic diversity, with no major error, or any further need to analyse other aspects of ethnicity. Taylor and Hudson expressed doubts on the accuracy of the classifications, since it was clear that it is no easy matter to decide where to draw the line between ethnic groups. They observed that the Soviet *Atlas* seemed to suggest close overlapping of language, ethnos and culture⁸. To remove the problem

⁷ The three sources were Rice (ed.), 1962; Muller, 1964; Bruk and Apenchenko (eds.), 1964.

⁸ «Language is frequently an indicant of ethnicity (e.g. Spanish speaking Americans) but this is not always true (e.g. black Americans)» [Taylor and Hudson, 1972: 216]. Taylor and Hudson wrote that the atlas «makes little distinction between ethnic and linguistic differences in its definition and collection of data. Groups are determined not by their

with black Americans, which risked disappearing as a specific group on linguistic criteria, Taylor and Hudson suggested including them as a separate ethnic group, although it was plain that this group was not speaking a separate language. They concluded that the ELF index was close to the index proposed by Greenberg in a previous study on the measurement of linguistic diversity [Greenberg, 1956]. Moreover, the index did not take into account the distances between linguistic groups; all languages and dialects considered in the classification were assumed equally unlike, a problem that remains open in later literature and with reference to more sophisticated indexes.

The early literature on ethnicity and growth simply ignored the debate among anthropologists on rigid ethnic partitions. Some authors noted that the ELF index was possibly ambiguous, but they did not reject the approach and even set out to test statistically the stability of the ethnic coefficient [Arcand, Guillamont and Guillamont-Jeanneney, 2000]. Mauro referred to separate ethnic groups as «related mainly to historical linguistic origin» [Mauro, 1995: 692]. He spoke of ‘ethno-linguistic fractionalization’; but in the same paper he quoted the classification in the Canadian census, where Jewish communities of different origin and language were included as a unique, separate group.

In Easterly and Levine’s paper, linguistic diversity and ethnic fragmentation overlapped. None was clearly defined. The concepts of ‘ethnic diversity’ and ‘linguistic diversity’ were used, indeed, as synonyms. Easterly and Levine spoke of ‘ethnic fragmentation’, ‘ethno-linguistic fragmentation’, ‘ethno-linguistic groups’, ‘ethnically homogeneous’ or ‘ethnically diverse’ countries, but the only clear definition of the ETHNIC index was in terms of linguistic diversity. It was thus implicitly affirmed that linguistic diversity and ethnic diversity perfectly matched, being captured by the same index. Easterly and Levine declared their ETHNIC index to be reliable in terms of accuracy and country coverage [Easterly and Levine, 1997a: 1206-1207, 1218 ff.]. They admitted the possibility of measurement error but, to verify it, utilised «four other measures of linguistic diversity» [Easterly and Levine, 1997a: 1207], as if ethnic and linguistic diversity were conceptually the same object. Their very insistence on measurement error shows how they failed to perceive the slippery content of ethnic labels, and the underground racist bias of ethnic classifications used as if they were objective data, comparable to physical phenomena, to be measured

physical characteristics but by their roles, their descent, and their relationship to others» [Taylor and Hudson, 1972: 215].