Many popular and academic authors have made the case that ethnic divisions lead to slow economic growth and persistent poverty in less-developed countries, noting numerous instances where ethnic divisions have led to violent conflict and set back poverty alleviation efforts—in Rwanda and the former Yugoslavia, for example. This essay first discusses the recent social science literature on the impact of ethnic, racial, and religious divisions (which I refer to simply as ethnic divisions from now on), and then proposes a set of policies I believe less-developed countries should follow to help them overcome ethnic conflict.

Specifically, I advocate the adoption of “nation-building” policies that foster the development of a common national identity. The case of Tanzania, and the contrast of Tanzania with its East African neighbor Kenya, is the focus of this essay. I believe that Tanzania’s serious approach to forging a common national identity attractive across ethnic groups—which takes the form of extensive linguistic, educational, and institutional reforms, described below—offers a model for other less-developed countries that inherited ethnic divisions in the post-independence period. I also present an overview of empirical evidence, based on original field data collection, that this nation-building approach has allowed ethnically diverse communities in rural Tanzania to achieve considerable success in local fund-raising for primary schools, while ethnically diverse Kenyan communities have largely failed in this task.

The bottom line is that good economic policies alone may be insufficient to reduce poverty in countries with deep social divisions. The standard “Washington Consensus” approach to public policy reform in poor countries
advocated by the international financial institutions—the International Monetary Fund and World Bank—has encouraged poor countries to rapidly implement broad economic policy reforms—for example, price liberalization, trade liberalization, and state-owned enterprise privatization—while largely ignoring the fundamental nation-building and institutional issues that I focus on in this essay. Although the “Consensus” approach may (or may not) promote short-run economic growth, I believe that in the long run any serious package of public policy reform in ethnically diverse countries must address social divisions head-on, with nation-building taking a place at the top of government policy agendas.

It may take many years for nation-building policies to show concrete results, but they can be a critical investment in long-run economic growth in many less-developed countries, and a key to overcoming persistent global poverty, especially in Africa—the world’s most ethnolinguistically diverse continent. The Tanzanian case provides evidence that this approach can in fact succeed.

ETHNICITY IN ECONOMICS

Economists have been slow to explore the role of ethnic divisions in economic development, in part due to our reluctance to abandon methodological individualism as the organizing principle of research. This reluctance has also traditionally led the discipline to ignore other important group-level phenomena—including issues of social capital, identity, and social networks—preventing economists from fully appreciating the important role social factors play in perpetuating poverty. Fortunately, in recent years many economists have embraced methodologies and issues typically associated with other social science disciplines, and have finally begun contributing to the debate on ethnic divisions and economic development. This growing interest in ethnicity is also related to a broader trend within economics of renewed interest in the deep, underlying causes of persistent global poverty—including geography, disease, social institutions, and colonial history—rather than just the proximate policy causes.

The seminal research article on ethnic diversity in economics is Easterly and Levine (1997). In their article, the authors explore how ethnic diversity affected growth rates across countries during the postwar period, using a data set on national ethnolinguistic diversity compiled by Russian anthropologists during the 1960s. The continent with the greatest number of ethnolinguistically diverse countries, according to this measure, is Africa, which contains nine of the ten most ethnolinguistically diverse countries (the one non-African exception being India). Kenya and Tanzania, for example, each have dozens of major ethnic groups and are both among the world’s ten most diverse countries.

Easterly and Levine find two striking patterns in the cross-country data.

First, ethnically diverse countries had significantly lower per-capita economic growth rates than homogeneous countries during the postwar period. Of course, this pattern does not imply that all diverse societies are cursed with poor economic performance. In fact, some of the world’s most diverse regions—including northern California, where I live—have had spectacular economic growth rates in recent decades. But, on average, diverse societies were more likely to have experienced slow economic growth.

Second, Easterly and Levine find that diverse countries exhibited poor public policy performance along a range of dimensions, including greater foreign exchange rate distortions, slow financial development, poor schooling outcomes, and less physical infrastructure investment, and use this evidence to argue that diversity led to slow growth through poor policy choices. They then work through some quantitative exercises which suggest that much of the difference in economic growth between sub-Saharan Africa and East Asia during the postwar period was attributable to the negative impact of ethnic diversity.

Since Easterly and Levine’s article was published, applied microeconomists have documented many specific instances where ethnic diversity produces poor economic outcomes, and for the remainder of this essay, I focus on the growing microeconomic evidence on ethnicity at the level of communities and organizations.

To illustrate, Peruvian microcredit groups have higher loan default rates when members are from different cultural backgrounds than when they are largely from similar backgrounds. U.S. municipalities with higher levels of racial diversity collect considerably less funding for local public goods. In a related finding, U.S. Civil War military desertion rates were higher in Union Army units characterized by greater age and occupational diversity. Finally, in my own work with Mary Kay Gugerty (forthcoming), rural Kenyan communities with greater ethnolinguistic diversity—or diversity across “tribes,” as they are called in East Africa—have considerably less primary school funding, worse school facilities, and inadequate well maintenance. I highlight the findings of this last paper below because they figure in my main argument and because local public investments in education, health, and sanitation are critical for improving the welfare of the poor in rural Africa.

Although it has become increasingly accepted within economics that ethnic diversity often produces poor institutional performance, there is less of a consensus regarding the underlying theoretical mechanisms generating these poor outcomes in diverse settings, and two sets of theories have emerged. Although distinct mechanisms are found to be more salient in particular settings, these two sets of theories are not mutually exclusive, and both probably capture certain aspects of reality in most cases.

The first theories are what I call taste explanations for negative ethnic diversity effects. There are several common variants, mainly developed in research on the United States. For example, some authors have claimed that
individuals from different ethnic groups prefer distinct types of public goods—roads versus libraries, for instance—so that there is less consensus on public goods choices in diverse areas, and thus lower funding. Other authors have claimed that, for the most part, individuals from different groups simply dislike mixing across ethnic lines, and this drives the poor collective action and organizational outcomes in diverse areas. Finally, there is recent empirical evidence that individuals prefer to fund public goods that benefit their own ethnic group over others, in which case once again public goods funding is lower in diverse areas. Unfortunately, none of these explanations provides a theory of where these ethnic taste differences come from, nor how they can be affected through public policy, so this body of work does not directly address our central concern in this essay—how to deal with ethnic divisions.

The second set of theories emphasizes the important role community social sanctions play in sustaining collective action, and shows how sanctions may be ineffective in diverse settings. Observers of less developed countries have long noted the importance of community pressure, based on dense social ties, in sustaining good collective outcomes, and the recent empirical studies from less-developed countries tend to emphasize this mechanism. The basic idea is that it becomes difficult to sustain social sanctions across ethnic groups in areas where members of different groups do not have frequent or intimate social interactions. For example, Miguel and Gugerty (forthcoming) focus on the difficulties in mobilizing diverse communities in rural Kenya, and present quantitative evidence from primary school committee meeting records that significantly fewer social sanctions are imposed in ethnically diverse areas. Other recent work comes to similar conclusions regarding the importance of informal social sanctions in sustaining loan repayment in ethnically homogeneous Peruvian microcredit groups.

### RECONCILING ETHNIC DIVERSITY AND POVERTY REDUCTION

The next question is what to do about the negative impact of ethnic diversity on collective action and poverty reduction. Though few economists have directly examined these issues, there is a large literature in political science on how institutions can mitigate the negative impact of ethnic diversity, which I briefly survey below.

One possible institutional reform in diverse societies is to promote power-sharing across ethnic groups within governments or other organizations. In such a system, ethnic minorities are assured some minimum influence over policy choices, possibly including veto power over certain policies.

Although intuitively attractive, it is unclear whether power-sharing actually overcomes the underlying causes of negative ethnic diversity effects in practice, and I am not optimistic about its successful application in most settings. In fact, at the same time that power-sharing structures the formal rules of competition among ethnic groups in the political arena, it institutionalizes political conflict across groups rather than reducing or eliminating it. Rigid power-sharing rules that take ethnic classifications as fixed also reify existing ethnic divisions and may hinder the development of new social identities—or political coalitions—that cut across preexisting divisions. The system provides strong political incentives for ethnic community leaders to maintain these rigidly distinct identities, since they earn benefits ("rents," in economics jargon) from representing a separate ethnic constituency. Extensive veto powers for small minority groups may provoke a backlash in the majority group, and thus inflame divisions.

A second approach—which I find more promising—advocates promoting dialogue and interaction among the leaders of distinct ethnic communities, who are then able to coordinate their responses to violations of intergroup cooperation norms. One variant would have group leaders agree to punish violators from within their own ethnic group, the so-called within-group policing approach. For example, if there is a violent attack on a member of ethnic group A by members of group B, leaders of group B should publicly sanction the perpetrators, making organized retaliation by group A unnecessary and thus avoiding a violent downward spiral (Fearon and Laitin 1996). A closely related form of elite coordination is the establishment of formal associational bonds across ethnic groups. It has recently been argued that the density of cross-group associational ties is a critical determinant of interreligious peace in Indian cities during episodes of communal violence. Varshney (2002) highlights the case of Bhiwandi, near Bombay, where a determined effort to create interreligious peace committees in the 1980s paid off, successfully averting communal violence in the aftermath of the 1992 Ayodhya mosque attack while nearby cities were engulfed in anti-Muslim pogroms.

However, a weakness of approaches predicated on cooperation across ethnic group leaders is that it is not clear how this cooperation comes about in the first place. In fact, such cooperation is a manifestation of better ethnic relations as much as it is a cause, and thus it is difficult to draw strong causal claims about how the existence of cross-group associational links actually affects interethnic relations.

One promising approach for encouraging the formation of such links is for governmental and nongovernmental organizations to work to promote local interethnic ties—by subsidizing the formation of interethnic community groups, for example—although such activities have not been rigorously evaluated, to my knowledge. Another approach, which I elaborate on below, is a policy of central government-led nation-building. In the next section I compare two East African countries to bring attention to an instance where nation-building has successfully promoted interethnic cooperation, cooperation that may facilitate the within-group policing and associational links discussed above.
A NATION-BUILDING CASE STUDY: KENYA VERSUS TANZANIA

Geographic and Historical Commonalities between Kenya and Tanzania

Kenya and Tanzania are a natural paired comparison, with similar geography and histories, but they have followed radically different nation-building policies since independence. Joel Barkan writes that

Comparison between Kenya and Tanzania [is]... appetizing because of their resemblances with respect to a number of variables that impinge upon the developmental process and that could be held constant or nearly constant in an examination of the countries. Both are populated mainly by small peasant households of similar cultures. ... Both experienced British colonial rule and inherited a common set of political, administrative, and economic institutions, as well as a common market with a single currency and a common infrastructure of rail, port, and telecommunications facilities. As adjacent countries, they share a common climate and have similar natural resource endowments. (1994, p. 7)

In the immediate post-independence period in the mid-1960s, Koff and von der Mühll (1967) wrote that in terms of attitudes toward ethnicity and a range of other political issues, “There is an often startling similarity between the responses given by Kenyan and Tanzanian students. ... The cross-national similarities are so constant as to raise questions about the significance of the nation state as a differentiating variable”—which probably should not be surprising, given the arbitrary nature of African national boundaries drawn by European imperial powers during the late nineteenth century (McEwan 1971, p. 50).

The two districts where I conducted my fieldwork—Busia, Kenya, and Meatu, Tanzania—are the sites of field offices for the nongovernmental organization ICS Africa, and were originally chosen by the NGO as particularly poor districts in need of development assistance. Although Meatu district is somewhat more arid and less densely populated than Busia, the two districts are similar along a range of important characteristics. They are located relatively near one another, on opposite sides of Lake Victoria, and both are overwhelmingly rural and share the same staple crops (including corn, sorghum, and cassava). The areas were part of a shared precolonial historical universe with extensive migration across what is today the Kenya-Tanzania border.

The total 1989 population of Busia was 401,658, and the 1998 population of Meatu was 201,981, according to government publications. The two districts have similar ethnic compositions, with majority Niger-Kordofanian (Bantu) populations and substantial Nilo-Saharan minorities: the dominant Luhyaa ethnic group comprises 70% of the population in the Kenyan district and the majority Sukuma ethnic group constitutes roughly 85% of the Tanzanian district. Though armed conflict associated with cattle raids was common during the precolonial period in both areas, neither district has experienced widespread ethnic violence during the colonial or post-independence periods. Another similarity between the two areas lies in the realm of precolonial language use: unlike many other regions of Tanzania, Meatu district had minimal trade ties with Swahili speakers from the East African coast during the nineteenth century, so few residents of the area spoke fluent Swahili upon independence in the 1960s; nor was Swahili widely spoken in western Kenya during the precolonial period.

Parents play leading roles in local public school finance in both countries, through school committees in Kenya and village councils in Tanzania, so it is possible to compare local fund-raising across the two districts, as discussed below.

Post-Independence Divergence in Nation-Building Policies

Despite the geographical, historical, and institutional commonalities in western Kenya and western Tanzania, central governments in the two countries have pursued radically different public policies toward ethnicity during the postcolonial period, and I argue that this has had a major impact on current levels of interethnic cooperation.

Some of these policy differences can be attributed to the personalities and philosophies of Kenya's and Tanzania's respective independence leaders, Jomo Kenyatta and Julius Nyerere. Inspired by a Pan-Africanist and socialist political philosophy, Tanzanian leader Julius Nyerere forcefully downplayed the role of ethnic affiliation in public life after independence and instead emphasized a single Tanzanian national identity. A founding principle of Nyerere's ruling TANU political party was "to fight tribalism and any other factors which would hinder the development of unity among Africans" (Abdulaziz 1980). Barkan (1994) writes that "Whereas ethnic identification has formed the basis of politics and political organization in Kenya for more than thirty years [since independence], in Tanzania it has not. ... The potential for [ethnic] conflict in Tanzania has ... been muted by the near universal use of Kiswahili, which replaced English as the country's official language in the mid-1960s and has evolved its own political idioms, nurturing the development of a national political culture" (p. 10).

The Tanzanian regime pushed for total "Swahilization" in government administration, and established the National Swahili Council to promote that language's use in all spheres of public life. Swahili is an indigenous African language that originated on the Indian Ocean coast of East Africa through contact between Africans and Arab traders, and it is seen as largely ethnically "neutral" in both countries.

The public school curriculum has also been aggressively employed as a nation-building tool in Tanzania: the curriculum stresses common Tanzanian culture, history, and values as well as Pan-Africanism, and it inculcates students with a strong sense of national identity. Moreover, during the 1970s
all individuals studying to become teachers were required to serve in the paramilitary National Service Organization, which served to indoctrinate future teachers in the national ideals of the Tanzanian regime and its socialist revolution.

The role of the central government could not be more different in Kenya. The first two post-independence presidents, Jomo Kenyatta and Daniel arap Moi, are perceived as “tribalists” within Kenya, political opportunists who have thrived on the politics of ethnic division. Ethnicity has become the primary cleavage point of political life in Kenya—as in, many other African countries—and the Moi regime was widely implicated in arming and financing violent ethnic militias before national elections in 1992 and 1997, fomenting ethnic clashes that left hundreds dead (Ndegwa 1997).

Although Swahili has long been widely spoken in Kenya as a lingua franca, it competes with English and “vernacular” languages (including Kikuyu, Luhya, Luo, and others) in official settings, including political forums and schools. Local vernaculars, rather than Swahili, serve as the principal medium of primary school instruction through the fourth grade, while after fourth grade English is the medium of instruction. Unlike Tanzania, the central government in Kenya has not used the primary school curriculum to promote a coherent national linguistic or ideological identity: the official Kenyan geography, history, and civics curriculum does not include Kenyan national issues until grade 5, instead focusing on the village, the division (an administrative unit), the district, and the province in grades 1 through 4, respectively. This focus on provincial geography and history probably serves to exacerbate regional and ethnic divisions, especially among the many Kenyans who drop out of primary school before grade 5, and thus never study national history in detail.

The construction of a common national identity may have affected inter-ethnic cooperation in Tanzania in a variety of ways. First, as particular ethnic identities gradually lose out to the broader national identity, the taste explanations for negative diversity outcomes described above become less important, as individuals increasingly identify with all of their fellow citizens rather than just their own tribe, and are thus willing to fund public goods that benefit “other” groups. If nation-building policies also increase informal social interactions with members of other ethnic groups in schools, community groups, and civic gatherings, this can also increase the scope for community social sanctions across ethnic groups, reducing free-riding and improving local collective action.

Another key component of the reform package carried out during the Tanzanian socialist period—roughly from 1967 to 1982—was the complete overhaul of local government institutions with the aim of strengthening elected local village councils and abolishing the post of traditional tribal chief. By contrast, in Kenya the colonial-era system of centrally appointed chiefs has been retained to the present day.

Preliminary Empirical Results

I found striking differences in the impact of ethnic diversity on local collective action across the two districts. While local ethnic diversity is strongly negatively associated with local school funding and facilities, and with well maintenance in Busia, Kenya, as discussed in Miguel and Gugerty (forthcoming), there is no significant relationship between village ethnic diversity and local public goods funding in the Tanzanian district. It can also be shown statistically that ethnic diversity has a significantly more negative effect on school funding in the Kenyan district. These empirical relationships are robust to the inclusion of socioeconomic and geographic control variables, to the exclusion of outliers, and to different econometric specifications. This statistical analysis used data at the level of the village in Tanzania (66 villages), and at the level of the primary school (84 schools) and wells (667 wells) in Kenya.

Although the nation-building policies chosen in Kenya and Tanzania, and the characteristics of their post-independence leaders, may have been related to the nature of ethnic relations at the national level in both countries, all that is necessary for a valid comparison of the impact of nation-building policies in Busia, Kenya, and Meatu, Tanzania, is that the choice of such national policies was not directly related to (or “endogenous to,” in economics jargon) ethnic relations in these two small and politically marginal western districts, which is plausible.

The basic primary school funding results are graphically presented in Figures 12.1 and 12.2, and some additional empirical issues are discussed below. For clarity, the graphical analysis in Figures 12.1 and 12.2 presents aggregated county-level patterns (called “zones” in Kenya and “wards” in Tanzania).

Even though western Kenya and western Tanzania were similar with respect to important social, economic, and political dimensions upon independence in the 1960s, within only thirty years these regions had diverged sharply. Ethnic diversity currently plays a much more prominent role in local public life in western Kenya than in western Tanzania, with negative consequences for local public goods provision, including primary school funding, which may affect future human capital accumulation and income levels.

Evidence from interviews is consistent with the statistical findings, and sheds light on how nation-building policies have allowed communities to overcome ethnic divisions in Tanzania.

The case of Matumbai Primary School in Kenya illustrates how low inter-ethnic cooperation in Kenya leads to reduced school investment. Matumbai is one of the most ethnically diverse schools in the Kenyan study district. The headmaster of Matumbai stated in a June 2000 interview that ethnic “rivalry over ownership” of the school and over which group “will take control of the school’ was the central challenge facing Matumbai. Most parents had refused to participate in community fund-raisers or in school meetings.
in recent years due to a general lack of trust across ethnic groups, and the absence of a feeling of "ownership" for the school. As a result, per-pupil local school funding in the 1996 survey was one-third of average local funding in Busia and no classrooms had been constructed at the school, so all classes took place under a tree—which meant that school was canceled when it rained. Many other headmasters reported similar ethnic divisions in western Kenyan schools, in the absence of an overarching national identity to bind different groups together.

Miguel and Gugerty (forthcoming) collected information from Kenyan primary school records on the number of times school committees had imposed sanctions on parents late with their school fees—for instance, embarrassing “free-riders” by announcing the names of parents late with school payments at village meetings, or sending a local chief to their home to pressure them to pay their fees. Miguel and Gugerty found that there were significantly fewer sanctions imposed in ethnically diverse villages in the Kenyan district, and the interview evidence mentioned above provided a possible explanation why: in diverse Kenyan villages, where community cohesion and trust are low, informal sanctions imposed across ethnic lines are usually ineffective methods of pressuring individuals to contribute to the public good.

In sharp contrast, ethnic divisions were reported to be minimal in the Tanzanian study district. Primary school committee members in Imalaseko village were puzzled at the suggestion that ethnic divisions could play a role in local school funding decisions. In fact, ethnicity played such a minor role in Imalaseko that the committee had difficulty assigning an ethnic affiliation (Sukuma or Nyiramba?) to an absent committee member. A schoolteacher responded to a question about possible ethnic divisions on the school committee in a November 2000 interview by stating flatly: "This is Tanzania—we do not have that sort of problem here." In an August 2002 interview, an official in Mwamishali village explained that there was good cooperation across ethnic groups because "we are all Tanzanians," and an elder in Mwambiti village responded similarly, suggesting good ethnic relations resulted from the fact that "they [village residents] simply live as Tanzanians" ("Wanishi kama waTanzania tu," author's translation from Swahili).

The bottom line from the interviews is that while local politics in Busia are characterized by ethnic "us versus them" appeals, such arguments are considered illegitimate and downright "un-Tanzanian" in Meatu. The elimination of ethnic appeals from acceptable political discourse may be the most important legacy of the Tanzanian nation-building program. Tanzanian nation-building policies foster trust across ethnic groups, and a strong sense of identification with members of other groups as fellow Tanzanians; these emotional bonds—together with frequent village meetings and active local government institutions—have allowed diverse Tanzanian communities to thrive where diverse Kenyan communities fail.

Moving to the national context, Tanzanian economic growth rates were substantially higher than Kenyan rates during the 1990s, according to World
Bank figures, and national elections were considerably less violent. Although we should not read too much into the national differences—which are the product of many factors—these broad patterns are consistent with beneficial long-run impacts of nation-building in Tanzania. On a less formal level, visitors to Kenya and Tanzania—including myself—are routinely struck by the strikingly different popular attitudes toward ethnicity common in the two countries, and the far greater degree of attachment to the nation, to national ideals, and to the Swahili language in Tanzania.

**Methodological Issues**

The main methodological weakness of the comparison presented above is the small sample size of two districts, which limits our ability to generalize the results to other contexts. However, this is a drawback of much micro-economic empirical research and is perhaps impossible to overcome, given the lack of comparable data from other African settings on ethnic policies, historical patterns of ethnic relations, and current interethnic cooperation and local public goods funding. Another weakness is the lack of data on pre-independence collective action outcomes in the two districts, an extensive search for secondary sources has unfortunately failed to yield any such information.

An examination of the twentieth-century history of western Kenya and western Tanzania indicates that differences in current levels of interethnic cooperation across Busia, Kenya, and Meatu, Tanzania, are in fact likely to be due to their strikingly different nation-building policies during the post-colonial period, rather than to divergent economic policies or preexisting differences.

Economic policies in Kenya and Tanzania since the financial crisis of 1982 have been largely parallel. Ndulu and Mwega (1994) write that “there were strong similarities in the nature of and responses to the [1982] crisis in each country... [and] the ongoing efforts at economic reform and structural adjustment in both countries are similar in many respects” (p. 101).

The period of really significant economic policy divergences between Busia, Kenya, and Meatu, Tanzania, occurred between 1974 and 1982, when the regional government forced residents of Meatu district to live in Ujamaa villages. However, if anything, the policies of this period appear more likely to have enflamed ethnic tensions rather than to have promoted cooperation. From August 1974 through 1977, the Shinyanga regional government pursued a policy of “forced villagization” in which over 340,000 rural residents were compelled to leave their homes, sometimes by force—including the burning of residents’ homes—and move to nearby villages to engage in collective farm production. The minority Tatuur and Hadzabe groups were particularly hard-hit by forced villagization, since it curtailed their traditional seminomadic lifestyles. To the extent that ethnic relations are currently better in western Tanzania than in western Kenya, it is unlikely to be due to the arbitrary and violent policies of the Ujamaa period.

**POTENTIAL DRAWBACKS TO NATION-BUILDING IN DIVERSE SOCIETIES**

There are many legitimate sources of concern regarding nation-building policies like those pursued in Tanzania after independence because, as with most policy reforms, nation-building can create losers as well as winners.

First, the creation and imposition of a single national identity through coordinated language and educational policies may have serious negative costs for communities that do not fit neatly into the prevailing national vision, as well-known European examples illustrate. The construction of a British identity from distinct English and Scottish identities in the seventeenth and eighteenth centuries was forged around common Protestant religious traditions and the English language, but no comparable compromise was reached for integrating Catholics or Celtic-language speakers into the mainstream of British public life. The process of nation-building in France also entailed the loss of numerous regional linguistic identities.

As a result, the fear remains real in many societies that the construction of a national identity will accelerate the erosion of some indigenous cultures and languages, and perhaps lead to a backlash from those who perceive these policies as a threat to their way of life. Nation-building policies could also be employed by opportunistic ethnic majority leaders to repress the legitimate political aspirations of minority group members—under the guise of benign nation-building reform. In societies with pronounced ethnic divisions, the process of nation-building that I advocate may be slow and painful, such that in the short term other solutions—including extensive decentralization, or even the secession of regions dominated by ethnic minority groups—may actually lead to less conflict and greater poverty reduction.

Nonetheless, even if nation-building policies should not be applied everywhere, the Tanzanian case suggests that nation-building can succeed in an African context without jeopardizing indigenous cultures and languages. Vernacular languages—such as the Sukuma language in the region where I have conducted fieldwork—continue to thrive in nonofficial contexts in Tanzania decades after independence, coexisting with Swahili in homes and markets. I feel that one key to the success of the Tanzanian program is that the central government never made efforts to “stamp out” vernacular languages or most indigenous cultural practices, nor to deny the existence of distinct ethnic groups.

Another reasonable concern about nation-building is that while it binds people together within a society—reducing the likelihood of domestic civil strife—it may provoke nationalistic impulses that lead to war with neighboring countries. However, once again, this fear has not materialized in Tanzania. In fact, Tanzania has been an excellent neighbor, accepting millions of refugees fleeing armed conflicts in the region, and Tanzanian leaders have worked tirelessly for negotiated settlements to several African civil wars, most recently in Burundi. Internal tranquility and international peace have gone
The Causes of Poverty

WHERE DO WE GO FROM HERE?

The recent academic literature in economics has forcefully made the case that ethnic, racial, religious, and other social divisions are a major source of poor institutional performance and persistent global poverty. Social scientists have proposed a range of reforms to address these divisions in less-developed countries, and of these, I believe that nation-building policies in language and education are the most promising. The comparison between nearby districts in Kenya and Tanzania presented above suggests that concerted central government efforts to build a coherent national identity—centered around a common language, compelling political ideals and symbols, and the abolition of traditional tribal authorities—can successfully promote interethnic cooperation in sub-Saharan Africa, the world’s most ethnolinguistically diverse and poorest region, and the region with the slowest economic growth since the 1970s. These policies may also be viewed more generally as investments in social capital (Putnam, 1993).

Promoting nation-building policies will require a dramatic restructuring of cultural, educational, and language policies in many countries, and the centralized nature of this restructuring runs against current “Washington Consensus” thinking about economic development, which regards the promotion of strong central governments in less-developed countries with suspicion. Nation-building in less-developed countries is also likely to be opposed by powerful politicians in the global north, concerned that increasingly nationalistic—and assertive—less-developed countries will promote anti-northern and antiglobalization views.

Nonetheless, despite the likely opposition of the global north and the fact that benefits may take decades to materialize, I believe that nation-building should move onto government policy agendas, especially in sub-Saharan Africa. The articulation of new national political institutions and identities has been underway in many African countries since the democratization wave of the early 1990s opened the debate on the nature of politics and the state in Africa. Now is an ideal time for progressive African political leaders to adopt elements of the Tanzanian nation-building model as investments in long-run social stability and poverty reduction in their countries.

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NOTES

1. For two recent examples, see Acemoglu et al. (2001) and Bloom and Sachs. (1998).

Ethnic Diversity and Poverty Reduction

2. For a review of this literature, see Costa and Kahn (2001). This paper surveys recent research on ethnicity in economics, including the articles I refer to but do not directly cite in this piece. There also exists a distinct literature on ethnic divisions and national political economy issues that I largely ignore in this chapter, due to space constraints.

3. For discussions of language policy and use, see Abdulaziz (1971) and Gorman (1974).

4. I would like to acknowledge the contributions of my research collaborators in Kenya (Mary Kay Gugerty, Michael Kremer, and Sylvie Moulin) and Tanzania (Elizabeth Beasley and Melissa Gonzalez-Brenes), and the unfailing cooperation of ICS Africa and local government officials in both countries, for making this research possible.

5. Identification of the causal impacts in Kenya relies on the relatively exogenous determination and stability of ethnic settlement patterns, an issue that is discussed at length in Miguel and Gugerty (forthcoming). Historical ethnic land settlement patterns were determined by a series of migrations and wars in the Kenyan region in the nineteenth century, were subsequently frozen by the British colonial regime, and have remained largely stable since then. Although there was some migration associated with the Tanzanian villagization program of the 1970s, villagization did not significantly alter local ethnic composition because individuals seldom moved more than a few miles from their original homes, and preliminary evidence from recent household surveys indicates that local residential patterns have been largely stable in Meatu district since the 1970s.

6. For a contemporary account, refer to Volter (1975).

7. One partial exception to this generalization about the inclusiveness of the Tanzanian approach is the small but wealthy South Asian community, who were never entirely welcome within Nyerere’s Pan-Africanist and socialist vision.

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