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Edited by Hiroyuki Hino , John Lonsdale , Gustav Ranis , Frances Stewart
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Ethnic Diversity and Economic Instability in Africa

There is a growing consensus in the development economics literature that ethnic diversity is a significant factor in explaining Africa's poor economic performance. *Ethnic Diversity and Economic Instability in Africa* challenges this conventional wisdom. Drawing on the insights of historians, anthropologists and political scientists, as well as development economists, this book questions whether ethnicity is the most useful organising principle by which to examine the economic development of Africa, arguing that it is a more fluid and contingent concept than economic models allow. Instead, the authors explore the actual experience of ethnicity in Africa and propose new methods of measuring ethnic diversity and inequalities. Finally, some tentative conclusions are reached regarding appropriate policy reforms.

HIROYUKI HINO is Economic Advisor to the Prime Minister of the Republic of Kenya.

JOHN LONSDALE is Fellow of Trinity College and Professor Emeritus of Modern African History at the University of Cambridge.

GUSTAV RANIS is Frank Altschul Professor Emeritus of International Economics at Yale University.

FRANCES STEWART is Professor Emeritus of Development Economics at the University of Oxford.

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Interdisciplinary Perspectives

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Contributors

BRUCE J. BERMAN is Professor Emeritus of Political Studies and History and Director and Principal Investigator of the Ethnicity and Democratic Governance Program at Queen's University, Ontario, Canada. He was educated at Dartmouth College (BA, International Relations), the London School of Economics (MA, Social Anthropology) and Yale University (M.Phil., Ph.D., Political Science). He has served as the President of the Canadian Association of African Studies in 1990–1 and the African Studies Association in the US in 2004–5.

GRAHAM K. BROWN is Director of the Centre for Development Studies and a senior lecturer in International Development at the University of Bath, UK. In 2011–12 he was the Lee Kong Chian Distinguished Visiting Fellow at Stanford University and the National University of Singapore. His research is concerned with the nexus of inequality, identity, and development, with an empirical focus on Southeast Asia, and has been published in leading disciplinary journals, including *World Development* and *Oxford Development Studies*.

YASH PAL GHAI is a legal scholar. He has lectured in the leading law schools including Warwick, Yale, Harvard and University of Hong Kong. He has been involved in constitution-making in various countries throughout the world. He was the Chairman of the Kenya constitution review process, heading the Constitution of Kenya Review Commission and the Kenya Constitution Conference (2000–4). More recently he was consultant to the Somali Constitution Commission on the preparation of the Somali draft constitution.

NOBUAKI HAMAGUCHI is Professor of the Research Institute for Economics and Business Administration, Kobe University, Japan. He graduated from the Osaka University of Foreign Studies and has a Ph.D. from the University of Pennsylvania. His research interests

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List of contributors

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include economic development, regional economics and international trade and investment.

HIROYUKI HINO is a professor at Kobe University, Special Fellow at the Japan International Cooperation Agency Research Institute (JICA-RI) and currently serving as Economic Advisor to the Prime Minister of the Government of Kenya. After he received a Ph.D. in Economics at the University of Rochester, he joined the International Monetary Fund (IMF) and worked on IMF policy issues in its Exchange and Trade Relations Department. He was Assistant Director of the African Department and Director of Regional Office for Asia and the Pacific.

ARNIM LANGER is Director of the Centre for Research on Peace and Development (CRPD) and University Lecturer in International Relations at the University of Leuven in Belgium. His research areas include causes and consequences of conflict, post-conflict economic reconstruction, inequality, group behaviour and identity formation.

JOHN LONSDALE is Emeritus Professor of Modern African History and a Fellow of Trinity College Cambridge. Among his books are (as co-author) *Unhappy Valley: Conflict in Kenya and Africa* (1992); (as co-editor) *Mau Mau and Nationhood* (2003); (as co-editor) *Writing for Kenya: the Life and Works of Henry Muoria* (2009); and (as co-editor) *Trinity: a Portrait* (2011).

BETHWELL A. OGOT is Chancellor of Moi University and Professor Emeritus of History at Maseno University, Kenya. He is author of over twenty books and eighty articles and book chapters on Kenyan and African history. His latest works include *History as Destiny and History as Knowledge* (2005), *History of the Luo-Speaking Peoples of Eastern Africa* (2009), and *Who, if Anyone, Owns the Past?* (2010). He was President of the International Scientific Committee for the Preparation of a General History of Africa for the United Nations Educational, Scientific and Cultural Organization (UNESCO).

GUSTAV RANIS is the Frank Altschul Professor Emeritus of International Economics at Yale University. He was Assistant Administrator for Program and Policy at the Agency for International Development (AID) for the Department of State in 1965–7, Director of Yale's Economic Growth Center in 1967–75, Director of the Yale Center for International

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and Area Studies from 1995 to 2003 and a Carnegie Corporation Scholar in 2004–6. He has more than twenty books and 200 articles on theoretical and policy-related issues of development to his credit.

KEN-ICHI SHIMOMURA is Professor of Economics and Director of the Research Institute for Economics and Business Administration at Kobe University. He obtained a Ph.D. in Economics from the University of Rochester. His research fields are economic theory and experimental economics.

PARKER SHIPTON is Professor of Anthropology and Research Fellow in African Studies at Boston University. He has written extensively on farming and herding people of Africa, particularly on customs involving kinship, land tenure, ritual and money and exchange.

FRANCES STEWART is Emeritus Professor of Development Economics and Director of the Centre for Research on Inequality, Human Security and Ethnicity (CRISE) at the University of Oxford. A pre-eminent development economist, in 2010 she received the Mahbub ul Haq award from the United Nations for Lifetime Services to Human Development. She has an honorary doctorate from the University of Sussex.

TAKEHIKO YAMATO is Professor in the Graduate School of Decision Science and Technology, Tokyo Institute of Technology. He received his MA and Ph.D. in Economics at the University of Rochester. His fields of specialisation include microeconomic theory, experimental economics, game theory, mechanism design, public economics and industrial organisation.

Foreword

Over the last decade, we have witnessed greater political stability and higher economic growth in Sub-Saharan Africa. While expectations seem to be forming that Africa could be a new growth centre in the decades to come, there remains the risk of political instability and economic downturn. The recurrence of military coups, continued semi-authoritarian rule and weak governance are still observed in some parts of the continent.

Many previous studies attribute these risks to political mobilisation brought by ethnic as well as religious division in African societies. However, African history demonstrates that ethnic diversities do not necessarily cause political conflicts and economic instability. A more sophisticated approach is necessary to gain a better understanding of the conditions under which ethnic diversity could be a source of political and economic instability, and the factors that contribute to nation-building with social harmony and economic prosperity in the long run.

The Japan International Cooperation Agency (JICA) Research Institute adopted 'Ethnic diversity and economic instability in Africa' as one of its major research projects upon its establishment in October 2008. This project was organised in collaboration with the Research Institute for Economics and Business Administration of Kobe University, and led by Dr Hiroyuki Hino, Special Fellow of JICA Research Institute and Professor of Economics at Kobe University.

The research team comprises internationally renowned scholars from diverse disciplines including economics, political science, history, anthropology and law. This composition facilitated the research and analyses of the nature and consequences of interaction between ethnicity and economy that critically depend on historical contingencies, political structure, constitutional design and economic circumstance. I am gratified that scholars of such prominence have worked together as a team for two years.

This book is the first of a series of publications generated by this project. Each chapter discusses different aspects of understanding complex relationships between ethnic diversity and economic performance. One of the main findings is the existence of a vicious circle between ethnic isolationism and economic uncertainty, implying that the causal relations between the two are not one-way but circular. This finding confirms the importance of improving people's economic conditions so that their ethnic identities cannot be manipulated and exploited by political leaders for their own gain. For this purpose, inclusive development that mitigates both horizontal and vertical inequalities among ethnic communities and other groups must be achieved.

This orientation coincides with JICA's basic policy. Since I assumed the presidency of this organisation in 2003, it has incorporated the concept of 'human security' into its core principles and guidelines for aid programming and implementation. To empower people to live with dignity by providing basic economic means is a fundamental condition if we are to prevent recurrence of conflict and bring long-term political stability and sustained economic development to conflict-prone or -affected countries.

I believe that this book demonstrates the potential of interdisciplinary research in identifying the root causes of instability and in elaborating practical policies to transform ethnic diversity into a positive force for inclusive development in Africa. I hope that this volume will help to generate further interest in economic development in Africa in general and the influences of ethnicity in particular, among researchers, practitioners and policy makers.

Sadako Ogata
President
Japan International Cooperation Agency

Preface

Over the last two decades, the macroeconomic performance of most countries in Sub-Saharan Africa has improved substantially, with higher economic growth, lower inflation and improved balance of payments. Over the same period, however, income disparities have widened and poverty has remained entrenched. Social friction associated with greater inequality, as well as pervasive unemployment and underemployment, population growth and increasingly scarce land and water resources, have made many African economies potentially unstable and vulnerable to political and other shocks. Ethnic diversity, highlighted by socio-economic and political inequality, has contributed to ethnic clashes.

Empirical work in development economics has generally shown that ethnic diversity, i.e. the co-existence of numerous distinct ethnic communities in a country, has significantly lowered economic growth in Africa, possibly because it has led to sub-optimal provision of public goods. Moreover, it is generally assumed that ethnic diversity also contributes to heightened economic instability.

But we still need to ask if it can be shown empirically or theoretically that the observed instability of African economies can be attributed to the co-existence of ethnically distinct communities. Other equally important factors may also be at play. It is possible, for example, that it is the political exploitation of ethnic diversity, not diversity in itself, which makes such economies more unstable. One must also ask how far market forces are dominant in African economies, or whether the powers of the state remain even more pervasive than is often assumed. Further still, how fundamental are the differences between the preferences of a country's ethnic communities? Are they different enough to disrupt the ways in which one would normally expect an economy to work?

With a view to providing answers to these difficult questions, the Japan International Cooperation Agency Research Institute (JICA-RI) and the Kobe University Research Institute for Economics and Business

Administration (RIEB) initiated a joint research project in the Spring of 2009. A team of economists, political scientists, economic historians and anthropologists from Africa, Asia, Europe and North America was formed to undertake this research. Since then, this research team has held four conferences at which relevant papers were presented for debate. The first conference was held at Kobe University in July 2009, the second at Yale University in January 2010, the third in Naivasha, Kenya, in November 2010, and the fourth at Oxford University in July 2011. The members of the project team are listed in the Appendix.

This volume represents the first of a collection of papers presented at our conferences. It aims principally to arrive at a diagnosis of the aforementioned issues. A sequel to this volume will be devoted to policies that can help to transform ethnic diversity from a negative to a potentially positive influence, thus contributing to building nations where ethnic communities can work harmoniously to reap the fruits of economic development with growth, stability and equity.

We hope that this book will serve as catalyst, to stimulate further interest in interdisciplinary studies on the subject of ethnicity and development in Sub-Saharan Africa.

Hiroyuki Hino, John Lonsdale,
Gustav Ranis and Frances Stewart

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This book is a product of a research project entitled ‘Ethnic diversity and economic instability in Africa: policies for harmonious development’, which was organised and funded jointly by the Japan International Cooperation Agency Research Institute (JICA-RI) and Kobe University Research Institute for Economics and Business Administration (RIEB). We are most grateful to the JICA-RI for financing most of this project, and taking care of its administrative and logistical arrangements. The project was also partly funded by a Grant-in-Aid for Scientific Research from the Ministry of Education, Culture, Sports, Science and Technology, Japan (grant number: 22330085). Views and opinions expressed in the book are those of the authors, and do not necessarily reflect those of JICA or Kobe University.

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Hiroyuki Hino, John Lonsdale,
Gustav Ranis and Frances Stewart