Path Dependence, Social Capital, and Violent Conflict in Ethnically Polarized Developing Countries

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Using a social capital framework, this paper argues that the dynamics of relationships within and between ethnic groups in ethnically-polarized societies creates a type of path dependence that locks such societies into "survival politics". I argue that ethnically-polarized developing countries are typically characterized by relatively high levels of intra-ethnic social capital but relatively low levels of inter-ethnic social capital. The juxtaposition of high levels of intra-ethnic social capital with low levels of inter-ethnic social capital generates and sustains survival politics. Survival politics makes it difficult to adopt growth-promoting policies and increases the risk that groups may adopt radical, extra-institutional strategies such as violence and insurgency. The literature on path dependence typically focuses on historic and cultural self-reinforcing institutional mechanisms. Relational dynamics have been relatively unexplored as a form of path dependence that constrains institutional reform. This paper aims to contribute to the literature on institutional reform in ethnically-polarized countries by exploring how varying levels of social capital create constraining relational dynamics in the polity.

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Part I: Introduction

Ethnic conflict is anathema to development[1]. It subverts human welfare, causes tremendous

physical and emotional suffering, destroys infrastructure, triggers capital flight, diverts scarce

government resources away from education and health programs, and leaves the economy in

tatters. To paraphrase Collier and Hoeffler and Reynal-Querol, violent ethnic conflict is

"development in reverse".[2] Collier, however, does not see the problem as being about ethnic

rivalries, per se. Collier identifies a number of factors that he argues contribute to a "conflict

trap", that is, an apparent inability to move beyond conflict in society.[3] The most important

factors highlighted by Collier are extreme poverty, low growth, and primary commodity

dependence.[4] If these issues could be solved, presumably countries could break free of the

conflict trap.

What Collier appears to under-estimate, however, is the degree to which ethnic rivalries

constrain the ability of political leaders to adopt growth-promoting policies and to reform

institutions. While I concur with Collier that poverty and low growth contribute to a conflict

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[1] I adopt Amartya Sen's conception of development as freedom. Sen regards human freedom as both the principal end and the primary means of development. From Sen's perspective, the basic concern of development is with the capability of individuals to lead lives they have reason to value and to enhance the real choices they have. Sen describes this approach as "development as freedom" since the ability of people to live the lives they have reason to value derives from their substantive freedoms. From this perspective, "development" has political, social, and economic dimensions. See Amartya Sen, *Development as Freedom* (New York: Anchor Books, 2000) [Sen, *Development*]. See also Amartya Sen, *The Idea of Justice* (Cambridge, MA: Harvard University Press, 2009).

[2] See Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (Oxford: Oxford University Press, 2007) at 27 [Collier, *Bottom Billion*] and see Anke Hoeffler & Marta Reynal-Querol, "Measuring the Costs of Conflict" (March 2003), online: Anke Hoeffler Home Page <http://users.ox.ac.uk/~ball0144/hoereyque.pdf>.

[3] See Collier, *Bottom Billion*, *ibid.*; Paul Collier, "Implications of Ethnic Diversity" (2001) 32 Economic Policy 127; Paul Collier & Anke Hoeffler, "Greed and Grievance in Civil War" (2004) 54 Oxford Economic Papers 563; Paul Collier & Anke Hoeffler, "On the Incidence of Civil War in Africa" (2002) 46 Journal of Conflict Resolution 13; Paul Collier & Anke Hoeffler, "Aid, Policy, and Peace: Reducing the Risks of Civil Conflict" (2002) 13 Defence and Peace Economics 435; Paul Collier, Anke Hoeffler & Mans Soderbom, "On the Duration of Civil War" (2004) 41 Journal of Peace Research 253; and Paul Collier *et. al.*, *Breaking the Conflict Trap* (New York: Oxford University Press, 2003).

[4] Collier, *Bottom Billion*, *ibid.* at 18-26 and 34.

trap in developing societies, as I will argue in this essay, ethnic rivalries in polarized countries play a central role in creating incentives for elites to adopt policies that both impede development and make violent conflict more likely. Using a social capital framework specific to ethnic groups, I will explore how relational dynamics in an ethnically-polarized country can trap a country in "survival politics," where making certain types of policy decisions is very difficult and where elites have strong incentives to advocate radical extra-institutional strategies such as violence.

This essay builds on scholarship related to institutions, development, and path dependence. There is general consensus that institutions matter to development outcomes.[5] There has also been considerable study of the types of institutions that are conducive to managing tensions in an ethnically divided polity.[6] Yet, notwithstanding the received wisdom about the importance of

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[5] See e.g. Mancur Olson Jr, "Distinguished Lecture on Economics in Government: Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor" (1996) 10:2 Journal of Economic Perspectives 3; Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990) [North, *Institutions*]; Douglass C. North, *Understanding the Process of Economic Change* (Princeton, NJ: Princeton University Press, 2005) [North, *Understanding*]; Daniel Kaufmann, Aart Kraay, & Pablo Zoido-Lobaton, *Governance Matters* (World Bank Policy Research Working Paper No. 2196, Washington, DC: World Bank, 1999), online: World Bank <http://www.worldbank.org/research>; Daniel Kaufmann, 'Rethinking Governance: Empirical Lessons Challenge Orthodoxy' [Discussion Draft 11 March 2003] (Washington, DC: World Bank, 2002), online: World Bank <http://www.worldbank.org/wbi/governance/pdf/rethink_gov_stanford.pdf>; Dani Rodrik, Arvind Subramanian & Francesco Trebbi, "Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development" (2004) 9 Journal of Economic Growth 131; Stephen Knack, "Predation or Production? The Impact of Political, Legal, and Social Institutions" in Stephen Knack, ed., *Democracy, governance, and growth* (College Park, Md: University of Michigan Press for Institutional Reform and the Informal Sector Center, University of Maryland, 2003) 1; Stephen Knack & Philip Keefer, "Institutions and Economic Performance: Cross-Country Tests Using Alternate Institutional Measures" in Stephen Knack, ed., *Democracy, governance, and growth* (College Park, Md: University of Michigan Press for Institutional Reform and the Informal Sector Center, University of Maryland, 2003) 56; David Trubek, "The Rule of Law in Development Assistance: Past, Present and Future" in David Trubek & Alvaro Santos, eds., *The New Law and Economic Development: A Critical Appraisal* (Cambridge: Cambridge University Press, 2006) 74; and Barry R. Weingast, "Constitutions as Governance Structures: The Political Foundations of Secure Markets" (1993) 149 Journal of Institutional and Theoretical Economics 286.

[6] See e.g. Kaufmann, Kraay & Zoido-Lobaton, *ibid.*; Kaufmann, *ibid.*; William Easterly, "Can Institutions Resolve Ethnic Conflict?" (2001) 49 Economic Development and Cultural Change 687; John Mukum Mbaku, "Ethnicity, Constitutionalism, and Governance in Africa" in John Mukum Mbaku, Pita Ogaba Agbese & Mwangi S. Kimenyi,

institutions and the efforts of scholars, experts, consultants, and development practitioners to reform institutions, countries remain married to dysfunctional institutions and policies.[7] Even the implementation of institutional reform that appears to embody "best practices" from around the world is no guarantee of success, whether the reform is aimed at introducing private property rights[8], introducing democratic practices[9], or strengthening the rule of law[10]. In the context of ethnic conflict, for example, Fiji's constitutional reform in 1997 appeared to be a text-book model of ethnic conflict management, but did not prevent coups in 2000 or 2006. Similarly, Burundi's democratic reforms in 1993 were rapidly followed by civil war, and the power-sharing arrangements contained in the 1998 Good Friday Agreement in Northern Ireland did not forestall a collapse of the devolved government and a return to direct rule in 2002.

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eds., *Ethnicity and Governance in the Third World* (Aldershot: Ashgate, 2001) 70; Ulrich Schneckener, "Models of Ethnic Conflict Regulation: The Politics of Recognition" in Ulrich Schneckener & Stefan Wolff, eds., *Managing and Settling Ethnic Conflicts: Perspectives on Successes and Failures in Europe, Africa and Asia* (New York: Palgrave MacMillan, 2004) 18; Eric Nordlinger, *Conflict Regulation in Divided Societies* (Cambridge: Harvard University Center for International Affairs, Occasional Paper no. 29, 1972); Arend Lijphart, *Democracy in Plural Societies: A Comparative Exploration* (New Haven: Yale University Press, 1977) [Lijphart, *Democracy*]; John McGarry & Brendan O'Leary, "Introduction: the macro-political regulation of ethnic conflict" in John McGarry & Brendan O'Leary, eds., *The Politics of Ethnic Conflict Regulation: Case Studies of Protracted Ethnic Conflicts* (London: Routledge, 1993) 1; Timothy Sisk, *Power-Sharing and International Mediation in Ethnic Conflicts* (Washington DC: United States Institute of Peace Press, 1996) (Sisk, *Power-Sharing*); Ulrich Schneckener, "Making Power-Sharing Work: Lessons from Success and Failures in Ethnic Conflict Regulation" (2002) 32 Journal of Peace Research 203 [Schneckener, "Power-Sharing"]; Paul J. Magnarella, "Preventing Interethnic Conflict and Promoting Human Rights through More Effective Legal, Political, and Aid Structures: Focus on Africa" (1993) 23 Ga. J. Int'l & Comp. L. 327; and Charles King, "Policing Language: Linguistic Security and the Sources of Ethnic Conflict" (1997) 28 Security Dialogue 493.

[7] For a good review of the disappointing results associated with institutional reform, see Mariana Prado & Michael Trebilcock, "Path Dependence, Development, and the Dynamics of Institutional Reform" (2009) 59 U.T.L.J. 341.

[8] Daniel Fitzpatrick, "Evolution and Chaos in Property Rights Systems: The Third World Tragedy of Contested Access" (2006) 15 Yale L.J. 996.

[9] See e.g. Thomas Carothers, "The End of the Transition Paradigm" (2002) 13 Journal of Democracy 5 and Thomas Carothers, *Aiding Democracy Abroad: The Learning Curve* (Washington, D.C.: Carnegie Endowment for International Peace, 1999).

[10] See Thomas Carothers, "The Rule of Law Revival" (1998) 77 Foreign Affairs 95; Thomas Carothers, ed., *Promoting the Rule of Law Abroad : In Search of Knowledge* (Washington, D.C.: Carnegie Endowment for International Peace, 2006); Brian Tamanaha, *On the Rule of Law: History, Politics, Theory* (Cambridge: Cambridge University Press, 2004) at 3-4; and Bryant Garth & Yves Dezelay, "Introduction" in Yves Dezelay & Bryant Garth, eds., *Global Prescriptions: The Production, Exportation, and Importation of a New Legal Orthodoxy* (Ann Arbor: University of Michigan Press, 2002) 1.

What prevents some countries from adopting much-needed institutional and policy reform, and what causes well-designed institutions to fail in some countries? For law and development scholars, who believe that law and the rule of law matter, these questions are pivotal. The case of the former Soviet Union taught us that local context is important and that the Western-brand of institutions cannot simply be transplanted elsewhere with great success. The failure of so many exercises in development and institutional reform has caused some scholars to look to path dependence[11] for insight into the factors that influence the potential success of reform projects.[12]

Path dependence refers generally to the idea that the past history of a country imposes constraints on its policy and governance decisions in the present.[13] Prado and Trebilcock apply path dependence to the study of institutional reform; "[a]pplied to institutions, the theory helps to explain how institutions (and networks of institutions) take shape through self-reinforcing mechanisms and why – as a consequence – they are difficult to change."[14] According to Prado and Trebilcock, under certain conditions, "economic and other activities may be subject to increasing returns, whereby the benefits of engaging in them increase, rather than decrease over time as more and more people invest in a given way of doing things. As these investments – of time, money, skills, and expectations – add up, the relative cost of exploring alternatives steadily

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[11] For an overview of path dependence theory, see Paul Pierson, "Increasing Returns, Path Dependence, and the Study of Politics" (2000) 94 American Political Science Review 252.

[12] See Prado & Trebilcock, *supra* note 7; Amy Chua, "Markets and Ethnicity: A New Paradigm for Law and Development" (1998) 108 Yale L.J. 1; Kevin Davis, Michael Trebilcock & Bradley Hayes, "Ethnically Homogeneous Commercial Elites in Developing Countries" (2001) 32 Law & Policy in International Business 331; and Dani Rodrik, *Feasible Globalizations,* KSG Working Paper No. RWP02-029 (Cambridge, MA: Cambridge University Press, 2002), online: Harvard University <http://ksghome.harvard.edu/~drodrik/Feasglob.pdf>.

[13] North, *Understanding, supra* note 5 at 51-52. See also Prado & Trebilcock, *ibid.* at 350-1.

[14] Prado & Trebilcock, *ibid.* at 350.

rises."[15] Self-reinforcing mechanisms and switching costs create an environment where existing

institutions are deeply entrenched and, consequently, difficult to change.

In his book *Understanding the Process of Economic Change*[16]*,* Douglass North explores the

implications of path dependence for institutional change. North draws attention to the close

relationship between belief systems, institutions, and institutional change. He argues that

informal institutions such as norms, conventions, and internally held codes of conduct are a

major determinant of real change within a polity. While the formal rules embedded in

institutions can change very quickly, the informal institutions, which constrain the functioning of

formal institutions, take much longer to change. North links socio-cultural evolution of informal

institutions to path dependence, which he suggests involves recognition,

> …that the institutions that have accumulated give rise to
> organizations whose survival depends on the perpetuation of
> those institutions and which hence will devote resources to
> preventing any alteration that threatens their survival…The
> interaction of beliefs, institutions, and organizations in the
> total artifactual structure makes path dependence a
> fundamental factor in the continuity of a society…Path
> dependence is not "inertia," rather it is the constraints on the
> choice set in the present that are derived from historical
> experiences of the past. Understanding the process of
> change entails confronting directly the nature of path
> dependence in order to determine the nature of the limits to
> change that it imposes in various settings.[17]

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[15] *Ibid.* at 351 (citations omitted).
[16] See North, *Understanding, supra* note 5.
[17] *Ibid.* at 51-52.

North, Wallis and Weingast argue that rule of law reforms almost always fail for two primary

reasons: violence and a lack of perpetuity.[18] They suggest that in limited access orders, or

"natural states", violence is avoided by giving powerful actors rights, privileges, influence, and

other rents so that these actors have incentives to cooperate with each other to maintain their

privileges rather than fight. Limited access orders are characterized by weak or absent rule of law

institutions and poor prospects for long-term economic growth. It is difficult for limited access

orders to evolve into open access orders. As the term suggests, open access orders are

characterized by open access to institutions, privileges and rights; the resulting competition and

rent-erosion contributes to the ability to sustain long-term economic growth and development.

Limited access orders cannot transform themselves into open access orders simply by adopting

the rule of law-type institutions of open access orders. North, Wallis, and Weingast argue that

the adoption strategy typically has failed throughout history because open access order

institutions strip away rents and introduce competition for political, social, and economic power.

The powerful actors who enjoy the rents in the limited access order resist institutional reforms

that seek to dismantle the systems of privilege. The result is disorder and violence.[19]

In this essay, I add to the path dependence literature by exploring an important source of

informal constraints on institutional change: the dynamics of intra-ethnic and inter-ethnic

relations in ethnically polarized countries. I analyze the dynamics of ethnic relations using a

social capital framework, which can be broadly understood as the norms and networks that exist

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[18] See Douglass North, John Wallis & Barry Weingast, *Violence and Social Order: A Conceptual Framework for Understanding Recorded Human History* (Cambridge, MA: Cambridge University Press, 2009).

[19] This summary is based on Barry Weingast's synopsis of North, Wallis & Weingast, *ibid.,* in "Why Developing Countries Prove So Resistant to the Rule of Law" in James Heckman, Robert Nelson & Lee Cabatingan, eds., *Global Perspectives on the Rule of Law* (New York: Routledge, 2010) 28. I was also assisted by a summary prepared by Michael Trebilcock (20 April, 2010, on file with the author). Any errors are my own.

between individuals and between groups. I argue that ethnically polarized countries tend to have relatively high levels of intra-ethnic social capital but relatively low levels of inter-ethnic social capital. As a result of this juxtaposition, countries tend to become locked into survival politics, which makes it difficult to adopt reform policies that typically involve short-term pain in return for long-term benefits. Moreover, the juxtaposition of high levels of intra-ethnic social capital and low levels of inter-ethnic social capital and the dynamics of survival politics makes it more likely that ethnic elites will advocate radical, extra-institutional strategies such as insurgency or repression.

Using a social capital framework to explore the problem of violent ethnic conflict in developing countries has at least two advantages. First, the juxtaposition of high levels of intra-ethnic social capital and low levels of inter-ethnic social capital is materially implicated in the emergence of survival politics. The social capital framework points to a type of path dependency that is characterized by the constraints experienced by elites as a result of the dynamics flowing from varying levels of social capital between and within their respective ethnic groups. By using a social capital framework, we can therefore gain a better understanding of the forces that make policy and institutional reform so difficult and that propel ethnically-polarized countries toward conflict. Second, the social capital framework points to a possible strategy for helping countries break out of the conflict trap. By cultivating inter-ethnic social capital, it may be possible to move a country away from survival politics and to create a "civic compact" in which it is understood that while ethnic groups may pursue their own agendas in the polity, they will not advance their interests using extra-institutional strategies such as violence. This type of strategy for mediating ethnic conflict and for promoting development generally has heretofore been

under-explored.[20] This social capital framework may therefore point to new avenues for promoting development in ethnically-polarized countries.

Part II of this essay begins by defining "ethnicity" and clarifying the reasons for its focus on ethnic polarization rather than ethnic diversity generally. Part III introduces the concept of social capital. I argue that a unique form of social capital inheres within and between ethnic groups. Because I present a novel interpretation of ethnically-based social capital, the discussion in Part III is fairly detailed. Part IV applies the ethnic social capital framework to ethnically-polarized developing countries in order to illustrate why such countries typically have low levels of inter-ethnic social capital but robust levels of intra-ethnic social capital. Part V explores the implications of this juxtaposition for elite incentive structures. In particular, I discuss how this juxtaposition gives rise to survival politics and, consequently, a greater propensity to violent conflict, dysfunctional governance, and impeded development. Part VI applies the social capital framework once again to propose a means of altering elite incentive structures in ethnically-polarized developing countries and thus to avoid the consequences of survival politics. In this regard, I advocate the cultivation of inter-ethnic social capital. Part VII concludes by briefly considering how the difficult task of fostering inter-ethnic social capital may occur.

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[20] An important exception is Ashutosh Varshaney who has applied a concept similar to social capital to an analysis of ethnic conflict in India. See Ashutosh Varshaney, *Ethnic Conflict and Civic Life: Hindus and Muslims in India* (New Haven: Yale University Press, 2002). Varshaney argues that various types of civic engagement (interactions between members of different ethnic groups that happen informally on a day to day basis and that occur in more formalized, associational settings) serve to contain violent ethnic conflict. While I do not disagree with Varshaney's arguments, I focus on a wider conception of social capital that encompasses both forms of engagement between members of different ethnic groups and the norms that govern the relations between ethnic groups. My analysis of the impact of social capital also differs from Varshaney's assessment. While I consider that varying levels of social capital can actually contribute to the perpetuation of violence, Varshaney focuses exclusively on the way in which civic engagement can contain ethnic violence. Moreover, while I focus on how social capital impacts elite incentive structures, Varshaney focuses on the mediating role that civic engagement can play, for example, by building bridges between communities, reducing uncertainty, and preventing the dissemination of rumours and misinformation.

Part II: Ethnicity and ethnic polarization

Broadly speaking, "ethnicity" refers to a category of identification that is based on a belief in shared kinship ties. These ties are manifested in shared characteristics such as language, religion, culture, geographic origin, physical attributes, or any combination of these factors.[21] Ethnic identity is deeply connected with a sense of birth and blood ties, ancestry and descent, "belonging", and "peoplehood". Ethnic identity is a corporate membership: it speaks to one's place in a collective body that is "intergenerational, ongoing, and independent of its present members".[22] The ethnic group is held together by a belief among its members in their consanguinity. It is the *belief* in shared kinship ties that is important, and not the objective reality of such ties.[23] The kinship aspect of ethnicity makes ethnicity a particularly powerful category of identification and an effective vehicle for mobilizing the masses.

This essay focuses on ethnic conflict in polarized societies as opposed to conflict in ethnically fragmented or diverse societies. In a polarized society, the polity is shared by only two or three ethnic groups whereas in a fragmented society, there are numerous ethnic groups living within the state. This difference has a material impact on the nature of inter-ethnic relations. In a fragmented society, a single ethnic group is less likely to dominate all other groups economically or politically since there usually are not enough members of a single group to establish and

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[21] For a good discussion of the concept of "ethnicity", see Donald L. Horowitz, *Ethnic Groups in Conflict* 2nd ed. (Berkeley and Los Angeles, California: University of California Press, 2000).
[22] Horowitz, *ibid.* at 52.
[23] Max Weber observed that ethnicity is based upon a "subjective belief" in "common descent…whether or not an objective blood relationship exists." See Max Weber, "Ethnic Groups" in Guenther Roth and Claus Wittich, eds., *Max Weber, Economy and Society: An Outline of Interpretive Sociology* (New York: Bedminister Press, 1968) 389 at 389. See also Horowitz, *ibid.* at 52-53, where Horowitz outlines the findings of physical anthropologists who can demonstrate that different ethnic groups have drawn, at some time, from the same gene pool.

maintain a monopoly on power. Elites in fragmented societies generally need to draw support from outside their own ethnic groups in order to have a realistic chance of obtaining and retaining power. Accordingly, elites have inherent incentives to adopt more moderate, non-ethnic positions and strategies. By contrast, in a polarized society, there are far fewer groups in society and therefore it is easier to rely on the exclusive support of the members of the elites' own ethnic groups. Elites thus have a greater incentive to adopt ethnocentric approaches. These approaches tend to be more divisive and increase the risk of conflict. As a result, politics in polarized societies tends to focus heavily on ethnic identity, creating a greater risk of ethnic conflict than in fragmented societies.

Part III: Social capital

Social capital refers to the networks of formal and informal relationships among various actors (both institutional and individual) within a society and the norms, expectations, and understandings about rights and obligations that are imbued within these networks which facilitate coordinated collective action.[24] Social capital has two important characteristics: it is

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[24] The conceptualization of social capital in this study is heavily influenced by the work of James Coleman and Robert Putnam, though unlike these scholars, I do not consider that trust is a key component of social capital. Rather, I view trust as a product of robust levels of social capital. In this regard, my understanding of social capital has been materially influenced by Michael Woolcock. However, I do share Coleman's and Putnam's emphasis on norms and networks, as well as their recognition of the inherently functional nature of social capital. For key works by Coleman and Putnam, see James S. Coleman, "Social Capital in the Creation of Human Capital" (1988) 94 American Journal of Sociology S95 [Coleman, "Social Capital"]; James S. Coleman, *Foundations of Social Theory* (Cambridge MA: Harvard University Press, 1990) [Coleman, *Foundations*]; See Robert D. Putnam, "The Prosperous Community: Social Capital and Public Life" (1993) 13 American Prospect 35 [Putnam, "Social Capital"]; Robert D. Putnam, Robert Leonardi & Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton NJ: Princeton University Press, 1993) [Putnam *et al.*, *Making Democracy Work*]; and Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000) [Putnam, *Bowling*]. See also Michael Woolcock, "Social capital and economic development: Toward a theoretical synthesis and policy framework" (1998) 27 Theory and Society 151 [Woolcock, "Social capital and economic development"] and Michael Woolcock, "The Place of Social Capital in Understanding Social and Economic Outcomes" (2000) 2:1 Canadian Journal of Policy Research 11 [Woolcock, "Place of Social Capital"].

relational and it is functional. Social capital is, by its very nature, relational in that "inheres in the structure of relations between actors and among actors."[25] Social capital is not the relationships themselves, although it is very difficult to separate social capital from relationships in society. Instead, social capital is embedded in the network of relationships and the interconnectedness that accompanies the network, along with that which holds the relationships together, namely, shared norms, expectations, and understandings.

Social capital is also inherently functional. It exists as a resource to actors within networks of relationships that allows these actors to coordinate activities with other actors in the same networks.[26] The functionality of social capital has implications at both the group and the individual level. At the level of the group, social capital allows for the possibility of coordinated collective action by facilitating cooperation among the individual members of the group. This collective action enhances the group's competitiveness vis-à-vis other groups in the pursuit of scarce resources. At the level of the individual, social capital assists actors in the pursuit of their individual goals by providing access to the resources and influence of other members of the individual's networks of relationships.

Scholars have described at least three different kinds of social capital, namely bonding, bridging and linking social capital. "Bonding" social capital refers to the ties that exist between family

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For a discussion of the modern history of the concept of "social capital", see Woolcock, "Social capital and economic development" and Alejandro Portes, "Social Capital: Its Origins and Applications in Modern Sociology" (1998) 24 *Annual Review of Sociology* 1 [Portes, "Social Capital"].

[25] Coleman, "Social Capital", *ibid.* at S98.

[26] Coleman "Social Capital", *ibid.*

members, close friends and neighbours.[27] "Bridging social capital" refers to the relationships that exist between parties that are more distant, such as acquaintances, colleagues, or schoolmates. Bridging social capital is "a horizontal metaphor…implying connections between people who share broadly similar demographic characteristics."[28] Linkages refer to vertical alliances between marginalized or excluded individuals and other individuals in strategic positions that hold power or access to resources.[29] "The capacity to leverage resources, ideas and information from formal institutions beyond the community is a key function of linking social capital."[30] Linking social capital is also referred to as "cross-cutting ties". These ties are thought to play an important role in building social cohesion and in opening up economic opportunities to people in less powerful or excluded groups.[31] Woolcock urges a multi-dimensional understanding of social capital that incorporates all three types of social capital. The combination of bonding, bridging and linking social capital, he argues, is essential to understanding the outcomes that have been observed in the literature on social capital.[32]

Up to now, there has not yet been substantial study of the nature of intra-ethnic and inter-ethnic social capital and the impact that these types of social capital have on social, political, and

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[27] Woolcock, "Place of Social Capital", *supra* note 24 at 71-72.
[28] *Ibid.* at 72. See also Ross Gittell & Avis Vidal, *Community Organizing: Building Social Capital as a Development Strategy* (Thousand Oaks, CA: Sage Publications, 1998) for a discussion on the concepts of bonding and bridging social capital.
[29] Woolcock, "Place of Social Capital", *ibid.* at 72, citing J. Fox, "How does civil society thicken? The political construction of social capital in rural Mexico" (1996) 24 World Development 1089; P. Heller, "Social capital as a product of class mobilization and state intervention: industrial workers in Kerala, India" (1996) 24 World Development 1055; and A. Hirschman, *Journeys Toward Progress: Studies of Economic Policy Making in Press* (New York: Greenwood Publishing Group, 1968).
[30] Woolcock, "Place of Social Capital", *ibid.* at 72
[31] Deepa Narayan, *Bonding and Bridges: Social Capital and Poverty* (Washington DC: The World Bank, 1998) at 3-4 [Narayan, *Bonding and Bridges*].
[32] Woolcock, "Place of Social Capital", *supra* note 24 at 13.

economic development.[33] There have been a number of studies that treat ethnicity as social capital but they do not consider that a particular form of social capital may arise within and between ethnic groups. Thus, authors tend to apply existing concepts of social capital to the context of ethnic relations. For example, some scholars have applied the concepts of bridging and bonding social capital to the study of inter-ethnic relations.[34] Bridging social capital is characterized as an "inclusive", or cross-ethnic form, of social capital, while bonding social capital is characterized as an "exclusive", or intra-group, form of social capital.[35] However, as I argue below, the social capital arising within and between ethnic groups should be conceptualized separately from bridging and bonding social capital since ethnic forms of social capital have distinct characteristics that are not be typical of all forms of bridging and bonding social capital.

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[33] One important exception is Ashutosh Varshney who has studied the role of intra-ethnic and inter-ethnic civic engagement in preventing outbreaks of violence between Hindus and Muslims in cities, towns, and villages in India. See *Ethnic Conflict, supra* note 3. See also Benjamin T. Philips & Sylvia Barack Fishman, "Ethnic Capital and Intermarriage: A Case Study of American Jews" (2006) 67 Sociology of Religion 487. Philips and Fishman discuss the concept of "ethnic capital", though they do not apply this concept to development outcomes. See also Bindi Shah, "Being young, female and Laotian: Ethnicity as social capital at the intersection of gender, generation, 'race', and age" (2007) 30 Ethnic and Racial Studies 28; Min Zhou, "Ethnicity as social capital: Community-based institutions and embedded networks of social relations" in G. Loury, T. Modood & S. Teles, eds., *Ethnicity, Social Mobility, and Public Policy: Comparing the USA and UK* (Cambridge: Cambridge University Press, 2005) 131; Min Zhou, "Social capital in Chinatown: The role of Community-based organizations and families in the adaptation of the younger generation" in M. Zhou & J.V. Gatewood, eds. *Contemporary Asian America: A Multidisciplinary Reader* (New York: New York University Press, 2000) 315; and Min Zhou & Carl Bankston III, "Social capital and the adaptation of the second generation: The case of Vietnamese youth in New Orleans" (1994) 28 International Migration Review 821. Shah, Zhou and Bankston III analyze ethnicity *as* social capital rather than study the social capital that arises within and between ethnic groups. This is a small, but important nuance in their work. Their work also focuses primarily on the immigrant experience.

[34] See, for example, Paula M. Pickering, "Generating social capital for bridging ethnic divisions in the Balkans: Case studies of two Bosniak cities" (2006) 29:1 Ethnic & Racial Studies 79, particularly at 80-81. See also see Kathleen M. Dowley & Brian D. Silver, "Social capital, ethnicity, and support for democracy in the post-socialist states" (2002) 54 Europe-Asia Studies 505. Pickering focuses primarily on how bridging social capital between ethnic groups can be fostered. Dowley and Silver critically assess whether the "usual" markers of social capital (interpersonal trust, political interest, and voluntary group participation) correlate with the most and the least successful cases of democratization in East-Central Europe and the post-Soviet states and whether these markers may have different significance in ethnically diverse and ethnically polarized societies. Dowley and Silver argue that the existence of the usual markers of social capital in an ethnically polarized society do not indicate the existence of a healthy, democratic society, but are rather warning signs that democracy may be in jeopardy since high levels of bonding social capital provide mobilization opportunities for ethnic entrepreneurs.

[35] See Pickering, *ibid.* at 80-81.

3.1. Social capital within and between ethnic groups

The social capital that exists within and between ethnic groups is uniquely shaped by the sociology and psychology of ethnic affiliations and rivalry. Rather than rely upon existing conceptions of social capital (bonding and bridging social capital and linkages), I will refer to the particular form of social capital that arises within and between ethnic groups as "intra-ethnic social capital" (or "ethnic capital") and inter-ethnic social capital, respectively. Before proceeding to an analysis of the impact of levels of inter-ethnic and intra-ethnic social capital on development, it is helpful to describe the key characteristics of these two forms of social capital.

3.1.1. Intra-ethnic social capital

Intra-ethnic social capital refers to the social capital that arises within an ethnic group.[36] The most distinctive feature of intra-ethnic social capital is that members of the same ethnic group experience their connections with one another as kinship ties. Thus, this type of social capital is imbued with a sense of shared bloodlines and norms relating to the accompanying myth of common ancestry, a belief in the distinctiveness of the group, familial loyalty, in-group preferences, emotional attachments, and a shared sense of responsibility for each other. Moreover, because the connections between people are experienced as kinship ties, the horizontal and vertical bonds within the ethnic network of relationships are particularly "sticky". Accordingly, what we might otherwise characterize as bridging social capital or linkages are experienced as the much closer, kinship connection typical of bonding social capital. Thus even

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[36] Borjas and Azam were among the first scholars to take note of the unique elements of intra-ethnic social capital, which they refer to as "ethnic capital". Borjas first coined the term "ethnic capital" to describe the bonds between members of the same ethnic group and the embedded norms, traditions, knowledge, and support that are inherent within those bonds of shared ethnicity. See George J. Borjas, "Ethnic Capital and Intergenerational Mobility" (1992) 107 Quarterly Journal of Economics 123 [Borjas, "Ethnic Capital"]. Azam described "ethnic capital" as a specific form of social capital, namely "the 'social capital' that the ethnic groups provide for its members". Jean-Paul Azam, "The Redistributive State and Conflicts in Africa" (2001) 38 Journal of Peace Research 429 at 430.

relatively remote connections (e.g., between two individuals living in different towns and holding different types of jobs) are experienced as close and familiar bonds.

Where levels of ethnic capital are robust, this form of social capital tends to have greater prominence in the lives of individuals relative to other networks of relationships. Whereas other networks of relationships are grounded in common interests, employment, social strata, or political beliefs, members of the same ethnic group are linked by their blood lines (or at least a belief in shared blood lines), familial loyalty, and kinship duties. The old adage that "blood is thicker than water" has truth to it. After all, ethnicity touches that which is basic and primordial in our lives: the family unit. The primordial dimension of ethnicity[37] infuses intra-ethnic social capital with a similar primordial quality. There are few other social, economic, or political connections between people that can create a bond as profound as that which exists between members of the same ethnic group. The close connection that members of the same ethnic group feel to one another despite some or many other socio-economic and political differences is important to understanding the forces that propel a polarized society towards conflict. I will return to this dimension of intra-ethnic social capital below.

3.1.2. *Inter-ethnic social capital*

"Inter-ethnic social capital" refers to social capital (bridging, bonding, and linking) that exists between ethnic groups. Inter-ethnic social capital has two principal dimensions. First, it consists of the networks of formal and informal relationships between actors of different ethnicity,

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[37] As I noted above, from an objective perspective, ethnicity is not itself primordial. Ethnic groups are held together by a *belief* in shared blood lines, not the actual existence of such blood lines. Nevertheless, the perception that ethnicity is primordial and that members of the same group are linked through their ancestry tends to be more important than the objective reality since people tend to respond more to their perceptions than to a calculated analysis of what is real or not.

including individuals and the institutional actors representing different groups (e.g., political parties or labour unions that are predominantly composed of individuals from one ethnic group). Inter-ethnic social capital may therefore exist at both an individual and a collective level.

Second, inter-ethnic social capital consists of the norms, understandings, and expectations about rights and obligations that mediate relations between different ethnic groups and between individual members of different ethnic groups. In this regard, inter-ethnic social capital embodies the "social contract" that underlies the coexistence of ethnic groups within the polity. The three most important norms of inter-ethnic social capital are: the right of each ethnic group to continued physical and cultural existence with the polity ("the right to continued existence"); the right of each ethnic group to participate in decisions that affect the ethnic group ("the right to participation"); and a commitment to the rule of law.

The right to continued existence encompasses the right to continued physical existence, as well as the right to the preservation of the distinctive elements of the group identity. The distinctive elements of the group identity may include, for example, the group's language, culture, and religion. The right to participate in decisions affecting a group's interests and the interests of the state as a whole recognises each group as a stakeholder in the polity. This right to participation is, in part, a tool by which groups may protect their continued existence, since the right is triggered whenever the interests of the group are at stake. The rights to continued existence and to participation are often actualized in the institutions of the state through power-sharing mechanisms (e.g., proportional representation and federalism), the protection of the key interests

of ethnic groups (e.g., language rights and influence over educational policies), and the protection of human rights.

The rule of law, as a norm of inter-ethnic social capital, has a predominantly procedural orientation.[38] For the purposes of this discussion of the norms of inter-ethnic social capital, I understand the rule of law to have a number of key attributes. First, the rule of law means that legally-enforceable rules (i.e., laws) govern aspects of the relationships between individual citizens, between individual citizens and the state, and between groups. Disputes that arise within these relationships may not be resolved through the arbitrary use of violence by private or public actors. Second, laws must be enacted in accordance with the norms that have been established in society for the creation of law and that are consistent with procedural justice.[39] Third, the government, the bureaucracy, regulatory institutions, the military, and the police forces are all subject to the operation of the law and are accountable for their actions. The authority exercised by each of these entities is limited and does not extend to the violation of the rights of individuals or groups within the state. Fourth, all public institutions in society must respect the basic principles of procedural justice in their functioning. In general, the

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[38] It must be noted that there are vastly divergent understandings of the meaning of the "rule of law". For a good review of various conceptions of the rule of law, see Chapter One, "The relationship of the rule of law to development" in Michael Trebilcock & Ronald J. Daniels, *Rule of Law Reform and Development: Charting the Fragile Path of Progress* (Cheltenham: Edward Elgar, 2008), particularly at 12-36. See also Michael Trebilcock & Ronald J. Daniels, "The Political Economy of Rule of Law Reform in Developing Countries" (2004) Mich. J. Int'l L.99 at110-111 [Daniels & Trebilcock, "Rule of Law Reform"]. The conception of the rule of law that is adopted in this essay is influenced by David Kairys, "Searching for the Rule of Law", (2003) 36 Suffolk U. L. Rev. 307; Brian Z. Tamanaha, "The Lessons of Law-and-Development Studies" (1995) 89 A.J.I.L. 470; John V. Orth, "Exporting the Rule of Law" (1998) 24 N.C. J. Int'l L. & Comm. Reg. 71; and Carothers, "The Rule of Law Revival", *supra* note 10.
[39] Fuller's "eight principles of legality" provide a good framework for understanding the types of norms that typically serve as the basis for creating validly-enacted law. According to Fuller, in order for a rule to constitute a "law", it must be: sufficiently general; publicly promulgated; not retroactive; understandable; not contradictory; relatively constant through time; not impossible to comply with; and administered in a manner that is congruent with its actual writing. See Lon L. Fuller, *The Morality of the Law,* rev. ed. (New Haven: Yale University Press, 1969).

requirements of procedural justice will be met as long as decisions are made in a manner that upholds the basic fairness of the process. Finally, there must be a set of independent, competent institutions charged with fairly resolving disputes in society involving the breach of laws. There must also be an institutional forum for the timely resolution of disputes between groups, including disputes related to the structure of the institutions themselves and disputes involving challenges to the *vires* of legislation and its compatibility with human rights law.

The existence of inter-ethnic social capital does not imply that a society has fully assimilated its constituent ethnic groups. Nor does it imply that inter-ethnic rivalries have dissipated or that tension between ethnic groups no longer exists. Inter-ethnic social capital does, however, establish rules of engagement for rival ethnic groups so that these groups can coexist without instability and persistent acts of violence. Inter-ethnic social capital places inter-ethnic rivalries and tensions into a framework that governs how the groups will relate to each other, how authority will be exercised in society, what each group may expect from the other, and what obligations each group must fulfill. This framework is largely embodied in the institutions of a polarized society. The willingness of each group to pursue its agenda through legitimate institutional channels is a key marker of inter-ethnic social capital, for it indicates a commitment to the norms and values governing coexistence that are embodied in the institutions of the polarized society.

Examples of inter-ethnic social capital at work include the manner in which the Scots, Welsh, and Quebecois have pursued greater autonomy from their respective states. In each case, greater

autonomy has been sought through existing democratic institutions. Quebecois nationalists have

established political parties to contest federal and provincial elections. Moreover, the issue of

seeking sovereignty has been brought before the citizens of Quebec in referenda. Significantly,

each time the citizenry has voted against pursuing sovereignty, the leaders of the separatist

movement in Quebec have respected the results of the referenda and have not attempted to

impose their agenda by force. In Scotland and Wales, the pursuit of greater autonomy has

continued for many years through politics and lobbying. The efforts of Scottish and Welsh

nationalists to achieve greater autonomy were finally rewarded with the creation of a federal

governance system that includes Scottish and Welsh parliaments.

In each of the Scottish, Welsh, and Quebecois cases, it cannot be said that inter-ethnic rivalry

abated or that ethno-nationalistic claims were abandoned. What must be noted, however, is that

ethno-nationalistic claims were advanced through existing democratic institutions and not

through recourse to violent, extra-institutional strategies.[40] Ethno-nationalists did not summarily

declare independence, nor did they adopt arbitrary measures to give effect to their desire for

autonomy, nor did they attempt to wrest autonomy away from the state through force. At the

same time, the claims of ethno-nationalists have not been brutally repressed in the modern era by

the state (which has been controlled for the most part by a different ethnic group than the ethno-

nationalists, namely, the English in the U.K. and Anglophones in Canada). The Scottish, Welsh,

and Quebecois ethno-nationalist movements have not been subverted by rival ethnic groups, but

rather have been tolerated. Thus, in the case of Scotland, Wales, and Quebec, ethnic groups have

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[40] It is true that at least one radical separatist group in Quebec (the Front de la liberation de Quebec or the "FLQ") did use violence in an attempt to advance nationalistic claims. However, the FLQ never gained broad-based public support and its existence was short-lived.

respected and conducted themselves according to a shared set of norms and values that have allowed ethnic groups to coexist within a single state without serious violence or instability.

Part IV: Social Capital in Ethnically-Polarized Developing Countries

Many ethnically-polarized developing countries have low levels of inter-ethnic social capital. At the same time, these countries tend to have robust levels of intra-ethnic social capital. The juxtaposition of low levels of inter-ethnic social capital with high levels of intra-ethnic social capital results in an elite incentive structure that makes implementing reforms which involve trading off short-term pain for long-term growth very difficult. This incentive structure also tends to propel countries toward violent conflict as elites become engaged in "survival politics". To borrow the parlance of path dependence theory, survival politics evolves into a self-reinforcing dynamic, where there are high switching costs associated with moving from survival politics to more moderate and conciliatory approaches.

4.1. Intra-group social capital in developing societies

Conditions in developing countries tend to give rise to robust levels of intra-ethnic social capital due in large part to the pivotal role that the ethnic group plays in meeting the basic needs of group members and in providing structure to community life. Weak governance structures, under-investment in public infrastructure, and a failure of the state to provide access to basic socio-economic services such as health care, education, and law and order are common characteristics of life in a developing country. A significant vacuum arises from the state's inability to provide key infrastructure and services. In the absence of government-provided infrastructure and services, it is the ethnic group that meets the needs of its individual members.

One important function of the ethnic group is the provision of a social safety net for its members.

Collier likens strong ethnic ties in rural societies where people exist at subsistence levels to a

form of insurance. He suggests that, "[o]ver time, loyalty to the group becomes reinforced by all

the normal power of morality: it is morally good to meet your obligations."[41] Norms based on a

strong sense of familial obligation to help members of the extended kinship group provide the

backbone for the social safety net that the ethnic group provides to its members. There is often a

strong sense among kinship groups that more fortunate members ought to share with less

fortunate members. A study of Yi-Chinese entrepreneurs in Liangshan Prefecture, Sichuan

province, China, for example, found that the "clan directly or indirectly creates strong pressures

of obligation" to donate resources to their community.[42] In one of his many dispatches from

Africa, journalist Ryszard Kapuscinski describes the crucial role of the community in the lives of

individuals and the responsibility of individuals to help out members of their communities:

> But this is Africa, and the fortunate nouveau riche cannot
> forget the old clan tradition, one of whose supreme canons
> is share everything you have with your kinsmen, and
> another member of your clan, or, as they say here, with your
> cousin. (In Europe, the bond with a cousin is by now rather
> weak and distant, whereas in Africa a cousin on your
> mother's side is more important than a husband.) So—if
> you have two shirts, give him one; if you have a bowl of
> rice, give him half. Whoever breaks this rule condemns
> himself to ostracism, to expulsion from the clan, to the
> horrifying status of outcast.[43]

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[41] Paul Collier, *Wars, Guns, and Votes: Democracy in Dangerous Places* (New York: HarperCollins, 2009) at 53.
[42] Thomas Heberer, "Ethnic Entrepreneurs as Agents of Social Change – The Impact of Ethnic Entrepreneurship on Social Change and Ethnicity, A Case Study among the Yi in Liangshan Autonomous Prefecture in China" in Armin Bohnet & Matthias Hoher, eds., *The Role of Minorities in the Development Process* (Frankfurt am Main: Peter Lang, 2004) 45 at 63.
[43] Ryszard Kapuscinski, *The Shadow of the Sun,* trans. by Klara Glowczewska (Toronto: Vintage Canada, 2002) at 36. For other examples of how members of an ethnic group work together to provide social insurance-type benefits to members in need, see See Azam, *supra* note 36; Sylvie Lambert, "La migration comme instrument de diversification des risques dans la famille ivoirienne" ["Migration as a Risk Diversification Device in the Ivorian

Traditional authority structures occupy a relevant and important role in overseeing the lives of the members of the ethnic group. Azam comments that "[i]f the state is defined *à la* Weber, as having the monopoly over coercion, then the African states have to be regarded as being at a stage of formation, because the kin group and the ethnic group both exert substantial coercive power."[44] The shared norms and understandings within the ethnic group serve as an unwritten code of conduct for the members of the group. These norms govern various aspects of daily life, and provide a structure for everything from the granting of credit to a group-based strategy for advancement to the division of property upon death.[45] In some cases, the norms and authority structure of an ethnic group even regulate the use of a commonly-held resource, such as grazing land.[46]

From the perspective of trade and business, traditional authority structures, networks, and shared norms are particularly important given that institutions that might otherwise protect economic interests are often ineffective, inefficient, corrupt, or non-existent. Such institutions include the courts, credit agencies, industry associations, and the like.[47] Norms within the ethnic group, including sanctions for cheating and defaulting on credit arrangements, create a structure for

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Family"] (1994) 94 Revue d'économie du développement 3; and Paul Collier & Deepak Lal, *Labour and Poverty in Kenya, 1900-1980* (Oxford: Oxford University Press, 1986).

[44] Azam, *ibid.* at 430.

[45] See Azam, *ibid.*

[46] For an example, see Easterly's discussion of NYU professor Leonard Wantchekon's account of how his home village in Benin managed fishing in a local pond: William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York, N.Y.: Penguin, 2006) [Easterly, *White Man's Burden*] at 94.

[47] Easterly, *ibid.* at 81-82.

conducting business beyond simple "cash and carry" arrangements by providing a mechanism for deterring opportunistic behaviour.[48]

Azam observes that ethnic capital "ensures to most African people the provision of many services that a modern state has taken over in rich countries, including security, social insurance, education, norms of behaviour, contract enforcement, justice and so on".[49] This observation can be extended to people who live in developing societies outside of Africa.[50]   In developing societies, the ethnic group, with its norms, authority structure, and networks of relationships, plays a central role in the life of its members and indeed is important for survival. The primacy of the ethnic group in the lives of its members tends to give rise to very robust levels of intra-group social capital. Indeed, in an important respect, the ethnic group constitutes a self-contained society within the larger geo-political unit of the state.

4.2. Inter-ethnic social capital in developing societies

In contrast to the robust levels of ethnic capital, inter-ethnic social capital often exists at very low levels in developing countries. There are a number of factors that impede the emergence of inter-ethnic social capital. First, certain socio-psychological processes create a strong preference for members of one's own group and a tendency to disparage and to distrust members of other groups.[51] The very process of identifying with a group—a process that is essential to meeting

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[48] For examples of such norms, see Easterly's discussion of the practices of the Hausa in Ibadan, Nigeria and the overseas Chinese in Southeast Asia: Easterly, *ibid.* at 82-83.

[49] Azam, *supra* note 36 at 430.

[50] Ethnic capital plays a role in developed societies, as well, although this role is less expansive than in developing societies due to the presence of a stronger government infrastructure in the former.

[51] See Leon Festinger, "A Theory of Social Comparison Processes" (1954) 7 Human Relations 117; Henri Tajfel, "Social identity and intergroup behaviour" (1974) 13:2 Social Science Information 65; Henri Tajfel & John C. Turner, "An integrative theory of intergroup conflict" in W.G. Austin & S. Worchel, eds., *The social psychology of intergroup relations* (Monterey, CA: Brooks/Cole, 1979) 33; Henri Tajfel, "Social categorization, social identity,

the "belongingness want" in human beings—is oppositional, for to be part of the "we", there must be a "they".[52] Relations with the other group are thus cast in an antagonistic "we-they" dichotomy. The tendency to cleave to one's own group and to compete intensely with other groups, including the pursuit of relative advantage vis-à-vis the other group, obstruct the emergence of inter-ethnic social capital.

Second, the very fact of difference impedes the development of shared norms and inter-ethnic affiliations. Cultural differences and language barriers make it difficult to communicate, much less form shared norms. Variations in religion often mean that groups have different belief systems. Indeed, in some cases, their religious beliefs may set groups in opposition to each other. Moreover, key parts of the lives of the members of different groups are segregated due to different religious and cultural festivals, different places of worship, different holidays, and so forth. In essence, ethnic differences cut across key areas of people's lives in ways that limit the potential for interaction and that hinder the development of a set of shared norms and understandings.

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and social comparison" in Henri Tajfel, ed., *Differentiation between social groups* (London: Academic Press, 1978) 61; John C. Turner, "Social Comparison and Social Identity: Some Prospects for Intergroup Behaviour" (1975) 5 European Journal of Social Psychology 5; Henri Tajfel, "Experiments in Intergroup Discrimination" (1970) 223 *Scientific American* 96; Michael Billig, "Normative Communication in a Minimal Intergroup Situation" (1973) 3 European Journal of Social Psychology 339; Michael Billig & Henri Tajfel, "Social Categorization and Similarity in Intergroup Behavior" (1973) 3 European Journal of Social Psychology 27; Michael Billig, Social Psychology and Intergroup Relations (London: Academic Press, 1976); Charles K. Ferguson and Harold H. Kelley, "Significant Factors in Over-evaluations of Own Group's Product" (1964) 69 Journal of Abnormal and Social Psychology 223; Muzafer Sherif, *Group conflict and cooperation: Their social psychology* (London: Routledge & Kegan Paul, 1966); Muzafer Sherif *et. al.*, *Intergroup Conflict and Cooperation: The Robber's Cave experiment* (Norman: University of Oklahoma Book Exchange, 1961); Dusan Kecmanovic, *The Mass Psychology of Ethnonationalism* (New York, NY: Plenum Press, 1996) at 29; and Joshua Searle-While, *The Psychology of Nationalism* (New York, NY: Palgrave, 2001) at 9-11 and 12.

[52] See V.D. Volkan, *The Need to Have Enemies and Allies* (Northvale, NJ: Aronson, 1988).

The third factor that impedes the development of inter-ethnic social capital is related to efficiency and transaction costs. Since shared language and cultural norms create ease and convenience in interactions, it is often most efficient to obtain goods and services, conduct business, and engage in social activities with individuals from one's own ethnic group. As some things literally go without saying between individuals who come from the same ethnic community, transactions can be conducted quickly and efficiently, without lengthy negotiations about terms and conditions.[53] By contrast, members of different ethnic groups may face practical barriers to interactions with each other such as language differences. Transactions with individuals from other ethnic groups involve greater costs related to the necessity of establishing clear terms and conditions and negotiating over matters that would be implied if dealing with a member of one's own ethnic group. The efficiency and convenience of dealing with members of one's own ethnic group thus creates disincentives to seeking out opportunities to interact with members of other groups.

There is also less risk in transacting business with members from one's own ethnic group. Shared ethnicity often acts as a proxy for trust. Members of the same community have access to important information about other members' reputations, skills, and integrity that may not be available to outsiders. Access to such information reduces the risks associated with non-simultaneous transactions. By contrast, a lack of information about individuals outside of the ethnic group increases the risk of conducting transaction with members of a different ethnic

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[53] For a good example of how shared ethnicity can facilitate trade relations through shared norms and trust within the community, see Coleman's discussion of the diamond trade in the Jewish community in New York City: Coleman, "Social Capital" *supra* note 24.

group. Intra-group sanctions against defection in business transactions[54] further reduce the risk of conducting non-simultaneous transactions with fellow group members. A similar mechanism for mitigating risk in transactions with individuals from different groups does not exist since the types of institutions (e.g., banks, credit ranking associations, business associations, and civil courts) that traditionally are used to mitigate the risk of impersonal transactions are generally too weak to offer any security in many developing countries. The increased risks involved with transacting business with individuals from different ethnic groups raise the costs of those transactions and thus act as disincentives to pursuing such business opportunities. This, in turn, limits the opportunities for forming inter-ethnic networks of relationships and shared norms.

Fourth, a key factor contributing to low levels of inter-ethnic social capital relates to the relatively short period of contact that most groups in developing countries have had with each other. Prior to colonialism, many ethnic groups lived separate existences, with little or no contact between them. Certain colonial practices brought these groups into contact with each other. For example, colonial powers set the borders of many developing countries in an arbitrary manner, with little regard to traditional boundaries between different groups and tribal homelands. In some cases, colonial powers also exported labour from one colony to another.[55] There was not necessarily extensive contact between ethnic groups even after colonial powers had made various ethnic groups co-citizens, however. So long as groups continued to follow traditional lifestyles, group members tended to remain in the home territory of their own group, away from the members of other groups. It was often not until the forces of modernization

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[54] See, for example, the description of the use of houses as collateral in the Hausa community in Ibadan Nigeria and the use of "blacklists" by overseas Chinese communities in Easterly, *White Man's Burden*, *supra* note 46 at 82-83.
[55] Horowitz, *supra* note 21 at 157.

brought increased urbanization and migration that members of different ethnic groups began to come into contact on a regular basis. Accordingly, in many cases, there has been a relatively short period of contact between ethnic groups—too short for strong bonds to form between communities and for norms of coexistence and cooperation to evolve.

Finally, the practices of various colonial powers have created tension between ethnic groups that undermines the development of inter-ethnic social capital. The importation of labour from one colony to another, for example, has created deep and lasting divisions in colonized societies such as Fiji, Trinidad, Guyana, Sri Lanka, and Malaysia. In many cases, the labourers and their descendants have never fully been accepted into the societies of the host countries.[56] Even after generations have passed, the descendants of the labourers are viewed as "foreign" and as having loyalties to the home countries of their ancestors even though these descendants have been born and raised locally.

Colonial approaches to governance also tended to entrench ethnic divisions. Both Britain and Belgium, for example, often explicitly adopted a "divide and conquer" strategy of colonial administration in order to prevent ethnic groups within the colonies from binding together in opposition to the Crown.[57] The elites of smaller ethnic groups were co-opted or coerced into

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[56] *Ibid.* at 209-211.
[57] See Robert Blanton, T. David Mason & Brian Athow, "Colonial Style and Post-Colonial Ethnic Conflict in Africa," (2001) 38 Journal of Peace Research 473 and Nat J. Colletta and Michelle L. Cullen, *Violent Conflict and the Transformation of Social Capital: Lessons from Cambodia, Rwanda, Guatelmala, and Somalia* (Washington, DC: The World Bank, 2000) at 37.

acting as local agents of the colonial government.[58] Often, the smaller ethnic group came to

dominate the civil service and the police and military forces, which provided this group with a

distinct advantage over larger, stronger ethnic groups.[59] At the same time, the colonial power

intentionally maintained the authority and social structures of the various ethnic groups within

each colony. In so doing, the colonial power sought to keep the various ethnic groups separate

from each other and to cultivate rivalries between the groups. This strategy proved quite

effective.[60] As Horowitz observes, "building colonial administration on a substructure of ethnic

government helped insure that the disparities would be interpreted through the lens of

ethnicity."[61] Accordingly, when groups did come into contact in British and Belgian colonies,

they did so as rivals within an institutional framework that encouraged them to compete, rather

than work together, for scarce resources. In this regard, the British and Belgian approach to

colonial management was antithetical to the cultivation of inter-ethnic social capital.

In sum, for a variety of reasons, developing societies tend to have low levels of inter-ethnic

social capital. Some countries, in fact, are characterized by deep ethnic divisions and rivalries,

particularly where colonial powers set ethnic groups in opposition to each other. In polarized

developing societies, the juxtaposition of robust levels of intra-ethnic social capital with low

levels of inter-ethnic social capital set the stage for institutional dysfunction, instability, and

violence as these countries gained their independence and began to modernize.

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[58] Blanton, Mason & Athow, *ibid* at 479.
[59] *Ibid.* at 479-480.
[60] *Ibid.*
[61] Horowitz, *supra* note 21 at 150.

Part V: Elite incentive structures in ethnically-polarized developing societies

5.1. Dynamics between groups: Two societies, one state

In an important respect, in developing countries with weak institutions and governance structures, ethnic groups that enjoy high levels of intra-group social capital approximate a unique society within the polity. This is especially true when there are low levels of inter-group social capital since there are few links and norms binding ethnic groups together. The combination of robust intra-ethnic social capital and weak inter-ethnic social capital within a polarized state thus often results in the existence of two or perhaps three ethnic societies that share the common space of the state.

As developing countries modernize, groups that previously had minimal contact with each other find that they are living, working, and pursuing opportunities side by side. The ethnic societies sharing the state come into increasing contact as a result of urbanization and migration. This contact does not simply bring two aggregates of individuals together; it brings two societies together, each with its own elites, social and power structures, and sets of norms. Moreover, for the first time since colonization, the groups co-exist without an overarching colonial power to discipline their actions and to impose the norms and institutions through which political, economic, and social power are exercised. The institutions that the countries inherited upon gaining their independence are generally colonial legacies. The ethnic groups sharing the state may feel little loyalty to the values and norms that underpin these institutions since the institutions do not reflect indigenous traditions and normative structures. Under these circumstances, a normative vacuum develops: that is, there are few, if any, shared norms and

understandings between ethnic groups to guide their co-existence within the state and to mediate ethnic divisions.

Coexistence within the state requires at least some degree of coordination between ethnic groups, particularly in the public sphere of life. Governance of the state requires that decisions be made about how political authority will be exercised; which languages will be official state languages; which cultural traditions will influence state structure and policy; what holidays will be celebrated nationally; how the courts will operate; who will staff the police force, the military, and the bureaucracy, and so forth. Key government policies must be set with respect to a range of matters relevant to each group's interests. Such matters include, for example, fiscal policies relating to national currency and exchange rates; international relations; immigration; education; health care; the use of scarce natural resources; and coordinating national transportation systems and airports. As a result of modernization, there is also greater economic specialization, which frequently leads to greater trade between members of different ethnic groups. This, too, requires coordination: what will the terms of trade be? Will credit be extended? What language will be used to negotiate?[62]

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[62] As H.D. Forbes notes, while individuals from different ethnic groups would likely be able to negotiate a means of working together, conflict tends to arise from contact between ethnic groups because elites from each ethnic groups have a strong incentive to prevent their members from working with members of other groups since these cooperative relationships require a degree of assimilation. Each group prefers to be imitated and to have the other group assimilate to its practices, language, and so forth. In order to prevent "defection" (the adoption of another group's language, practices, etc.), elites "rally the ethnic faithful", typically by adopting ethno-nationalist rhetoric. See H.D. Forbes, *Ethnic Conflict: Commerce, Culture, and the Contact Hypothesis* (New Haven: Yale University Press, 1997) at 146-7.

In the absence of overarching inter-group norms and shared language, coordinated action requires that concessions and compromises be made in order to facilitate an orderly coexistence. Making concessions, however, comes with a cost since it implies accepting the imposition of the other group's norms, language, and preferences to a certain extent. Conceding groups bear the costs of learning a new language and adapting to new norms and practices. Conceding groups also suffer a loss of prestige and status. Even symbolic concessions related to the selection of a country's flag and national icons carry weight since these elements represent the state and, by extension, who wields the power and influence of the state.

Under ideal (or perhaps idyllic) conditions, groups, led by their ethnic elites, would approach the issue of concessions in a spirit of compromise, fairness, and mutual respect. However, the reality is that conditions in many developing countries are far from ideal. Extreme poverty[63], deep divisions between ethnic groups, low levels of inter-group social capital, and robust levels of intra-group ethnic capital give rise to incentive structures that propel groups towards poor governance, instability, and a heightened risk of violence.

5.2. Elite incentive structures and the risk of violence

Elites have strong incentives to adopt ethnocentric policy platforms and to resist making concessions to and compromises with representatives from other ethnic groups. It is crucial to recognize that elites represent the interests of their own ethnic groups, not the interests of the shared polity. As a result of the robust levels of intra-ethnic social capital, most economic,

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[63] I concur with Paul Collier that low income and poverty contributes to a conflict trap in developing countries. See Collier, *Bottom Billion, supra* note 2. My approach to transition, however, varies from Collier's approach as I do not consider that it is possible to address low income and poverty through policy reform until the dynamics created by ethnically-based social capital are addressed. I discuss how my approach differs from Collier later in this essay.

political, and social mobilization within the polity occurs along ethnic lines. The legitimacy of elites as leaders "is thus a function of the extent to which s(he) embodies the identities and characteristics of the community."[64] In this context, elites are expected "to act as the spokespeople and torchbearers of their community."[65]

While the ethnic nature of elites' constituencies provides elites with a strong basis of support, it also constrains elites. Non-identity-based constituencies allow elites to draw on shifting pools of support based on interest. This gives elites greater flexibility in policy-making; some interests can be sacrificed for others without compromising the core of the elites' support. By contrast, in ethnically-based constituencies, support for elites centres on one issue: the advancement of the interests of the ethnic group, preferably at the expense of other groups. This constrains elites' ability to adopt positions that could be construed as sacrificing in any way the interests of the ethnic group. Conciliatory approaches to managing coexistence in the polity and the adoption of reforms that involve the sacrifice of short-term interests for long-term gains are very difficult in this context. Moreover, elites have strong personal incentives to pursue policies that secure a dominant position for their ethnic group since the influence of elites is coextensive with that of the ethnic groups they represent. From the elites' perspective, the costs of compromise with other groups include the possible loss of their own status and influence.

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[64] Patrick Chabal & Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument* (London: The International African Institute, 1999) at 55.
[65] *Ibid.* at 54.

Internal dynamics within groups also tend to propel elites to adopt more radical positions. Leadership within an ethnic group is not static. Factions within the group jostle for influence and for power, especially during times of uncertainty when there are opportunities to challenge the leadership of the group. A common tactic is to play upon fears that the ethnic group will become dominated by other groups. Rival elites stir up feelings of insecurity, and then offer themselves as the best protectors of the interests of the group. As elites compete with each other for the support of the group, they offer chauvinistic platforms as a means of winning the emotional support of the group. This process is often referred to as ethnic outbidding since rival elites attempt to "outbid" each other in their stance against other ethnic groups and in their loyalty to their own group as a means of winning support.[66] Ethnic outbidding constrains elites who favour more conciliatory approaches. Elites who propose compromise with other groups or who favour reforms involving short-term loss face the very real risk that they will be outbid by their rivals and thus lose their influence within the group. Competition for influence within ethnic groups thus reinforces the incentives to favour hardline, non-conciliatory approaches.

Incentives to adopt ethnocentric platforms also arise from the pressure to ensure that ethnic group members do not assimilate to the language, norms, and practices of other ethnic groups. The elites of each group understand that their continued influence is contingent upon ensuring that a solid majority of group members remains committed to the group's own language, norms, and institutions. Individual members of the group must be dissuaded from "defecting" to the

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[66] Neil Devotta, "From ethnic outbidding to ethnic conflict: the institutional bases for Sri Lanka's separatist war" (2005) 11 Nations and Nationalism 141 at 141 [Devotta, "Ethnic outbidding to ethnic conflict"].

outside group by adopting the outside group's norms and language, for example.[67] The pressure

to prevent individual members of the ethnic group from defecting to the outside group creates

incentives to rally members to the cause of the ethnic group and to instil loyalty to the group

within the masses. An effective strategy to prevent members of the group from assimilating is

the adoption of ethnocentric platforms and rhetoric. For example, early Quebecois nationalist

leaders urged the Quebecois to resist assimilating to English Canada's culture and language by

suggesting that French Canadians were called to be a special sort of priesthood among the

nations.[68] Neglecting the "sacred possession" of the French language was equated with

apostasy.[69]

The incentives elites have to adopt ethnocentric, non-conciliatory positions are mutually

reinforcing. Robust levels of intra-ethnic social capital make the ethnic group the primary unit

for political, social, and economic mobilization. This creates incentives for elites to adopt non-

conciliatory, ethnocentric platforms which, in turn, further entrench the centrality of the ethnic

group in the lives of its members. Because inter-ethnic social capital is low, there is no

widespread attachment to norms that reinforce moderation and compromise, such as the norms

relating to the right to continued existence and the right to participate. Elites are rewarded with

greater group loyalty for adopting ethnocentric, "beggar-thy-neighbour" type policies, which in

turn creates pressure to continue to advocate such policies in order to retain support. Moreover,

there is great pressure on elites to ensure that their own ethnic group secures dominant access to

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[67] See Forbes, *supra* note 62.
[68] See Mgr L.-A. Paquet, "A Sermon on the Vocation of the French Race in America" in Ramsay Cook, ed., *French Canadian Nationalism: An Anthology* (Toronto: Macmillan, 1969) 152 at 157.
[69] *Ibid.*

power and scarce resources in the polity. In this context, the switching costs of adopting a

moderate stance toward other ethnic groups or of promoting policies or reforms that involve

trading off short-term pain for long-term gain are too high for elites to risk. There is thus little

room for elites who advocate compromise and moderation.

The adoption of ethnocentric platforms coincides with, and is mutually reinforced by,

competition with other groups for scarce resources within the state. There is much at stake in the

governance of the state. The ability to dominate the central organs of the state provides a group

with access to scarce resources that enhance the ability of group members to survive and even to

advance in status and wealth.   These scarce resources include jobs in the bureaucracy (one of the

few stable employment sectors in many developing countries); control of the military and police;

political control and access to public monies; access to natural resources; and access to a variety

of economic opportunities (e.g. licences, public procurement contracts, etc.). Elites face pressure

from their constituent ethnic groups to deliver access to these scarce goods and resources. As

Chabal and Daloz note, "[p]oliticians are expected to represent their constituents properly, that

is, to deliver resources to them."[70] This, too, is a function of the robust levels of intra-ethnic

social capital. Elites are bound by powerful norms that dictate that they provide assistance to the

less fortunate members of their ethnic group. The pressure to deliver access to scarce goods and

resources takes on particular force as it is imbued with a sense of responsibility for one's kinship

group.

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[70] *Ibid.* at 56.

A strong sense of urgency surrounds securing access to political, economic, and social power since resources are so limited and poverty levels are so extreme. This is particularly true where inter-ethnic social capital is low since there is no general sense that the government has a responsibility to care for and protect all members of the polity. Without mutually held commitments to the norms of the right to continued existence, the right to participation, and the rule of law, there is little to offset the strong incentives elites have to eschew cooperation and moderation in favour ethnocentrism. Furthermore, in the absence of high levels of inter-group social capital, there is likely to be very little trust between ethnic groups. Making credible commitments to share the power and the resources of the state is very difficult in the face of low trust between groups and an implicit tendency to view other groups with suspicion and disdain. In this context, a pervasive belief emerges that the failure to dominate other groups likely means being dominated by them. Elites are often able to harness the "dominate or be dominated" mentality to solidify their bases of support, although this strategy reinforces the incentive to adopt ethnocentric platforms.

A key tenet of the "dominate or be dominated" ideology is that survival of one's own ethnic group requires the capitulation of other groups. The "dominate or be dominated" ideology thus creates strong incentives to adopt "winner-takes-all" approaches to competition for power and resources in the polity. Because other groups are viewed as a perpetual threat to the survival of the elites' own group, it is not enough to secure access to power and resources within the polity; instead, the access to power and resources must come at the expense of other groups. Elites are thus driven to adopt policies that maximize the group's relative advantage over other groups,

even if maximizing relative advantage comes at the expense of absolute gains to the ethnic group.[71]

The "dominate or be dominated" ideology drives a key dynamic in ethnically polarized developing countries: survival politics. Survival politics is characterized by each ethnic group's attempts to dominate the institutions of the state and to force other groups to assimilate to its norms, social structures, and language, driven by a belief that the survival of the ethnic group depends on success. Survival politics generally involves the pursuit of hegemony. Byman describes the nature of hegemonic ambition as follows:

> For members of hegemonic groups, their language must be the only official language; their religion must be followed by all citizens; and their institutions must be enshrined in government and society. Hegemonic elites often believe that their narrow group is the legitimate ruler of the polity. To ensure their rule, they must promote the group's culture, language, demographic predominance, economic welfare, and political hegemony at the expense of other groups.[72]

In this context, institutions are used strategically to secure advantages over other groups and to reward the constituents of one's own ethnic group. Rather than serve as forums where ethnic groups can come together to mediate their coexistence within the state, institutions are used as instruments of control and repression. Matters such as education policies and the selection of the state's official language become battle grounds for control of the state and its resources.[73] If

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[71] Horowitz, *supra* note 21 at 145-146.

[72] Daniel Byman, *Keeping the Peace: Lasting Solutions to Ethnic Conflicts* (Baltimore: John Hopkins University Press, 2000) at 29 [Byman, *Keeping the Peace*].

[73] Generally, see Charles King, "Policing Language: Linguistic Security and the Sources of Ethnic Conflict" (1997) 28 Security Dialogue 493 at 494 [King, "Policing Language"]. For specific country examples, consider the cases of Spain (the Basques), Sri Lanka and Pakistan. See Harun-or-Rashid, "Bangladesh: The First Successful Secessionist

existing institutions undermine the group's position, the dynamics of survival politics dictate that

radical, extra-institutional strategies, up to and including violence and insurgency, must be

adopted.[74] Indeed, such strategies often emerge as the most logical and appropriate course of

action under the circumstances, given the low incentives to pursue moderate, conciliatory

policies and the pressure on elites to deliver access to power and scarce resources to their

constituents.

5.3. *Elite incentive structures, dysfunctional governance and policy and institutional reform*

Elite incentives to adopt non-conciliatory, ethnocentric platforms, deep divisions in society, the

dynamics of survival politics, and profound mistrust between elites combine to produce

dysfunctional governance that impedes the implementation of growth-promoting policies.[75]

This dysfunctional governance is manifested in a variety of ways. For example, each group has

incentives to extract as much of the state's resources as quickly possible since there is no

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Movement in the Third World" in Ralph Premdas, S.W.R. De A. Samarasinghe & Alan Anderson, eds., *Secessionist Movements in Comparative Perspective* (London: Pinter, 1990) 83; S.W.R. De A. Samarasinghe, "The Dynamics of Separatism: The Case of Sri Lanka" in Premdas, De A. Samarasinghe & Anderson, *ibid.* 48; K.M. de Silva, "Separatism in Sri Lanka: The 'Traditional Homelands' of the Tamils" in Premdas, De A. Samarasinghe & Anderson, *ibid.* at 32; [de Silva, "Separatism in Sri Lanka"]; and Montserrat Guibernau, "Spain: Catalonia and the Basque Country" (2000) 53 Parliamentary Affairs 55.

[74] For examples, consider the cases of Spain (the Basques), Fiji, Sri Lanka, and Burundi. See Guibernau, *ibid.;* Yash Ghai, "The Fijian Case: The Constitutional Dimension" (1987) Minority Rights Group 9; Ralph Premdas, *Ethnic Conflict and Development: The Case of Fiji* (Aldershot: Avebury, 1995); de Silva, "Separatism in Sri Lanka", *ibid.*; Rene Lemarchand, "Burundi in comparative perspective: Dimensions of ethnic strife" in John McGarry and Brendan O'Leary, eds., *The Politics of Ethnic Conflict Regulation: Case Studies of Protracted Ethnic Conflicts* (London: Routledge, 1993) 151 at 153 [Lemarchand, "Burundi in comparative perspective"]; and Leonce Ndikumana, "Institutional Failure and Ethnic Conflicts in Burundi" (1998) 41:1 African Studies Review 29.

[75] For general scholarship on the impact of social cohesion/ethnic divisions on policy decisions, institutional quality, and growth, see Gerard Padro I Miquel, "The Control of Politicians in Divided Societies: The Politics of Fear" (2007) 74 Review of Economic Studies 1259; William Easterly, Jozef Ritzen & Michael Woolcock, "Social Cohesion, Institutions, and Growth" (2006) 18 Economics & Politics 103; William Easterly, Jozef Ritzen & Michael Woolcock, *On "Good" Politicians and "Bad" Policies: Social Cohesion, Institutions, and Growth,* Policy Research Working Paper No. 2448 (Washington D.C.: The World Bank, 2000); and Philip Keefer & Stephen Knack, *Polarization, Politics, and Property Rights* World Bank Policy Working Paper 2418 (Washington DC: The World Bank, 2000) [Keefer & Knack, *Polarization*].

guarantee that the group will continue to have access to power.[76] These incentives result in

short-sighted decision-making as preference is given to policies that maximize rents in the short-

term rather than to policies that take a long-term approach to planning. Poor policy decisions

also result from the desire of an ethnic group to prevent the other groups from realizing a social,

political, or economic benefit. As each group pursues relative advantage vis-à-vis each other,[77]

the policy option that involves subordinating the interests of the other group is generally viewed

to be the most favourable, even if its prospects for the delivery of social, economic, or political

goods is weak. The end result is often the adoption of policies that are ill-advised, undermine

economic growth, threaten political stability, or compromise human rights.[78] Other examples of

government dysfunction that have been linked to diversity within a population include: the

tendency of local or central governments to under-spend on public goods and education[79]; the

provision of low quality goods and services[80]; corruption and cronyism[81]; political instability[82];

and the misuse of foreign aid, including its diversion into corrupt uses.[83]

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[76]See Keefer & Knack, *Polarization*, *ibid.*

[77] Horowitz, *supra* note 21 at 145-146.

[78] For a striking example of poor economic policy decisions that were taken with the apparent aim of undermining the interests of an ethnic rival, see the account of the Ghanaian conflict over cocoa in William Easterly & Ross Levine, "Africa's Growth Tragedy: Policies and Ethnic Divisions" (1997), 112 Quarterly Journal of Economics 1203 [Easterly & Levine] at 1217-8.

[79] See Alberto Alesina, Reza Baqir & William Easterly "Public Goods and Ethnic Divisions" (1999) 114 Quarterly Journal of Economics 1243, and Claudia Goldin & Lawrence Katz "Why the United States led in education: lessons from secondary school expansion, 1910 to 1940" (1997) NBER Working paper 6144.

[80] See Paulo Mauro, "Corruption and Growth" (1995) 110 Quarterly Journal of Economics 681 and La Porta et al. "The quality of government" (1998) NBER Working Paper Series 6727.

[81] See Paul Collier & Ashish Garg, "On Kin Groups and Wages in the Ghanaian Labour Market" (1999) 61 Oxford Bulletin of Economics and Statistics 133 and Elliott P. Skinner, "Competition Within Ethnic Systems in Africa" in Leo A. Despres, ed., *Ethnicity and Resource Competition in Plural Societies* (The Hague: Mouton Publishers, 1975) 131 at 149-150.

[82] See Mauro, *supra* note 80*,* and Anthony Annett, "Ethnic and religious division, political instability, and government consumption," IMF mimeo March 1999.

[83] Jakob Svensson, "Foreign Aid and Rent-Seeking" (1998) World Bank Working Paper 1880.

The dynamics that give rise to patterns of dysfunctional governance also obstructs institutional and policy reform. Institutional reform often does not have an immediately positive impact in society. Short-term losses are experienced before the full benefits of institutional reform are felt. Moreover, institutional reform and the development of growth-promoting policies generally involve trade-offs, and groups are not prepared to make such trade-offs in the absence of norms that facilitate coordinated actions. Thus, without high levels of inter-ethnic social capital, ethnic groups are unlikely to be able to cooperate to implement effective policies and institutional reform.

Until the destructive dynamics of survival politics and the intense inter-ethnic competition for control over the state are addressed, it will be very difficult for governments in ethnically polarized countries to adopt the sort of policies that are necessary to promote growth. Ultimately, I agree with Collier that economic growth will reduce the incidence of violence in developing countries. However, I consider that the first priority in transition strategies must be to address the dynamics that result in and perpetuate dysfunctional governance.

Part VI: Changing elite incentive structures: The role of social capital

The relative levels of intra-ethnic and inter-ethnic social capital are materially implicated in creating elite incentive structures that propel a polarized developing society towards institutional dysfunction, violence, and instability. So long as these incentive structures remain intact, elites will continue to engage in survival politics and to be locked in patterns of dysfunctional governance. However, if elite incentive structures can be altered to create strong preferences for pursuing the interests of the group through legitimate institutional channels, then it is possible to

prevent elites from advocating the adoption of radical extra-institutional strategies such as violence or insurgency. In order to change elite incentive structures, the benefits of working through legitimate institutions to promote the agenda of the ethnic group must increase or the costs and risks of doing so must be reduced, or both. The dynamics that engender the incentive structures that create preferences for survival politics point to a means of altering these problematic incentive structures, namely the cultivation of inter-ethnic social capital. Since the juxtaposition of robust levels of intra-ethnic social capital with low levels of inter-ethnic social capital creates destructive incentive structures, changing the variable of inter-ethnic social capital offers a means of changing these incentive structures. Cultivating high levels of inter-ethnic social capital affects elite incentive structures in a manner that facilitates peaceful coexistence and better governance. Both the norms of inter-ethnic social capital and cross ethnic relationships play important roles in this regard.

First, the recognition and affirmation of the norms that form part of inter-ethnic social capital create incentives to adopt moderate strategies for promoting the interests of the group. As discussed earlier in this essay, the three norms of inter-ethnic social capital are: the right of groups to continued physical and cultural existence; the right of groups to participate through their representatives in decision-making processes; and the rule of law. These three norms set the basic structure for governance within the polity and represent a shared understanding about how ethnic groups will manage their coexistence. When the institutions of the polity embody these norms and as the citizenry begins to internalize the norms, elite incentive structures begin to change, creating a preference for moderate strategies.

The right to continued existence and the right to participation affirm the role of each ethnic group as a key stakeholder within the polity. These rights recognize that the polity is more than a mass of individuals, as is often the assumption in most Western liberal democracies. They signify that each ethnic group has the right to participate in the governance of the polity *qua* group, rather than as a set of mobilized individuals with common interests. These rights are also an explicit rejection of the "dominate or be dominated" approach to governance, for they imply that no group may dominate another and that no group need fear for its own survival. The right to continued physical and cultural existence and the right to participation thus reduce the cost of making concessions and adopting moderate positions by reducing the risk that other groups will use concessions to subvert the interests of the conceding group. The assurances that these rights provide to each group thus erode the destructive dynamics fuelled by survival politics.

On an individual level, elites stand to benefit from the adoption of institutions that embody the right to continued existence and the right to participation. Since these rights guarantee a continuing role for the ethnic groups in the governance of the polity, by extension, these rights also guarantee that the elites of each group will have a continuing role in the exercise of power. Although elites must share power, they are spared the high risks and costs associated with engaging in all-out, "winner-takes-all" politics. These costs include (but are not limited to) the physical risk of assassination of the elites and the elites' family members; the challenge of mobilizing the masses, which may include rallying people to take up arms; and the necessity of financing campaigns to maintain one's own stranglehold on power or to challenge another's

hold. By preserving the elites' spheres of influence while reducing the costs associated with preserving this influence, the rights to participation and to continued existence alter elite incentive structures in a manner favourable to the adoption of moderate strategies.

The rule of law also creates incentives to adopt moderate policies rather than radical, extra-institutional strategies for pursuing the interests of the group.[84] The rule of law's most important role is to make the formal institutions of the polity a legitimate, efficient means for each group to protect and to pursue their interests. The rule of law provides assurances that there are viable institutional alternatives to the adoption of radical, extra-institutional strategies such as violence or insurgency. In this regard, the rule of law aligns incentives to advance the group's interests through the formal institutions of the polity in three key ways. First, the rule of law establishes how power may be legitimately exercised in the polity and it vests that legitimacy in the processes of formal institutions. Ethnic groups that pursue their interests through formal institutions thus have the benefit of having legitimacy attached to their strategies and to the results of their efforts. This legitimacy makes it easier for elites to rally and to maintain the support of the members of their ethnic group. In countries where a contingent of an ethnic group has adopted radical, extra-institutional strategies, there is almost always opposition to the use of violence or insurgency by other members of the same group. In Spain, for example, a sizable

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[84] But see North, Wallis & Weingast, *supra* note 18. North, Weiss, and Weingast take a very pessimistic view about the possibility for rule of law reform. However, North, Weiss, and Weingast do not take account of the types of situations on which this essay is focused, namely, a polity that suffers from ongoing violence and insurgency. The account of North, Weiss, and Weingast appears to assume that the limited access order has successfully managed to contain violence. This essay addresses the situation of polities in which violence has not been contained. The incentive structures in a state that is locked in the grip of violence and insurgency are different than those in a limited access order that has managed to contain violence. In the former, both elites and the general population have cause to seek institutional reform and a change in the governance structures of society while elites and the general population in the latter do not. As I will argue below, when violence is endemic and a hurting stalemate has arisen, a fragile opportunity for cultivating inter-ethnic social capital, including the introduction of rule of law reforms, exists.

segment of the Basque population does not support or endorse the actions of ETA. Similarly, in

Sri Lanka, not all Tamils support the methods or actions of the LTTE (the Tamil Tigers). The

rule of law provides politicians who advocate working through the formal institutions of the

polity with credibility since the governance that occurs through such institutions is consistent

with legitimate, democratic practices. In other words, it cannot be said that formal institutions

are a "sham" or that working through institutions is a fruitless endeavour.

Second, the rule of law reduces the potential costs associated with working through institutional

channels to advance the group's interests. Ethnic groups may be concerned that formal

institutions do little more than allow their ethnic rivals to legitimize arbitrary exercises of power.

The rule of law, however, offers safeguards against such abuse of political power. One of the

basic premises of the rule of law is that power must be exercised in a fair manner; exercising

power in an arbitrary manner runs counter to the very nature of the rule of law. Equality before

the law is also an important principle associated with the rule of law. This principle prevents the

law from being used to entrench discrimination within the institutions of the state; it also ensures

that individuals are treated fairly in their dealings with the state regardless of their ethnicity.

These safeguards associated with the rule of law ensure that formal institutions are not captured

by a dominant group and used to assert the interests of that group at the expense of other groups.

These safeguards also ensure that formal institutions, including political and legislative

institutions, remain a neutral arena in which decisions about the collective life in the polity may

be taken and implemented. In this regard, the rule of law provides assurances that it will not be

to a group's detriment to work through the formal institutions of the polity. This reduces the

risks associated with adopting moderate strategies.

The rule of law also reduces the potential costs of working through institutional channels by providing remedies in situations where a party has defected from the established rules and procedures. Ethnic groups may fear that committing to pursuing their agenda through institutions leaves them vulnerable since the other ethnic groups may defect from the institutional arrangements and inflict losses through the use of violence or insurgency.

Access to remedies provides redress in the event of defection, thereby off-setting the potential cost of working through formal institutions. The existence of institutional remedies also means that groups do not have to adopt "self-help" measures through acts of violence to address defections by the other group. As violent strategies like terrorism and insurgency have high human and economic costs, institutional remedies provide a comparatively low cost option to groups for protecting their interests. Remedies also deter groups from defecting, a factor which increases the overall security within a society.

Third, the rule of law provides certainty about the rules that govern the common space of the state and the interactions between the citizenry and the state. This certainty assists in nurturing a more stable and ordered life within the state and adds greater predictability in the relationship between the ethnic groups. Certainty and predictability give a commitment to working through the formal institutions a comparative advantage over radical, extra-institutional strategies which, by their very nature, tend to give rise to chaos and instability.

Inter-ethnic social capital has the greatest potential to alter elite incentive structures when the norms of this form of social capital are not merely embodied in institutions, but are also generalized throughout the population. Indeed, violent ethnic conflict cannot be contained merely by creating institutions that embody the right to continued existence, the right to participation, and the rule of law. These institutions must be supported by a firm normative commitment held by the citizenry at large to a cooperative, democratic coexistence within the polity. This normative commitment (which I describe below as the "civic compact") creates a political market for moderation in which the costs of radical, extra-institutional strategies become too high for elites. The development of a civic compact is a crucial step in moving a country beyond violent ethnic conflict to an environment where inter-ethnic rivalries are contained within the institutional arenas of the polity.

The civic compact arises from the widespread attachment to the norms of inter-ethnic social capital among the citizenry. The civic compact represents a recognition and affirmation by the citizenry and ethnic elites of the continuing existence of the constituent ethnic groups[85] in the polity and of the institutions through which these ethnic groups manage their coexistence. The civic compact is based on the fundamental principle that the state is shared by its constituent

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[85] By "constituent ethnic groups" I mean ethnic groups who have a historical and geographical claim to the territory of the state. Ethnic groups that have arrived in the state through immigration are not considered constituent ethnic groups. Note, however, that certain groups have existed in a territory for so long or have occupied a territory in a particular manner such that they are now considered constituent ethnic groups. Examples include the Quebecois and Anglophones in Canada, the Indian population in Fiji, and the British in Northern Ireland. Examples of ethnic groups living in a state as minorities, but not as constituent ethnic groups include Turks in Germany and Algerians in France. This is not to suggest that the individual members of such ethnic minorities do not have rights related to their ethnic origin. They should be protected against discrimination on the basis of ethnic identity or place of origin, for example. However, the group as a whole is not entitled to the full panoply of group rights (e.g., the right to participation) that constituent ethnic groups are.

ethnic groups and that no one ethnic group has the right to impose policies or law in an arbitrary fashion. The civic compact represents a commitment to upholding the rule of law and to governance through established institutions. Furthermore, this compact is a commitment to using appropriate institutional channels to resolve disputes, whether the disputes occur between individuals or groups. The civic compact is a fundamental rejection of extra-institutional strategies such as violence and insurgency.

When the norms of inter-ethnic social capital are widely held and a civic compact begins to emerge, it becomes more difficult for elites to advocate extremist positions that limit the rights of other groups or threaten their existence. The norms of inter-ethnic social capital limit the types of strategies and rhetoric that are acceptable in the polity, and create a preference for more moderate positions that accord with these norms. The adoption of radical, extra-institutional strategies become more costly for elites since robust attachment to the norms of inter-ethnic social capital erodes support for such strategies and creates pressure to work through existing institutions. As the civic compact develops through time, it becomes unthinkable to the vast majority of people to suggest that radical strategies such as terrorism or insurgency could be an appropriate and legitimate means of advancing the interests of the group. Elites must adopt more moderate strategies or risk alienating many members of their own ethnic group. In this context, the destructive potential of outbidders is limited since it becomes increasingly difficult to charge that moderate elites have "sold out" the interests of the group when these moderate elites have adopted positions that accord with widely-held norms.

The civic compact is as close to civic nationalism as an ethnically polarized country can come. Civic nationalism involves the creation of a community based on the choice of individuals to honour attachments to the civic state, its institutions, its political creeds, and its symbols.[86] These attachments create a supra-ethnic civic identity shared by all citizens in the state. Moreover, these attachments outweigh the attachments to the ethnic group such that ethnic identity becomes primarily a private matter and not a part of public life. Proponents of civic nationalism consider that only civic nationalism can create the basis for a peaceful, liberal democratic state. Accordingly, the appropriate response to violent ethnic conflict is the cultivation at the level of the individual of attachment to the civic state and its political creeds and institutions.

Putnam has recently advocated policy approaches that are focused on building strong cross-ethnic ties that do not obliterate ethnic identities but that do create robust overarching identities.[87] While Putnam does not explicitly explore civic nationalism, his inference appears to be that people should interact with each other in the polity as individual citizens with particular ethnic backgrounds rather than as members of ethnic groups. Putnam's policy recommendations are made in response to his findings in a study that measured the impact of ethnic diversity on levels of social capital in communities across the United States. This study finds that in ethnically diverse neighbourhoods, residents of all races tend to "hunker down", that is,

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[86] For examples of scholars who advocate civic nationalism, see Michael Ignatieff, *Blood and Belonging: Journeys into the New Nationalism* (New York: Farrar, Straus & Giroux, 1993); William Pfaff, *The Wrath of Nations: Civilization and the Furies of nationalism* (New York: Simon and Schuster, 1993); and Jurgen Habermas, "Citizenship and National Identity" in Ronald Beiner, ed., *Theorizing Citizenship* (Albany: State University of New York Press, 1995) 256.

[87] See Robert D. Putnam, "*E Pluribus Unum:* Diversity and Community in the Twenty-first Century: The 2006 Johan Skytte Prize Lecture" (2007) 30 Scandinavian Political Studies 137 [Putnam, *E Pluribus Unum*]. This discussion in this paragraph is based on this article.

withdraw socially from each other. Levels of bridging social capital are lowest in diverse

neighbourhoods. Residents of diverse neighbourhoods tend to trust[88] others less (even people

from their own race), participate less in cooperative and altruistic behaviour, and have fewer

friends. According to Putnam, the negative correlation between levels of diversity and bridging

social capital holds true controlling for a broad range of variables. Putnam argues that although

diversity has the negative short- to medium term effect of reducing bridging social capital, in the

long run, diversity confers important cultural, economic, fiscal, and developmental benefits.

Although Putnam does not fully explore how societies can best respond to diversity[89], he does

suggest that the benefits of diversity can be realized by creating cross-cutting bases of social

solidarity and broader, more encompassing identities that over-arch narrower group identities.[90]

While I share Putnam's concern for cultivating cross-ethnic ties, I consider that Putnam's policy

recommendations and those of the proponents of civic nationalism have limited applicability in

polarized developing countries. First, with respect to Putnam's study specifically, this study on

social capital has limited application in the context of a polarized developing country. Putnam's

study was conducted in the United States, where it cannot be said that the needs of individual

members of ethnic groups are primarily met by the ethnic group rather than the state. This is an

important distinction from developing societies, where the ethnic group plays a central role in the

day-to-day life of its members. As I have argued earlier in this essay, the centrality of the group

in the lives of its members in developing countries contributes to robust levels of intra-group

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[88] Putnam considers trust to be part of social capital. As indicated in this essay, I disagree with Putnam on this point.
[89] Putnam indicates that he is engaged in further study of policy responses and plans to publish on this subject matter in the future.
[90] Putnam, *E Pluribus Unum, supra* note 87 at 163-4.

social capital and materially impacts elite incentive structures. American economic, social, and political culture is also far more centred on the individual than the cultures of most developing countries. Moreover, the United States is an immigrant society, unlike most developing countries.   The United States therefore lacks true constituent ethnic groups would can assert a rightful role *qua* groups in the polity. In short, there are important differences between the United States and polarized developing societies that suggest that the dynamics of group relations and the role of the group in the polity in the former differ from those of the latter. We should therefore be hesitant to assume that Putnam's findings in terms of the relationship between diversity and levels of social capital have implications for societies outside of the United States.

Second, on a broader note, I consider that the proponents of civic nationalism (including Putnam) under-estimate the power of ethnic affiliation as a basis of political mobilization. Due to the ability of ethnic affiliation to mobilize people and due to the central importance that ethnicity frequently has on the lives of people in developing countries, it is unlikely that a non-ethnic, civic identity will be able to eclipse ethnic identity in the public domain. So long as there are some politicians who understands the power of shared ethnicity to touch people and so to rally them behind a cause, ethnic affiliation will continue to play a central role in the politics of polarized societies.[91] It is more effective to deal with the consequences of ethnic mobilization by

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[91] Even in diverse countries, where politicians typically have incentives to mobilize people across ethnic lines, there is evidence that ethnic affiliation can have an on-going divisive impact in the polity. In Kenya, for example, ethnic violence erupted after the incumbent President was declared the victor of a presidential election in December 2007 in the face of strong evidence that the opposition party had in fact won the election. Although Kenya is a highly diverse country (there are more than 22 ethnic groups within the state) and notwithstanding Kenya's history of relative stability, the ethnic affiliations of the incumbent President (a Kikuyu) and the Opposition Leader (a Luo) appeared to trigger violence, particularly between the Kikuyu, the Kisii, and Luo.

containing the worst manifestations of inter-ethnic rivalry than to try to prevent such

mobilization entirely.

Third, the emergence of a civic compact is more likely to create incentives for elites to adopt

moderate policies and for the population to support such policies than the cultivation of civic

nationalism. Unlike civic nationalism, a civic compact does not subordinate ethnic identity to a

supra-ethnic, state-based civic identity. Instead, in the case of a civic compact, ethnic identity

continues to have public relevance in a polarized state, but the citizenry of such a state eventually

comes to accept that the state (and the power and resources of the state) must be shared with

other constituent ethnic groups. The emergence of a civic compact based on the norms of inter-

ethnic social capital thus provides important assurances to ethnic elites and their group members

that the ethnic group will survive as a stakeholder in the polity. The political and legal

governance structures that result from the actualization of the norms of inter-ethnic social capital

protect the spheres of influence of each set of ethnic elites. By contrast, the cultivation of civic

nationalism requires suppressing attempts to mobilize along ethnic lines. Elites are likely to

resist efforts to engender civic nationalism since they stand to lose an important and highly

effective means of mobilizing support. Moreover, as Will Kymlicka has noted, cultivating civic

nationalism is often a source of conflict in and of itself since the process of cultivation requires at

least one of the groups to assimilate to whatever is defined as the attributes of the "civic state".[92]

Whereas the civic compact affirms the role of all ethnic groups in the polity and reduces conflict

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[92] See Will Kymlicka, "Misunderstanding Nationalism" in Ronald Beiner, ed., *Theorizing Nationalism* (Albany: State University of New York Press, 1999) 131.

by curtailing the "dominate or be dominated" mentality, civic nationalism places ethnic groups in what can only be a pitched battle for control of the state and the state's civic identity.

The second fundamental way that higher levels of inter-ethnic social capital impact elite incentive structures relates to the emergence of cross-ethnic networks of personal relationships. The impact of cross-ethnic networks of personal relationships on elite incentive structures differs depending on how far advanced the civic compact is and how deeply entrenched the norms of inter-ethnic social capital have become. If cross-ethnic networks of personal relationships emerge before the norms of inter-ethnic social capital have been internalized by elites and the general citizenry, then it is likely that the ultimate impact of these networks will be a radicalization of the claims made by ethnic elites and a subsequent deterioration of inter-ethnic relations. Because ethnic affiliation is the primary basis for political mobilization, elites fear that their influence will diminish if the relevance of ethnic identity and divisions decline. Cross-ethnic interpersonal relationships threaten a key source of elite influence since these relationships reduce the saliency of ethnic affiliation for individual members of the ethnic group. Consequently, elites frequently respond to rising levels of contact between individual members of ethnic groups by adopting stronger ethnocentric rhetoric and asserting increasingly radical claims in order to shore up the relevance of ethnic affiliation. This response heightens animosity between ethnic groups and risks destabilising fragile peace agreements. Thus, notwithstanding the reduction of prejudice at an individual level, in the absence of the civic compact, increasing contact between individuals from different ethnic groups creates incentives for elites to radicalize their agendas rather than to favour moderate policies.

A different set of incentives exist when the norms of inter-ethnic social capital have taken root in a polarized society and the civic compact has emerged. The civic compact restrains elites from making claims that threaten the institutional framework of a country. While elites may adopt ethnocentric rhetoric, this rhetoric is bounded by the norms of the right of each group to its continued existence, the right to participation, and the rule of law. Moreover, these norms offer assurances to elites that the adoption of moderate policies will not erode the relevance of the ethnic group (and its elite) in the polity. In this regard, the norms of inter-ethnic social capital reduce the perceived cost of adopting moderate policies. Under these circumstances, the emergence of networks of cross-ethnic interpersonal relationships increases pressure for elites to adopt moderate positions. As individuals come to know members of other ethnic groups on a personal basis, individual prejudice and hostility towards members of other groups gradually begin to decline. By cultivating networks of relationships between members of different ethnic groups, then, it is possible, over time, to create a populace supportive of tolerance and moderation. Networks of cross-ethnic relationships thus contribute to the emergence of a political market for moderation.

Some scholars suggest that the conflict that tends to arise as groups come into contact is best mitigated by gradually eliminating differences between groups through "quiet policies of assimilation".[93] The goals of these policies of assimilation vary in scope. Civic nationalism, for example, aims to assimilate people into a single, supra-ethnic identity, but does not necessarily imply that specific ethnic identities cannot continue to have relevance in the private lives of people. Civic nationalism does imply that the supra-national identity is each individual's

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[93] See e.g. Forbes, *Ethnic Conflict*, *supra* note 62.

primary identity, but allows for the possibility of hyphenated identities: Irish-American, Italian-American, French-Canadian, and so forth. Other proponents of assimilation advocate a more complete process where each person's identity in the polity is gradually homogenized into one national, civic form: Canadian, American, British, French, and so on.

I reject an approach that focuses on neutralizing the power of the ethnic group through assimilation, whether through civic nationalism or broader, homogenizing processes of assimilation, for three reasons. First, as I have already noted in the context of civic nationalism, this approach under-estimates the power and enduring salience of ethnic identity. Second, depending on how it is implemented, an assimilation-based approach may violate international human rights law. International human rights law recognizes the rights of minorities to the preservation of their distinctive group identity[94] and also imposes an obligation on states to protect individuals from discrimination on the basis of race or place of national origin.[95] Moreover, the 1992 *Declaration on the Rights of Persons Belonging to Ethnic, Religious, and Linguistic Minorities*[96] imposes a positive obligation on states to protect the existence and the ethnic identity of minorities living within their borders and to facilitate the promotion of these identities. Policies designed to subvert a group's ethnic identity or to encourage group members to assimilate to a different identity likely run afoul of the provisions of the 1992 Declaration, as well as other international covenants and agreements. Third, robust intra-ethnic social capital

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[94] See, for example, s. 27 of the *International Covenant on Civil and Political Rights,* 19 December 1966, 999 U.N.T.S. 171, Can. T.S. 1976 No. 47 (entered into force 23 March, 1976). Note, however, that there is disagreement about whether this right is an individual right or a group right.

[95] See *International Convention on the Elimination of all Forms of Racial Discrimination*, GA Res. 2106, UN GAOR, 20th Sess., Supp. No. 14, UN Doc. A/6014 (1966) 47 and the *Declaration on Race and Racial Prejudice*, UNESCO, 20th Sess., UN Doc. E/CN.4/Sub.2/1982/2/Add.1, annex V (1978).

[96] GA Res. 47/135, UN GAOR, 47th Sess., Supp. No. 49, UN Doc. A/47/49 (1993) 210.

has many positive attributes notwithstanding the fact that it contributes to increased tension and rivalry within the state. For example, the ethnic group provides many basic social and economic goods and services to its members in countries where state infrastructure is weak. Preference should be given to policy approaches that mitigate violent conflict without sacrificing the positive value of robust intra-ethnic social capital. My approach centres not on reducing intra-ethnic social capital, but on increasing inter-ethnic social capital. I thus consider my approach to have more merit than assimilation-based policy recommendations.

Part VII: Conclusion

This essay has argued that the juxtaposition of robust levels of intra-ethnic social capital and low levels of inter-ethnic social capital in ethnically-polarized countries tends to result in group dynamics that lock elites into survival politics. Survival politics is associated with a "dominate or be dominated" mentality; these dynamics create incentives for elites to adopt radical, extra-institutional strategies such as violent repression or insurgency and make it difficult for elites to advocate for moderate and conciliatory positions. At the same time, the dysfunctional governance that results from survival politics impedes the reform of policies and institutions, and thus perpetuates conditions of extreme poverty and low growth. These conditions, in turn, contribute to the perpetuation of violent conflict. The dynamics flowing from varying levels of social capital between and within ethnic groups are self-reinforcing and constrain the ability of elites to avoid violent conflict and to promote reform. In this regard, the social capital framework points to a type of path dependency.

The social capital framework also points to a possible avenue for advancing social, political, and economic development in ethnically-polarized countries. The cultivation of higher levels of inter-ethnic social capital may alter elite incentive structures and, in the best case scenario, give rise to the emergence of a civic compact. The key challenge is how to cultivate inter-ethnic social capital in countries that are locked into survival politics and thus a conflict trap. This is a large question that cannot be answered in this essay. However, in this conclusion I will briefly outline what I consider to be the main dimensions of a strategy to cultivate inter-ethnic social capital.

Inter-ethnic social capital can be fostered by adopting institutions and, critically, processes for managing institutional change and addressing the legacy of inter-ethnic violence that integrate the norms of inter-ethnic social capital. While elites may initially accept institutional reform due to pragmatic considerations (which I discuss below), as elites and the masses engage with these processes and these institutions, they actualize the norms in their own experiences and slowly begin to internalize these norms. Over time, these norms become deeply embedded in the social fabric of a country, and the civic compact begins to emerge. As time progresses, more and more contact between members of ethnic groups may occur, giving rise to inter-ethnic networks of relationships and associations.

The reality in most ethnically-polarized developing countries is that initiating the reform processes that are necessary to cultivate inter-ethnic social capital will be extremely difficult to do. After all, the self-reinforcing mechanisms and switching costs that exist within the dynamics

of survival politics are powerful constraints on elites' ability to cooperate across ethnic lines and to introduce far-reaching reforms. However, path dependence theory, particularly in political science, suggests that there are moments in a country's evolution – critical junctures – where various factors come together to alter the trajectory of the country's institutional development.[97] The use of the concept of critical junctures in path dependence scholarship related to development does, however, have a "deterministic flavour, because [the concept] does not indicate how to predict or create these junctures."[98] Nevertheless, Paul Pierson[99] and Douglass North[100] suggest that the concept of critical junctures can be understood and applied in a more dynamic way that mitigates its deterministic tenor. Both Pierson and North suggest that there are moments where real institutional change is possible, although the range of choices for this change is shaped by factors such as a country's past decision-making. Moreover, this choice is bounded in the sense that the moments where there is opportunity for institutional change are brief and these moments are followed by long periods of institutional stability.[101]

In the context of an ethnically-polarized developing country, Pierson's and North's conceptions of critical junctures suggest that such a country may have brief moments in its history where institutional change is possible. Typically, the best opportunities to begin the process of

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[97] For a good overview of the path dependence literature on critical junctures, see Prado & Trebilcock, *supra* note 7. The discussion that follows was influenced by this overview, and I am indebted to Prado & Trebilcock for shaping my understanding of path dependence. All errors, however, remain my own.

[98] *Ibid.* at 357.

[99] Paul Pierson, *Politics in Time: History Institutions and Social Analysis* (Princeton, NJ: Princeton University Press, 2004).

[100] Douglass C. North, "The New Institutional Economics and Third World Development" in John Harriss, Janet Hunter & Colin M. Lewis, eds., *The New Institutional Economics and Third World Development* (London: Routledge, 1995) 17 [North, "New Institutional"].

[101] Prado & Trebilcock, *supra* note 7 at 358.

cultivating inter-ethnic social capital emerge in the context of a hurting stalemate[102]. Hurting

stalemates represent "critical junctures" where there is scope for more radical reform than is

usually possible. A hurting stalemate exists where no single faction has the ability to impose its

will on others. Once a hurting stalemate develops, the balance of power between ethnic groups

and elite incentive structures tend to engender a willingness among elites to enter into peace

negotiations.[103] The inability of any one ethnic group to impose its will on its rival (or rivals)

forces elites to make concessions during the peace process. Elites agree to adopt institutions that

reflect the right to participation, the right to continued existence, and the rule of law – the norms

of inter-ethnic social capital – largely as a result of a pragmatic calculus that such institutions

offer them the best chance of accessing power either immediately or in the future.

Although elites typically enter into peace negotiations for purely pragmatic reasons, norms can

develop an independent influence in the polity. The normative commitments of the masses

impact the incentive structure of elites, for example. Elites require the cooperation of the

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[102] I. William Zartman pioneered the concept of the "hurting stalemate". See I. William Zartman, *Ripe for Resolution: Conflict and Intervention in Africa* (New York: Oxford University Press, 1989); "Ripeness: The Hurting Stalemate and Beyond" in Paul C. Stern & Daniel Druckman, eds., *International Conflict Resolution After the Cold War* (Washington, D.C.: National Academies Press, 2000) 225; and "The Timing of Peace Initiatives: Hurting Stalemates and Ripe Moments" (2001) 1 The Global Review of Ethnopolitics 8. Other scholars who have advanced a similar idea of conflict "ripeness" include Richard N. Haass, *Conflicts Unending* (New Haven, CT: Yale University Press, 1990) and Stephen J. Stedman, *Peacemaking in Civil War: International Mediation in Zimbabwe, 1974-1980* (Boulder, CO: Lynne Rienner, 1991). For a review of the ripeness approach taken by Zartman, Haass, & Stedman, see Marieke Kleiboer, "Ripeness of Conflict: A Fruitful Notion?" (1994) 31 Journal of Peace Research 109. For an application of Zartman, see Donald Rothchild, *Managing Ethnic Conflict in Africa: Pressures and Incentives for Cooperation* (Washington, D.C.: Brookings Institution Press, 1997) and Dean G. Pruitt, "Readiness Theory and the Northern Ireland Conflict" (2007) 50 American Behavioral Theorist 1520.
[103] It is possible for ethnic groups engaged in violent conflict to enter into productive peace negotiations before a hurting stalemate exists if the international community intervenes to force a cessation of violence. However, this scenario is unlikely. The international community is generally reluctant to intervene forcibly in domestic conflicts, due in part to concerns about respect for national sovereignty and the reluctance of many countries to risk the lives of their own soldiers to bring peace to another country. I do consider, however, that the participation of the international community is vital to the success of the peace process. In this regard, I distinguish between the role of the international community as being the catalyst for peace negotiations and the role of the international community in facilitating the peace process once a hurting stalemate has developed.

masses. Attempting to exert power without the cooperation or tacit consent of the average

citizen is costly and difficult.[104] Since norms set the boundaries for acceptable tactics and

behaviour in political, social, and economic competition, norms affect the relative costs of

strategies for promoting the agenda of the elites. The strategic calculus of elites must therefore

factor in the high cost of using tactics that fall outside the tolerance range of the average citizen.

By building support among the masses for the norms of the right of participation, the right to

continued existence, and the rule of law, it is possible to change the relative costs and benefits of

various strategies such that there is a strong preference for using institutions to advance the

elites' agendas. In other words, a market for political moderation may emerge as the masses

begin to internalize the norms of inter-ethnic social capital. Robust adherence to the norms of

inter-ethnic social capital (typically when the civic compact has emerged) makes the adoption of

radical, extra-institutional strategies such as violence virtually unthinkable.

The impact that norms can have on the strategic calculus of elites stems largely from the

commitment of the citizenry to the norms of inter-ethnic social capital. To be clear, however, the

norms of inter-ethnic social capital can have a broader impact on elites than just the alteration of

the elites' strategic calculus. Once internalized, these norms sets boundaries for what the elites

themselves are willing to do to advance their own agendas. While it would be naïve to suggest

that ruthless elites who have little regard for morals do not exist, it is overly cynical to believe

that all elites fall within this ruthless category. It is likely that there will be at least a few leaders

who will internalize and remain committed to normative principles. Axelrod's theory of

cooperation suggests that even a few individuals can create a cooperative dynamic so long as

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[104] See e.g. Harold H. Saunders, *A Public Peace Process* (New York: Palgrave, 1999) and Camilla Orjuela, "Civil Society in Civil War: Peace Work and Identity Politics in Sri Lanka", PhD dissertation, Goteborg University, 2004.

they have at least some interactions together and act on the basis of reciprocity.[105] This suggests that a cooperative coexistence between ethnic groups could emerge in a polity if even a few elites remain committed on a personal basis to the norms of inter-ethnic social capital and if these elites have some contact with each other.

The process of cultivating inter-ethnic social capital at the level of the masses typically begins during the peace process. The international community must generally take the lead in promoting the norms of inter-ethnic social capital to the masses. The peace process affords the international community an opportunity to pressure elites to agree to procedures and processes that can actualize the norms of inter-ethnic social capital in the experience of the masses. The actualization of the norms, in turn, initiates the internalization of these norms.

A key factor related to the success of the peace process is the involvement of neutral third parties in peace-making and peace-keeping.[106] Neutral third parties serve to maintain stability, order, and peace during the early and middle stages of transition, when the levels of inter-ethnic social capital are low and still developing. Neutral third parties must also take the lead in encouraging the parties to adopt a structure for peace negotiations that maximizes the opportunity for the cultivation of inter-ethnic social capital. Third parties can provide security guarantees to all ethnic groups and can bridge the so-called credibility gap by providing independent verification that each ethnic group is honouring its commitments under the peace process. In this regard,

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[105] See Robert Axelrod, *The Evolution of Cooperation*, rev. ed. (New York, NY: Basic Books, 2006).
[106] Collier, for example, argues that technical assistance and aid from other countries, in addition to peacekeeping support, is essential to a successful transition out of conflict. He also argues that foreign governments should be prepared to commit to staying in a country transitioning out of violent conflict for at least ten years. See Collier, *Bottom Billion, supra* note 2 at 152 and 177-178.

third parties can create a context in which ethnic groups can begin to give meaning to the values of the right to participation, the right to continued existence, and the rule of law without risking their own security. In the vast majority of cases, without the involvement of a neutral third party, it is unlikely that inter-ethnic social capital will develop.

There is much more to say about the design of peace processes, the sequencing of reforms, the role of the international community, the structure of institutions, and the engagement of elites and the masses in the process of cultivating inter-ethnic social capital. Further discussion of these matters, however, is beyond the scope of this essay. The key conclusion that arises from the above is that while the dynamics of ethnic relations in polarized developing countries tend to mire such countries in survival politics and conflict traps, fragile opportunities for change do arise. Violent ethnic conflict is not inevitable. However, much work and scholarship must be undertaken in order to understand how change might occur and how peace may emerge.