

## Abstract

### *Paper 1: Social Capital vs Institutions in the Growth Process*

Is social capital a substitute or a complement to formal institutions for achieving economic growth? We outline an investment game in an incomplete-contracts setting. A key insight is that social capital will have the greatest effect on the total surplus from the game at lower levels of institutional strength and that the effect of social capital vanishes when institutions are very strong. This basic prediction about substitution finds support in a cross-country growth regression – the marginal effect of social capital (in the form of interpersonal trust) decreases with institutional strength.

### *Paper 2: The Roots of Ethnic Diversity*

We provide a theoretical and empirical analysis of the determinants of ethnic diversity in the world. We introduce a model of cultural and genetic drift where new ethnic groups endogenously emerge among peripheral populations in response to an insufficient supply of public goods. The theoretical prediction of a positive effect of the duration of human settlements on ethnic diversity receives strong empirical support, and there are clear indications that ethnic diversity is higher where geographical conditions have favoured isolation, and lower where early civilization proved more successful, and the state was stronger during the modern nation-state era.

### *Paper 3: The Causal Effects of Ethnic Diversity: An Instrumental Variables Approach*

Although ethnic diversity is endogenous to economic development in the long run, the standard approach in economic research has been to treat it as an exogenous factor. By identifying instruments for ethnic diversity, we correct this misspecification and can establish that ethnic diversity has an exogenous influence on income levels, economic growth, corruption, and provision of public goods. Earlier results based on OLS estimations may have underestimated the negative effects of high levels of ethnic diversity.

### *Paper 4: Nationalism and Government Effectiveness*

Nation-building is believed to have a positive influence on economic and political performance, yet nationalism, an indicator of successful nation-building, has been empirically linked to protectionism and intolerance, which suggests that dismal performance is a more likely outcome. We find that nationalism has a robust inverted U-shaped effect on government effectiveness, and may reduce the negative effects related to high levels of ethnic fragmentation among former colonies. Taken seriously, the results suggest that most countries have too nationalistic populations.

### *Paper 5: Earthquakes and Civil War*

Are natural disasters a cause of violent conflict? We develop an economic model of rebellion in the wake of a natural disaster. It shows how “moderate” natural disasters can make rebellion feasible, by lowering the opportunity cost of potential recruits, but how more intensive destruction means that the material payoff in the event of a victorious rebellion is lower. The empirical analysis confirms that moderate earthquakes increase the risk of civil wars, but that stronger (and therefore more rare) earthquakes instead reduce the risk of civil wars.

**Keywords:** civil war, earthquakes, economic development, economic growth, ethnicity, ethnic diversity, government effectiveness, human origins, instrumental variables, investment, institutions, nationalism, nation-building, natural disasters, property rights, protectionism, social capital.

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**Contact information:** Pelle Ahlerup, Department of Economics, School of Business, Economics and Law, University of Gothenburg, Box 640, 405 30, Gothenburg, Sweden. Telephone: +46 (0)31 786 1370. Email: [Pelle.Ahlerup@economics.gu.se](mailto:Pelle.Ahlerup@economics.gu.se). Web: [www.handels.gu.se/econ/ahlerup/](http://www.handels.gu.se/econ/ahlerup/).