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BUSINESS/FINANCIAL DESK

ECONOMIC SCENE; Count Ethnic Divisions, Not Bombs, to Tell if a Nation Will Recover From War

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WITH repeated Shiite and Sunni killings in Iraq, the Hezbollah rocket attacks on Israel, Israeli attacks on Lebanon and Gaza, the assaults by the Taliban and counterassaults by American forces in Afghanistan, and a train bombing in India, it has been quite a fortnight for at least two of the horsemen of the apocalypse -- war and death.

With little prospect of a quick resolution to most of these conflicts, perhaps it is worth looking at the long-run prospects for these nations once the wars actually end (assuming that they do end, of course).

The good news is that history suggests that the destruction of war has no lasting impact on economic prospects. The bad news is that most of these countries, especially Iraq, are filled with ethnic divisions and civil discord. The evidence shows that these problems, unlike bombs, cause lasting damage to the prospects for a nation's economy, even if they do not boil over into civil war.

The negligible long-term impact of war itself is rather startling but has been noted in numerous studies. The recent work of two economists at the University of California, Berkeley -- Edward Miguel and Gérard Roland -- for example, "The Long Run Impact of Bombing Vietnam," (globetrotter.berkeley.edu/macarthur/inequality/papers/MiguelVietnamBombs.pdf), starts from the fact that some 10 percent of the 584 districts in Vietnam received nearly three-quarters of the total bomb tonnage. No matter how they sliced the data, they did not find that heavier bombing during the war corresponded with any major differences in poverty rates, access to electricity, literacy, population density or consumption in the 1990's and 2000's.

Similar studies have documented that the long-run population of Japanese cities was not affected by whether they were destroyed in World War II (including Hiroshima and Nagasaki, whose destruction was radioactive, to boot) and likewise for cities in Europe. After suffering the enormous immediate costs of war, it seems that people rather quickly return to where they left off. In the long run, things return to normal. Nation-building is still possible, even if one starts with rubble.

But for the optimists hoping that war in the Middle East will soon end so the rebuilding can commence, there is a serious problem. The political boundaries of these countries, especially Iraq, make the long-term prospects bleak. The existence of ethnic division in the countries will probably mar them permanently in a way that bombs never could.

Boundaries between many countries of the Middle East, like those in Africa, were haphazardly put together in negotiations by European colonizers who had little regard for ethnic realities. Indeed, they sometimes even lumped enemies together on purpose, hoping that ethnic hatreds might reduce anticolonial feelings. In a new study, three economists -- Alberto F. Alesina and Janina Matuszeski of Harvard University and William Easterly of New York University -- document how important internal cohesion is for the health of a society.

Their study, "Artificial States," (www.nyu.edu/fas/institute/dri/Easterly/File/artificialstatesNBER.pdf), creates two measures of how "artificial" a nation's boundaries are. The first measures whether the country's political borders partition ethnic groups into separate countries. A country that combines a few Hutus and neighbors another country with lots of Hutus is in greater danger of ethnic fragmentation than a country made up of similar peoples.

The second measures how squiggly the borders of a country are. Straight lines are usually the sign of an arbitrary colonial mapmaker. Natural barriers like rivers and mountains seldom look tidy. Taking the measures of partitioning and neat borders, their study compares the performance of countries with natural borders to those with artificial ones and finds, overwhelmingly, that artificial nations suffer terribly -- lower income, horribly ineffective and corrupt governments, less respect for the law, low literacy, limited access to clean water, poor health care, you name it.

Professor Alesina explained in an interview why he believed the fragmentation was so damaging.

"First, the governments in these countries are often run to benefit one ethnic group at the expense of the others and are prone to corruption," he said. "Second, if you have a lot of people who would prefer to be part of the neighboring country, they tend to spend their time fighting the government rather than improving schools and building roads,"

The fact that these groups do not trust one another, he said, makes them less willing to invest in social capital or even to conduct basic market transactions with one another.

Viewed from this perspective, the long-term economic prospects for Afghanistan and Iraq do not look good. It is not the destruction of war. That will end and the countries can be rebuilt. It is the fragmentation and ethnic hatred. That, typically, never goes away.

Iraq, especially, is a straight-edged, ethnically partitioned nation wracked with internal strife. And having oil wealth is unlikely to save the day. Fragmented countries with natural resources often do worse because civil war rages over who gets to keep the money. Some of the poorest countries in Africa, for example, are actually quite well endowed with diamonds and other resources.

When the horsemen of war and death arrive in the form of internal division, the horsemen of famine and pestilence are seldom far behind. But come to think of it, the Book of Revelation says the horsemen of the apocalypse arrive on horses of different colors -- white, red, black and pale. I wonder how they kept from killing one another?