**Problem**: Africa was predicted to have growth potential ahead of East Asia and surpass 7 percent growth rate, however GDP per capita did not grow over the 1965-1990 period. Much of Africa has even suffered negative per capita growth, reflected in many human tragedies, such as below average life expectancy, maternal mortality and child mortality.

**Hypothesis**: Higher levels of ethnic diversity encourage poor policies, poor education, political instability, inadequate infrastructure, and other factors associated with slow growth by increasing polarization, impeding agreement about the provision of public goods, and creating positive incentives for growth-reducing strategies (1206)

**Dependent Variables**: (1) Annual growth rate of GDP per capita in the 1960s, 1970s, and 1980s, pooled average and (2) level of income per worker, pooled decade average

Independent Variables:

* Ethnic Diversity (ETHNIC) – probability that two randomly selected individuals belong to different ethnolinguistic groups (Miklukho-Maklai Ethnological Institute 1964)
* Dummies for Sub-Saharan Africa; Latin America and Caribbean
* Controls for initial income at the start of the decade (log GDP per cap, square of log of initial income)
* Log of average educational attainment
* Black Market exchange rate premium averaged over each decade
* Fiscal stance of the country (government surplus to GDP ratio – averaged over decade)
* Financial Depth (liquid liabilities of the financial system divided by GDP averaged over each decade)
* Other Controls: measure of civil liberties, number of revolutions and coups, number of casualties from war

**Data/Method**:

* Ordinary Least Squares regression where each decade forms one-third of the system
* Cross-section of Sub-Saharan, East Asian, Latin American and Caribbean countries from 1960 – 1989

**Findings**:

* Low school attainment, constitutional changes, corruption, poorly developed financial systems, large black market exchange rate premiums, large government deficits, and inadequate infrastructure are significantly positively correlated with economic growth at the 0.05 significance level (1209/1241).
* Ethnic diversity:
	+ (a) Encourages the adoption of growth-retarding policies that foster rent-seeking behavior and
	+ (b) Makes it more difficult to form a consensus for growth-promoting public goods.
* Furthermore, accounting for the effects of ethnic diversity on education, political stability, financial depth, black market premiums, fiscal policy, and infrastructure development, ethnic diversity alone accounts for about 28 percent of the growth differential between the countries of Africa and East Asia.

**Placement in the field**:

* In contrast to Olsen, Easterly and Levine posit that mostly structural and historical factors, such as ethnic diversity, contribute to growth rates, rather than individualistic contributions such as participation in special interest organizations.
* Easterly and Levine complement Bates (1981) by adding a causal mechanism for why Africa’s leaders tend to choose politically expedient actions rather than long-term stability and growth.
* Similarly to Olsen (1982), Easterly and Levine find that a movement from complete heterogeneity to complete homogeneity is associated with a productivity increase of 2.5 times and an increase in capital per worker of 9.2 times. In essence, homogeneity of groups increases productivity (1241).