High cultural and ethnic diversity can contribute to more democratic societies with better economic management.

Strongly ethno-culturally diverse societies generally have better financial management than more homogeneous societies that are largely dominated by one culture and one people. The more ethnically diverse societies are also generally more democratic.

Professor Indra de Soysa at NTNU’s Department of Sociology and Political Science says this is good news, since it may indicate that culture plays less of a role than rational agency when it comes to boosting a country’s economy.

He has worked with assistant professor Krishna Chaitanya Vadlamannati at University College Dublin on a study that was recently published in Science Direct.

This may be the first study to directly address the relationship between degrees of cultural and ethnic diversity and the government’s ability to establish and maintain favourable economic policies.

Contradicts previous research

Their findings go against previous research, where cultural diversity is regarded as one of several explanations for a country’s economy going south.

“Our findings give reason to doubt that this is true,” says Professor de Soysa.

It is certainly not true in all cases, the researchers find. Although social diversity and struggling economies have been the case in countries such as Rwanda and Burundi, the same is not true in countries like Botswana, Mauritius and Chile.

Prominent scholars, such as Professor William Easterly at New York University, have previously argued that high ethnic and other diversity are among the reasons for some countries’ slow economic growth.

Autocratic rule not a prerequisite

Previous research has also suggested that economic growth in ethnic and culturally diverse societies is more successful in an autocracy – when power is concentrated in the hands of the few. Singapore is often held up as an example of this solution. But it is not necessarily a universally correct solution.

“Nothing gives us reason to believe that autocratic rule is necessary in order to implement measures that can provide economic growth in culturally diverse societies,” says de Soysa.
Economic freedom

The researchers looked at data from 116 countries in the period from 1980 to 2010. They concentrated on applying an index of “economic freedom”, which is often hailed as a reliable measure of sound economic management.

This study did not thoroughly investigate the underlying causes of healthy economic growth, which can be manifold.

High ethnic diversity may be a counterbalance to individual groups gaining too much power at the expense of institutions, or to a totally dominant ethnic group favouring their own at the expense of the minority group. And other, perhaps completely different, reasons may play a role. But greater cultural and ethnical diversity does not automatically appear to be a negative factor for good economic growth.

“In the end, what seems to count the most are healthy political leadership and statesmanship,” says de Soysa.