

REVIEW2006

STICERD

Suntory and Toyota International Centres
for Economics and Related Disciplines



The Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD) at the London School of Economics and Political Science (LSE) were established in 1978 with funds donated by Suntory and the (then) Toyota Motor Company Limited of Japan. In 1984 and 1989 Suntory Limited gave further donations to STICERD to support new research programmes and the Saji Research Lectureship in Japanese Economic and Social History. In 1995 Toyota Motor Corporation provided additional funds towards the endowment. **Since April 2001, STICERD has been part of the LSE Research Lab.**

STICERD finances a wide variety of research by members of the staff of LSE, both inside and outside the Centres. The Centres also provide accommodation and facilities for research programmes funded from a variety of sources. Support for postgraduate students is offered annually in the form of the Suntory and Toyota studentships.

Various seminars are organised by STICERD. These include CASE Social Exclusion Seminars and Welfare Policy and Analysis Seminars, LSE/UCL Development and Growth Seminars, STICERD Economics of Industry Seminars, Economic Theory Seminars, Econometrics Seminars, International and Japanese Studies Symposia and Work in Progress Seminars. Financial support is provided for a number of seminar series within LSE, and for public lectures. STICERD hosts distinguished visitors, academic visitors and research associates from all over the world. ■

Suntory and Toyota International Centres for Economics and Related Disciplines

The Suntory Centre:

Econometrics Programme
Economic Organisation and Public Policy Programme
Japanese Studies Programme
Theory Group

The Toyota Centre:

Centre for Analysis of Social Exclusion
Distributional Analysis Research Programme
Economics of Industry Programme

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Foreword



I hope that this year again the STICERD Annual Review will help to give some flavour of the diversity and quality of activities within STICERD, and its broader role in the research efforts of LSE. Those of us fortunate enough to be affiliated to STICERD benefit not just from the excellent physical environment and IT facilities conducive to research, but also from a strong sense of collegiality and community that brings all STICERD researchers together to discuss shared intellectual interests. The resident programmes, which include faculty members, doctoral students and dedicated researchers, are all recognised as leading centres of excellence in their areas. However, one element of Michio Morishima's original conception behind the founding of STICERD – focussed

on economics, but extending into other social science disciplines – was that it should play a role in promoting research in LSE as a whole. We are therefore delighted that over the past year we have not only been able to increase the scale of STICERD support for research by staff across the School, but, with additional support from the LSE Annual Fund, to award a number of New Researcher awards aimed specifically at supporting teaching faculty members at an early stage in their careers. STICERD is committed to continuing to play a major role in promoting top quality research across LSE, and I hope that the pieces in this Review will help to make clear why it is a privilege to be part of this venture. ■

Janet Hunter
Acting Director of STICERD

Suntory and Toyota Lectures

visitors and lectures visitors and lectures visitors and lectures visitors and lectures



Michio Morishima Memorial Lecture:

On 26 January 2006, Professor Amartya Sen gave the inaugural Michio Morishima Lecture entitled **Economics as a Discipline**. In a lecture interlaced with entertaining recollections relating to economists past and present, Professor Sen argued that economics only realised its full potential as a subject when it embraced normative questions as well as merely technical ones. The ensuing discussion was lively and wide-ranging, including issues of moral relativism and multi-culturalism, and touching on the subject of his recent book, 'Identity and Violence'. The event was so over-subscribed that it was not only necessary to put in a video link through from the Old Theatre to the New Theatre, but the video was replayed to full theatres on three following occasions. Amartya Sen is Lamont University Professor and professor of economics at Harvard University. He was previously professor of economics at LSE and remains a senior research associate of STICERD. He was awarded the Nobel Prize in Economic Sciences in 1998. ■

STICERD and DESTIN Public Lecture:

On 18 October 2006, David Nussbaum, chief executive of Transparency International, gave a lecture entitled **Money versus Morality: is corruption just a matter of mis-aligned incentives?** Corruption costs upwards of one trillion dollars a year. The British government announced in June a special police squad to tackle corruption, and the World Bank publicly lists 193 named firms and individuals that have been blacklisted for corrupt acts. But how adequate are such technical measures in tackling complex human behaviour such as corruption? ■

Linghui Han, a researcher at Research Institute of Ministry of Finance of People's Republic of China, visited STICERD in July, August and September of 2006. In those three months, she worked on a research project on liquidity constraints and occupational choice. She writes:

'During my stay at STICERD, I worked on an empirical paper on liquidity constraints and occupational choice. With this research project, we have been trying to find the evidence for the existence of liquidity constraints for those individuals who want to start up their own businesses. I gained invaluable input and assistance on this project from several STICERD researchers, especially Timothy Besley and Robin Burgess, who have established themselves as top development economists all over the world. Moreover, I have benefited so much from them on the improvement of my understanding and capability of doing empirical research. Some doctoral students at STICERD also contributed much insight on this research.

My stay at STICERD was a fantastic experience for me in every sense. In addition to the excitement of being in Europe for the very first time, the research environment provided by STICERD was marvellous for me. Discussions on different issues take place between professors, students, and visitors. Personally, I owe so much to talks with them. Without exaggerating, the communications with them and the immersion in such an outstanding research atmosphere made my stay a life-changing experience especially in terms of doing empirical research. I should say I am extremely grateful for the opportunity I was given to interact with its faculty and students. I enjoyed every moment at STICERD and would like to visit again.' ■

Industrial collapse and its aftermath: seven European cities in the recovery ward

industrial collapse and its aftermath: seven European cities in the recovery ward industrial collapse and its aftermath: seven European cities



The Turning Points

The turning points arose broadly 15-20 years after the economic decline. Our research indicates that in all cases it took a real crisis to spark decisive action. The acute and cumulative nature of the economic and social crises in our cities galvanized new political action and threw up new leadership. The major challenges were to stop the leakage of people and jobs; to cultivate and attract new industries and entrepreneurs, and to retain the higher-skilled middle-class populations (many of whom were leaving to seek work elsewhere). The populations who stayed in our cities were lower-skilled and more marginal to the new economy.

In cities where civic pride was damaged as much as urban landscapes, where social exclusion and inequality were rampant and where skills mismatches played a big role in impeding recovery, the growth of new industries and the upgrading and overhaul of city infrastructure seemed an almost impossible challenge. The Western world, meanwhile, had moved on from heavy-footed intensive manufacturing to a much lighter-footed, more service-based economy and the mismatch between what former industrial cities could offer and the requirements of the new economy was extreme.

Cities adopted many different approaches to aid recovery. There are, however, some common traits:

- Firstly, they all relied on strong government support for physical renewal projects, involving funding for transport upgrading, reclamation of derelict sites, neighbourhood regeneration, restoration of historic buildings, and other infrastructure investment. The money to do these things came slowly and piecemeal from many different programmes. Often it was heavily supplemented by social and regional development funds from the European Union.

The CASE/Brookings Weak Market Cities Programmes looks at 14 case study 'weak market' cities across Europe and the United States. During the industrial era, these cities were the demographic, cultural and economic hubs of their respective regions, maturing at a time when access to raw materials, dense transportation networks and proximity to markets were clear competitive advantages for the development of strong manufacturing industries producing goods for local and national needs. Since the oil shocks of the 1970s and the decline of industry and manufacturing in the West, however, these spatial attributes have decreased in importance, leaving weak market cities struggling to find their economic niche.

The CASE team's research focuses on 7 European cities in 6 countries: Sheffield (England), Belfast (Northern Ireland), Saint-Étienne (France), Bilbao (Spain), Torino (Italy), Leipzig and Bremen (Germany)¹. These cities are each marked by heavy losses in manufacturing jobs and a subsequent haemorrhaging of their population² (see Chart 1), economic and socio-spatial polarisation (see Chart 2), a low skills base and high levels of unemployment. An overall pattern is recognisable: steep growth until the mid to late 20th century followed by a sharp decline (see Chart 3). Common challenges included a diminishing tax base, large-scale vacant and abandoned property, concentrated poverty, and a low-educated workforce.

'Common challenges included a diminishing tax base, large-scale vacant and abandoned property, concentrated poverty, and a low-educated workforce.'

- Secondly, the cities themselves focused on reducing unemployment and preparing their lower-skilled population for new jobs through training programmes and intermediate, semi-subsidised supported employment programmes.
- Thirdly, they developed programmes to foster the development of high-value-added sectors linked to their existing strengths (eg. advanced manufacturing in Sheffield, optics in Saint-Étienne³), mainly by linking local universities' research activity with private enterprise.

- Fourthly, they aimed to increase their residential appeal by creating cultural attractions and upgrading their housing stock.

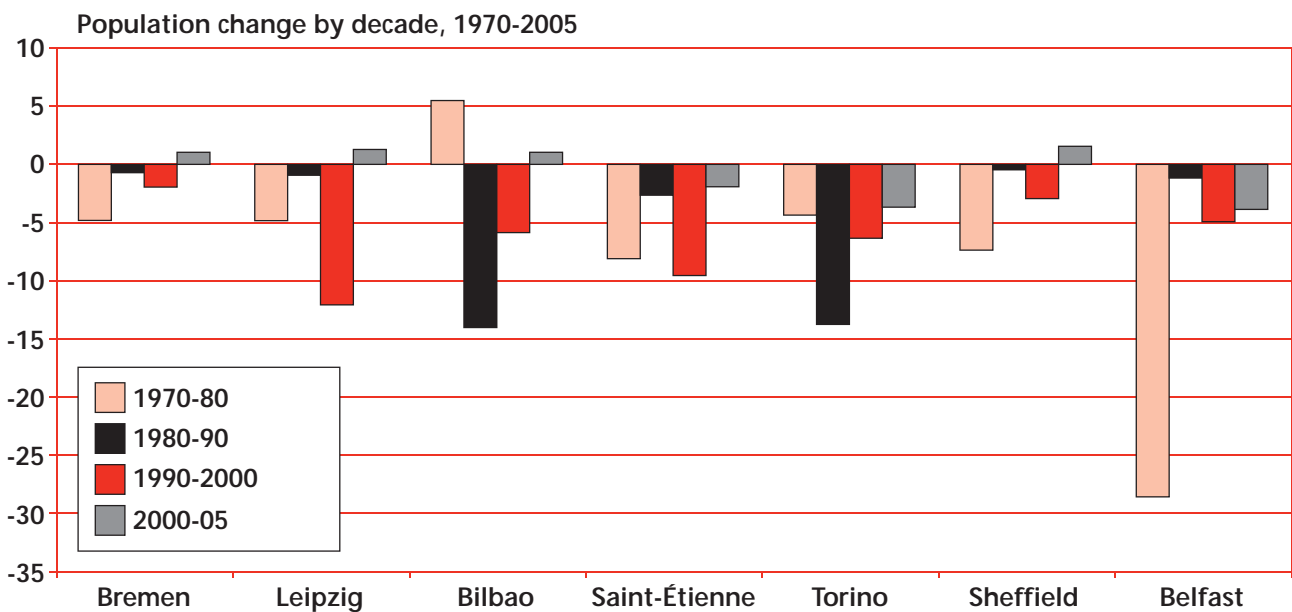
Table 1 shows the most conspicuous measures the cities adopted in order to build a new rationale and attract new investment.

A major focus of all efforts has obviously been on how to create new jobs within a new economic environment. The core role of the cities had to be 'reinvented' and strengthened following the rapid and stark decay of the

latter stages of the industrial era. Economic concerns lay behind most decisions, as the cities had been weakened most by the loss of their economic base.

To do this, all seven cities built on their heritage and culture, launching physical upgrading programmes focused on updating their gritty industrial images and creating an attractive cultural and residential 'offer'.

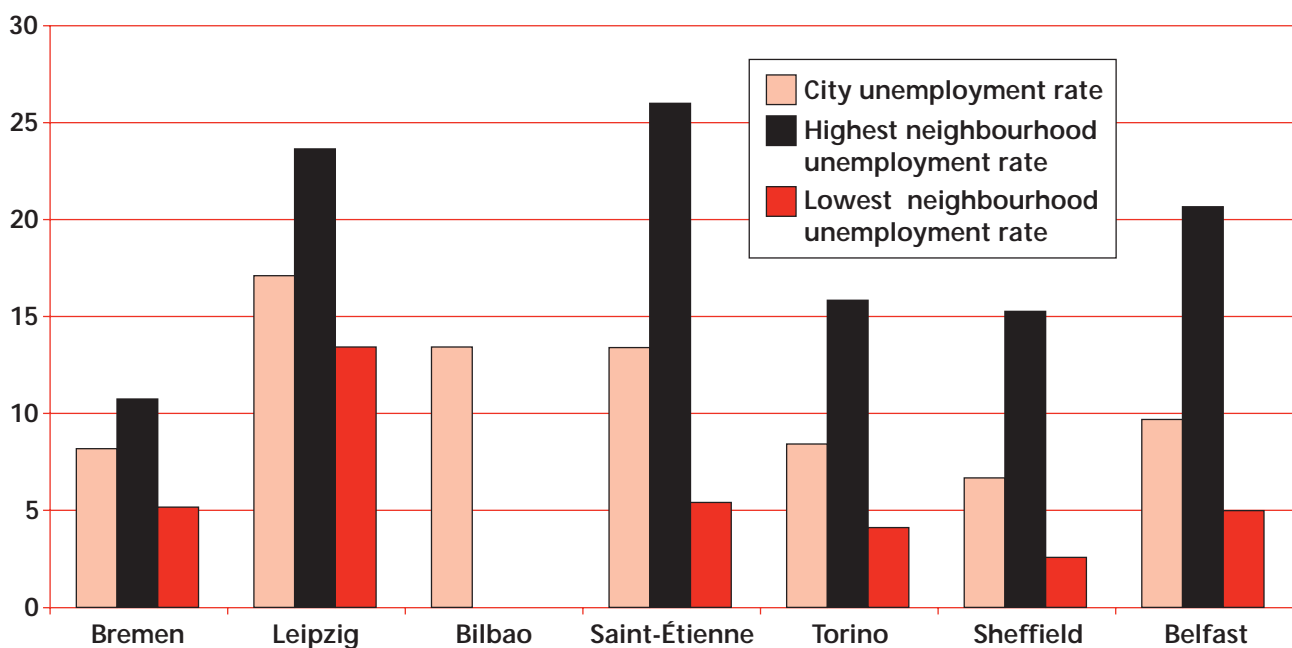
Chart 1: Historic population development in seven weak market cities



The cities themselves had an image of grime, sweat and toil linked to their industrial past which they found hard to shake off.

industrial collapse and its aftermath: seven european cities in the recovery ward industrial collapse and its aftermath: seven european cities in the

Chart 2: Variation of intra-city neighbourhood unemployment rates, 2001



Meanwhile, the continuing overall decline of the cities' economies meant that in some neighbourhoods, conditions cried out for reinvestment. Investment in poorer neighbourhoods was slow in coming and social tensions and ethnic conflict dominated much of the local political agenda.

The cities themselves had an image of grime, sweat and toil linked to their industrial past which they found hard to shake off. They were therefore forced to adopt innovative reinvestment strategies which concentrated in the following areas.

Leadership and 'City Strategies'. Strong leaders capable of uniting local actors around a focused vision for the city's future were key to recovery. Most cities developed a 'City Strategy' in consultation with a range of civic and business leaders. They also founded new partnerships and institutions to take forward each element of the strategy.

Land and building reclamation and environmental upgrading. Large port areas, contaminated land, disused steel works, gas works, mills and warehouses all cried out for restoration and reuse.

Physical redesign and upgrading of major landmarks. Former industrial era buildings such as old town halls, theatres, civic halls and even older department stores were ready for new uses. Whole city centres were redesigned.

Transport infrastructure. All cities sought funding to improve internal and external connectivity. New transport links also opened up employment opportunities.

Building new skills within the population to attract new companies became crucial. This approach was often linked to social integration and neighbourhood renewal efforts.

The cities are at different stages in the process of doing this but Chart 4 shows that in five of the seven cities unemployment rates have fallen to the country average or lower. Chart 5 shows the drop in unemployment levels in all the cities, except Leipzig where particular economic conditions make recovery more difficult.

Table 2 shows the new employment growth sectors, both those that are being promoted through municipal efforts and others that are developing independently.

Table 1: Flagship recovery projects in the seven cities

City	Flagship recovery projects
Leipzig	<ul style="list-style-type: none"> • Football World Cup • City-centre restoration • Cultural events celebrating Bach and Goethe • Application for Olympics 2012 (lost)
Bremen	<ul style="list-style-type: none"> • Technology park (linked to university) • Major waterfront redevelopment scheme ('Overseas City') • Restoration of historic centre • Application to become European Capital of Culture 2010 (lost)
Bilbao	<ul style="list-style-type: none"> • Guggenheim Museum • Waterfront redevelopment scheme • New metro (designed by Norman Foster) and further infrastructural projects (eg. airport, port, train station) by renowned architects
Belfast	<ul style="list-style-type: none"> • Development of entertainment, shopping and tourist facilities • Waterfront redevelopment: Lagside (completed), Titanic Quarter (begun), North Foreshore (in planning) • Application to become Cultural Capital 2007 (lost)
Sheffield	<ul style="list-style-type: none"> • Major city-centre regeneration project (including public squares and gardens, new Retail Quarter, upgrading of main train station) • Advanced Manufacturing Park • Lower Don Valley redevelopment programme (forthcoming) • Neighbourhood and housing renewal programmes
Torino	<ul style="list-style-type: none"> • Urban Master Plan featuring 'central backbone' road and new metro line • Winter Olympics 2006 • Restoration of historic city centre • Conversion of factory infrastructure for new uses • 15 neighbourhood renewal programmes • Torino Wireless ICT cluster
Saint-Étienne	<ul style="list-style-type: none"> • Design Biennale (founded in 1998) • Design Village and Optics/Vision 'cluster sites' • Zénith concert stadium (designed by Norman Foster) • Châteaureux business services district • Four major neighbourhood renewal projects • Application to become European Capital of Culture 2013

All the cities now show a slowing in population decline and re-growth in some cases. There is significant recovery in unemployment rates (see Charts 4 and 5), although probing the nature and sustainability of job creation efforts, the flows in employment and the new investments that cities are attracting has been one of the challenges of this research.

There is widespread agreement that improvements in education fostering higher-level skills and aspirations, more socially integrated communities, physical renewal and environmentally sustainable behaviour are essential to tackling future challenges. In the next year of our work we will explore city by city how these themes are being integrated in specific regeneration projects. ■

The CASE Weak Market Cities Programme is funded by the Joseph Rowntree Foundation, with contributions from the Academy for Sustainable Communities and the Department for Communities and Local Government.

[See Appendices on page 20 for references]



Anne Power, Jörg Plöger and Astrid Winkler
CASE

Chart 3: Historic population development (please note: data intervals not calibrated)

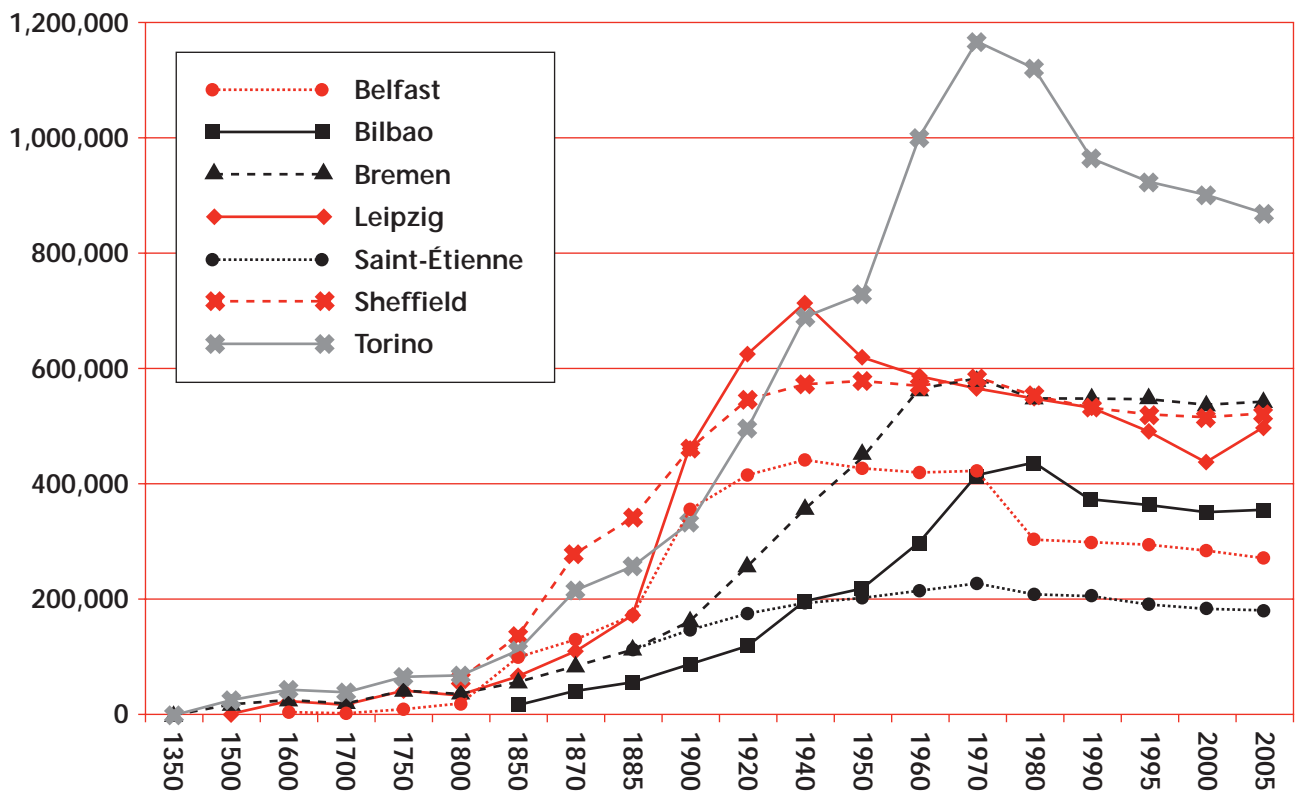


Chart 4: Unemployment rates at city and national level, 2005

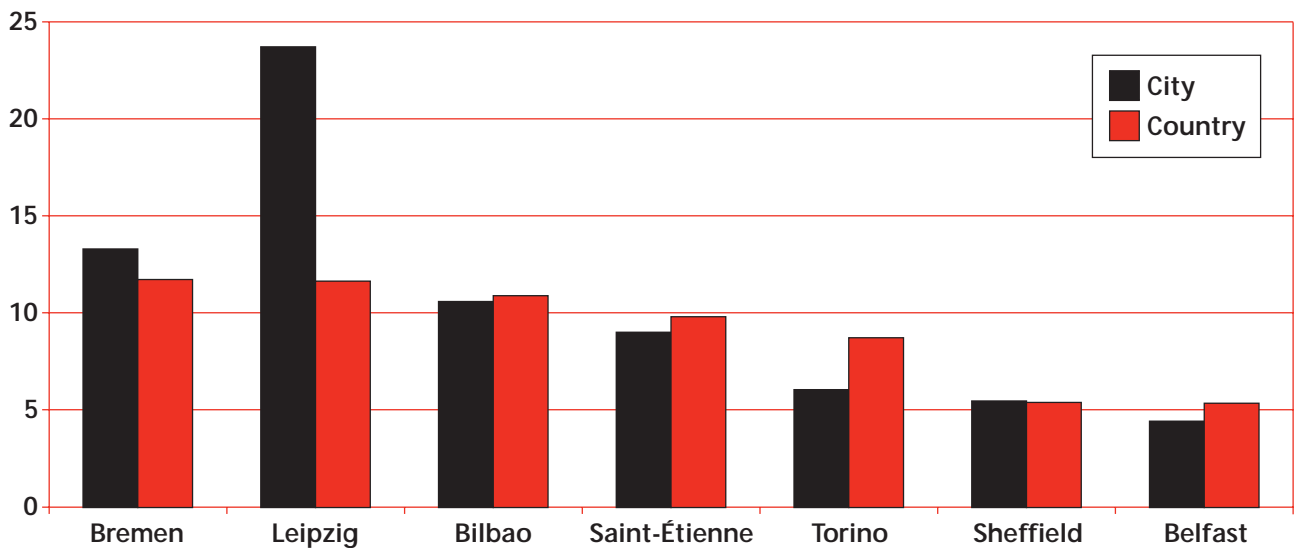


Table 2: Growth sectors

City	Jobs (Inward investment and growth sectors)
Leipzig	<ul style="list-style-type: none"> • Logistics • Car-production • Media and Publishing
Bremen	<ul style="list-style-type: none"> • Maritime and trade • Logistics • Aerospace industry
Bilbao	<ul style="list-style-type: none"> • Tourism-related services • Technology Park
Belfast	<ul style="list-style-type: none"> • Tourism • Retail • Business services (call centres)
Sheffield	<ul style="list-style-type: none"> • Advanced manufacturing and engineering • Medical technology • Construction • Business services (call centres)
Torino	<ul style="list-style-type: none"> • Restructured car industry • Industrial design • Tourism • Telecommunications (focus on wireless technology)
Saint-Étienne	<ul style="list-style-type: none"> • Medical technologies • Business services • Design • Optics • Advanced mechanical engineering

Before and after

Saint-Étienne

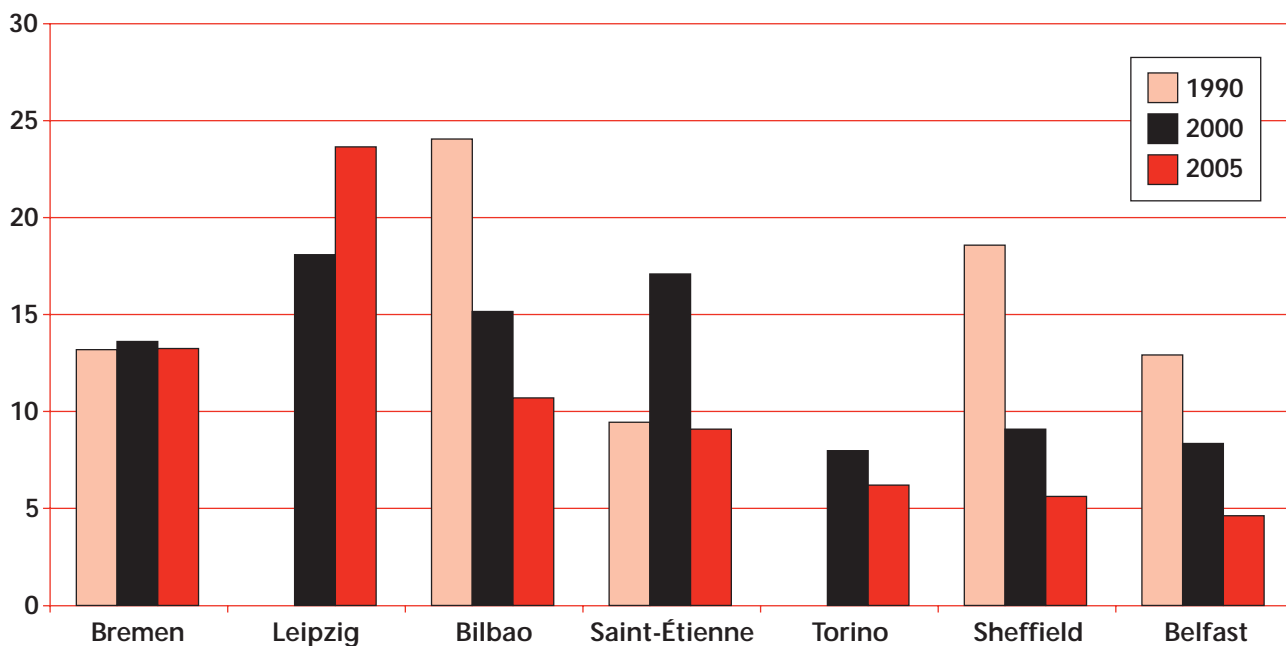


The emblematic Imperial Arms Factory, Saint-Étienne, 1894.



The new (from foreground) private apartment blocks, Design Village cluster site and Optics/Vision cluster site (computer-generated image).

Chart 5: Unemployment rates, 1990-2005



Before and after

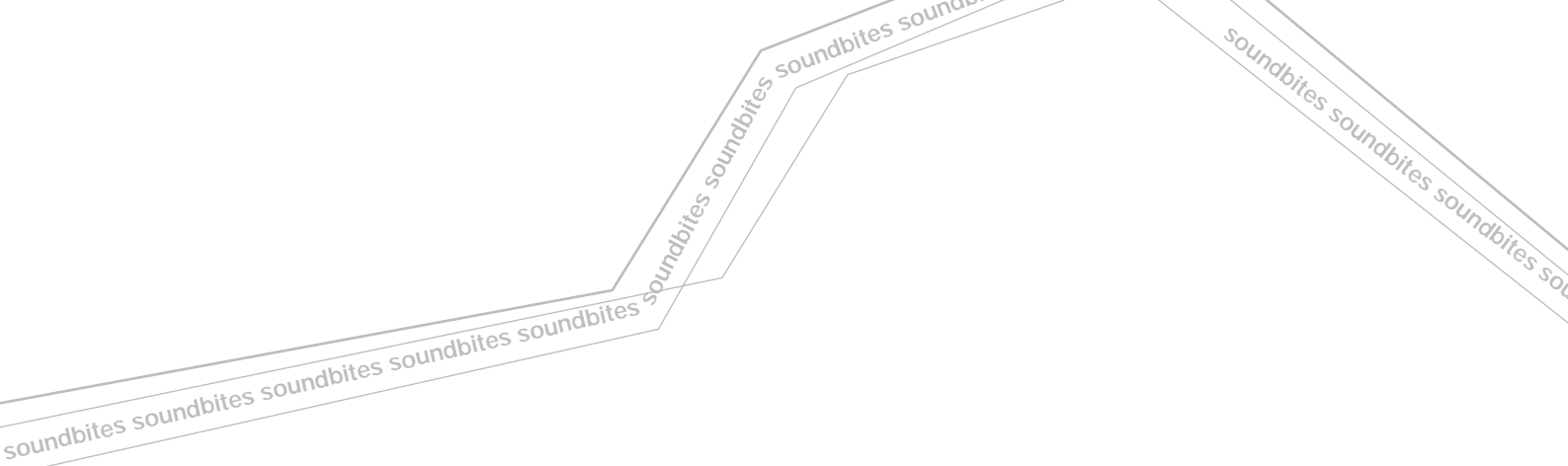
Torino



Fiat's Lingotto factory with its unique rooftop test track, Torino, 1923.



The Lingotto factory in 2000, converted to house a hotel, conference centre, concert hall, multiplex cinema, a museum showcasing art belonging to the Agnelli family, office space and a shopping mall; the rooftop test track is now used as a jogging track for hotel guests, and features a helipad.



Has democratization reduced infant mortality in Sub-Saharan Africa? Evidence from micro data

Many people, especially in the West, like to believe that democracy improves our lives. Economists and political scientists, however, find it difficult to provide convincing evidence to support this notion. The reason is that there are always two alternative explanations for an association between democracy and better lives. First, democracy may also be an outcome of better lives: as living standards improve, people may start demanding political freedom. Second, both democracy and better lives may be driven by other factors such as education: countries with a more educated population may achieve democracy and development at the same time. An observation that people have better lives under democracy than under autocracy, therefore, does not convince us of the beneficial effects of democracy on our lives.

Notice that the above two alternative explanations associate democracy with *population* characteristics. Compared to these arguments, it is less plausible to argue that the improvement of a *single individual's life* leads to democracy. Indeed, democracy is a social outcome that cannot be achieved by a single individual's effort. If we find that democracy brings a better life to each single individual, therefore, it is more difficult to argue that this finding reflects either of the two alternative stories mentioned above.

Assessing the relationship between democracy and the quality of a single individual's life is difficult, however, because an individual-level dataset usually covers people living in one country only. Democracy is a country-level characteristic. Take one country and show that its citizens lead a better life after democratization, and you cannot avoid a criticism that the country is an exception rather than the rule.

An examination of the experience of sub-Saharan Africa can shed new light on these issues. The world's poorest region experienced a wave of democratization in the 1990s. Meanwhile, surveys of women of childbearing ages (15 to 49) were conducted in 28 countries in the region during the past decade. In the surveys known as the Demographic and Health Surveys, interviewed women were asked when each of their children was born and, if applicable, when they died. These surveys, therefore, provide individual-level data on the mortality of infants born to the same mother in as many as 28 countries over time, both before and after democratization. The data allow us to observe if a mother sees her baby as less likely to die after democratization.

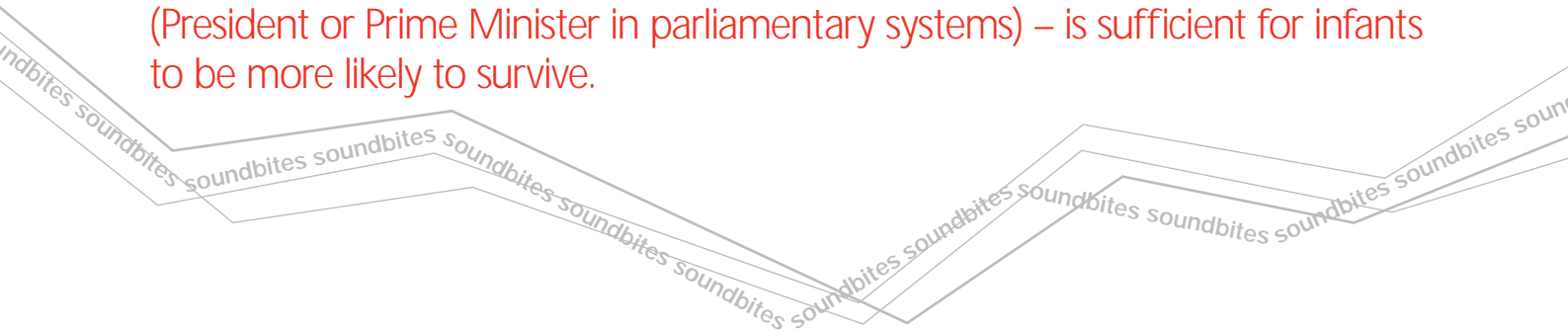
So does democracy improve the quality of African people's lives? The answer is, perhaps surprisingly to those pessimists on the future of Africa, yes. Democratization in the 1990s has reduced infant mortality by 1.8 percentage points in the region where one out of ten infants die on average. In addition, the reduction in infant mortality is larger for babies born to uneducated mothers. This means that democracy proves even more beneficial to this disadvantaged segment of the population.

But what kind of democratization has reduced infant mortality? It seems that everyone has their own definition of democracy. Just claiming that democracy is good does not advance our knowledge in a fruitful way. The evidence suggests that a minimal level of democratic features – contested elections resulting in the replacement of the chief executive of government (President or Prime Minister in parliamentary systems) – is sufficient for infants to be more likely to survive. Among the 28 countries with infant mortality data available, the following 11 countries were democratized in the above sense during the data period: Benin, Comoros, Ethiopia, Lesotho, Madagascar, Malawi, Mali, Niger, Nigeria, South Africa, Zambia (see Figure 1). As long as the government is chosen via multiparty elections and the former dictator stepped down once, infant mortality keeps falling even if press freedom is limited (Ethiopia, Zambia), if democracy is interrupted for a brief period by military coups (Lesotho, Niger), or if the former dictator comes back in office (Benin, Madagascar). It is important to note that contested elections alone do not work. In countries where the dictator introduces multiparty elections and stays in power by winning such elections, there is no change in infant mortality afterwards. On the other hand, leadership change alone does not work, either: non-democratic leadership change such as a military coup does not reduce infant mortality.

One remaining question is how democratization has improved the survival of babies. Greater prosperity does not seem to be the means by which infant mortality was reduced. There is no evidence that mothers become richer after democratization. There is evidence, however, that after democratization, access to maternal health care improves, the practice of breast-feeding expands, and access to better sanitation facilities improves. The positive impact of these three health inputs on child mortality is well-established in the public health literature. These findings suggest that democratically-elected governments have improved public health service delivery to reduce infant mortality in Africa.

While interest in the causes of African poverty has recently surged, pessimism on the quality of government in the continent is widespread. My findings indicate that we should be more optimistic. As long as contested elections continue being held after the former dictator once stepped down, policy-makers have an incentive to improve people's lives.

The evidence suggests that a minimal level of democratic features – contested elections resulting in the replacement of the chief executive of government (President or Prime Minister in parliamentary systems) – is sufficient for infants to be more likely to survive.



There is also another important policy implication. My study provides the first convincing empirical support for claims put forth by the international development assistance community, such as the World Bank: democracy is a way to achieve good governance.

However, we should not stretch our argument by going as far as claiming that this study supports the imposition of democracy to achieve human development. We still do not know what consolidates democracy. We do not know why those 11 African countries manage to keep holding multiparty elections. My findings provide a basis for further investigation into these unresolved issues.

Acknowledgements: This study would not be possible without STICERD's excellent research environment. Timothy Besley, Director of STICERD, and Maitreesh Ghatak, Director of Economic Organization and Public Policy Programme (EOPP), continually encourage me to conduct this research project. Robin Burgess and Oriana Bandiera, co-directors of EOPP, provide me with useful suggestions at various stages of this project. Fernando Aragon and Dave Donaldson, my fellow research students of EOPP, kindly read through draft papers on this study and provide useful comments.

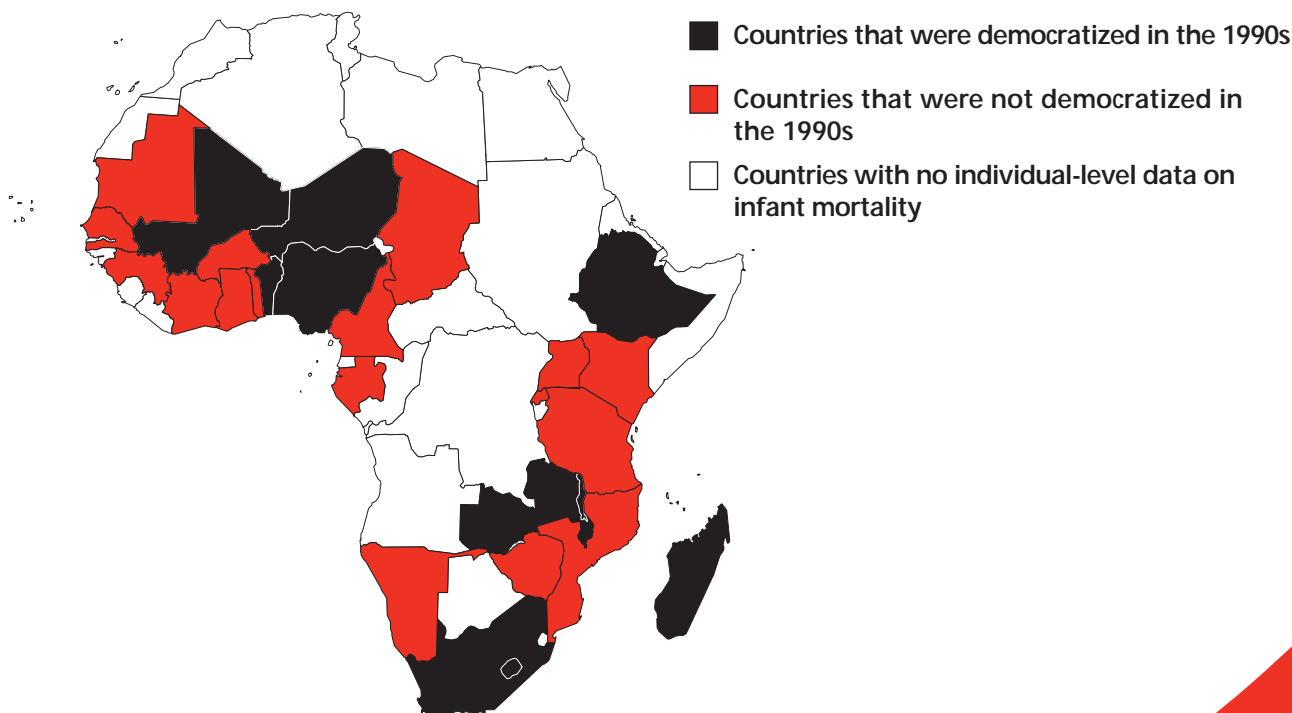
I also benefit from comments by Rocco Macchiavello at Oxford University, Torsten Persson at Stockholm University, and Jim Snyder at Massachusetts Institute of Technology, all of whom are regular visitors to STICERD. Finally, excellent computer facilities at STICERD help minimize the time spent on the data analysis of nearly 700,000 babies.

This article is based on Masayuki Kudamatsu (2006) 'Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence from Micro Data', unpublished paper. ■

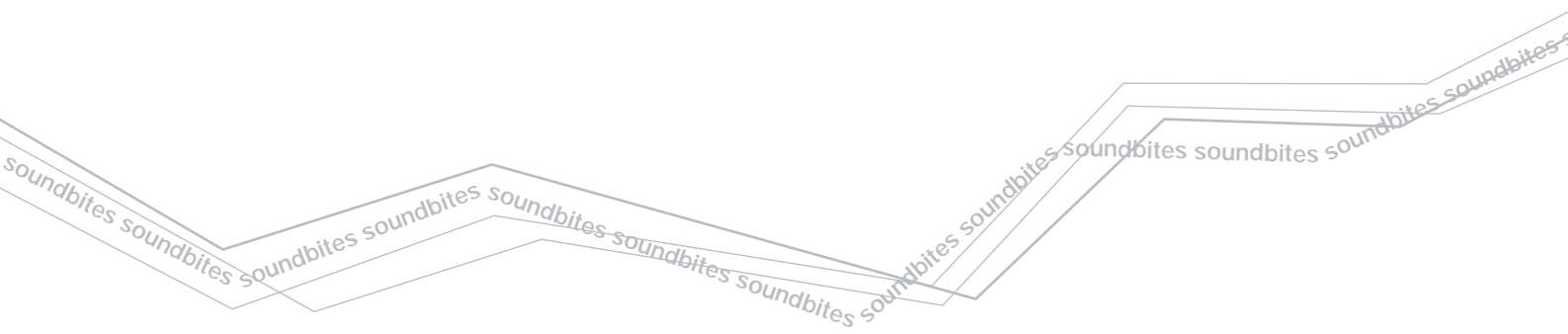


Masayuki Kudamatsu
Economic Organisation and Public Policy Programme

Figure 1: Democratization in sub-Sahara Africa in the 1990s*



*Note: In 1990, Comoros was democratized, but due to its small area size it is not visible.



Links with Japanese scholars: Japanese economic development in global perspective

STICERD owes its existence to the initiative of Professor Michio Morishima and the generosity of Japanese donors, and has continued to embrace research on Japan since its inception. In general, however, research on Japan in the UK, as well as links with Japanese scholars, have been mainly concentrated in centres of Japanese and Asian studies. For linguistic and other reasons, as well as geographical separation, it has not been easy for many scholars in disciplinary departments to develop original research projects on Japan and work with scholars there. Moreover, with the problems encountered by Japan's economy since the late 1980s, the global significance of the Japanese economy has been somewhat overshadowed by the economic rise of both China and India. These two countries have understandably been the focus of the School's Asia Strategy, in terms of both teaching and research, but there are cogent arguments that thought should be given to reintegrating Japan into this strategy. Japan remains the second largest economy in the world. It is now recovering from what has been referred to as its 'lost decade', and many of its businesses have continued to make further advances in both Europe and Asia. Toyota, one of STICERD's original donors, is set to become the world's largest car producer. The commitment there to becoming more 'international' is widely held among policymakers and academics. Promoting stronger links with Japan therefore has potential advantages to the School as a whole.

The new initiative supported by STICERD is based initially in the School's Economic History Department, but it is hoped that it may also lay the foundations for research links with Japan in other departments of the School. In many areas of study Japanese academics are making significant contributions to disciplinary work. It is not just scholars who work on Japan who benefit from such international interaction.

The School's Economic History Department comprises by far the largest group of economic historians in the UK, and one of the largest in the world. Its current faculty expertise has a wide geographical spread, and it now has four specialists on Asian development. It has also for the last seven years been developing research and teaching on global economic history. The University of Tokyo, which will be the main partner institution, at least in the first instance, has the largest concentration of economic historians in Japan. Tokyo has long been accepted as one of Japan's premier academic institutions, and has been designated a Centre of Excellence under recent government reforms to higher education. Through Tokyo links may be further developed to scholars at

other Japanese universities. For both institutions the developing relationship is both bilateral and multilateral. LSE is already the hub of an international network of economic historians spanning much of Europe, China and North America. Tokyo is anxious to tap into this network, and in particular to take advantage of strong LSE links to economic historians in the rest of Europe. Tokyo University academics are also keen to learn from the comparative/global economic history and social scientific approach that characterises the department at LSE, as the majority of them are single country specialists, mostly working on Japan. Their tradition of economic history scholarship is very different from that in the UK. For LSE, the University of Tokyo can be a bridgehead to Asia in the same way that LSE can for them be a bridge to Europe. The university has excellent links with academics in Korea, China and parts of Southeast Asia which can be of both academic and practical benefit to scholars and students of LSE. Moreover, as most economic historians at Tokyo are in the Economics Department there, greater interaction would help to strengthen links between economists and economic historians, something that has too often been neglected (by both sides).

A first bilateral conference between LSE and the University of Tokyo took place in Tokyo in December of 2006, and a second bilateral conference will be held in London in late 2007-early 2008. A much larger conference under the heading of Eurasian Trajectories, Institutions and Economic Development is planned for the summer of 2008. This conference offers an opportunity to integrate more Japanese scholars into an existing collaborative venture between scholars at LSE and in the Netherlands and China aimed at comparative analysis of the long term economic development of different parts of modern and premodern Eurasia – mainly China, Japan, India, the Ottoman Empire and Western Europe. Apart from the conferences, the STICERD funding will be used to support academic exchange by both faculty and graduate students on both sides, regarded as essential to the development of longer term collaborative research work.

Economic historians at LSE are excited by the prospects of developing this academic relationship, and feel that its potential benefits for the School as a whole could be considerable. Redirecting some of the School's attention towards Japan is perhaps somewhat overdue, and we would hope that colleagues in other departments may be interested in eventually joining the economic historians in this venture. ■



Janet Hunter
Japanese Studies Programme and Acting Director of STICERD

On the determinants of ethnic and national sentiments

National sentiments and ethnic diversity

A vast economic literature has investigated the relationship between ethnic diversity and economic development. Mauro (1995) claims ethno-linguistic diversity has a direct negative effect on the level of investment. Easterly and Levine (1997) find that a high level of ethnic fragmentation has a negative impact on economic growth. La Porta et al. (1999) show that ethnic heterogeneity contributes to the explanation of the quality of government. More recently, Montalvo and Reynal (2005) suggest that ethnic (and religious) polarization is one of the factors explaining economic development through its impact on rate of investment, proportion of government consumption over GDP and probability of civil wars.

However, there is still a very small body of literature that explores the sources of ethnic identification. Using data from the World Value Survey, a multi-country survey project that employs standardized questionnaires to investigate citizens' attitudes in a vast set of countries, Masella (2007) estimates the likelihood that an individual identifies himself in national terms rather than in ethnic terms. Contrary to conventional wisdom, there is no evidence of lower intensity of national sentiments in more ethnically fragmented countries or in minority groups. In contrast, national feelings in a minority are higher or lower than in a majority depending on the ethnic diversity of a country. On the one hand, in countries less polarized, minorities have higher national sentiments than majorities; on the other hand, in countries more polarized, the reverse is true.

National sentiments and language policies

In ethnically diverse countries, politicians and political scientists have focused on very different policies as mechanisms of minority integration and conflict reduction (see Horowitz (1985) for a review of the topic). Nation building policies (like the implementation of a unique national language across the whole of the State) as well as multicultural policies that explicitly recognize cultural differences (regional autonomy, devolution of powers, the use of multiple languages at school and in other contexts) have been often proposed as sources of conflict management.

Aspachs, Clots -Figueras, Costa-i-Font and Masella (2007) look at the linguistic reform that took place in Catalonia in 1983 (Llei 7/1983, de Normalització Lingüística a Catalunya). The education system became Catalan based (art. 6); however, the new law did not imply alumni separation for language reasons (art. 7) and (art. 8) – at least two subjects per year must be taught in Spanish. Using survey data from 'Centro de Investigaciones Sociológicas', we try to understand if such reform changed the feelings of individual residents in Catalonia and, especially, if it changed the likelihood that an individual identifies himself in Catalan terms rather than in Spanish terms. We find that individuals who received Catalan-intensive instruction have significantly more intense Catalan feelings.

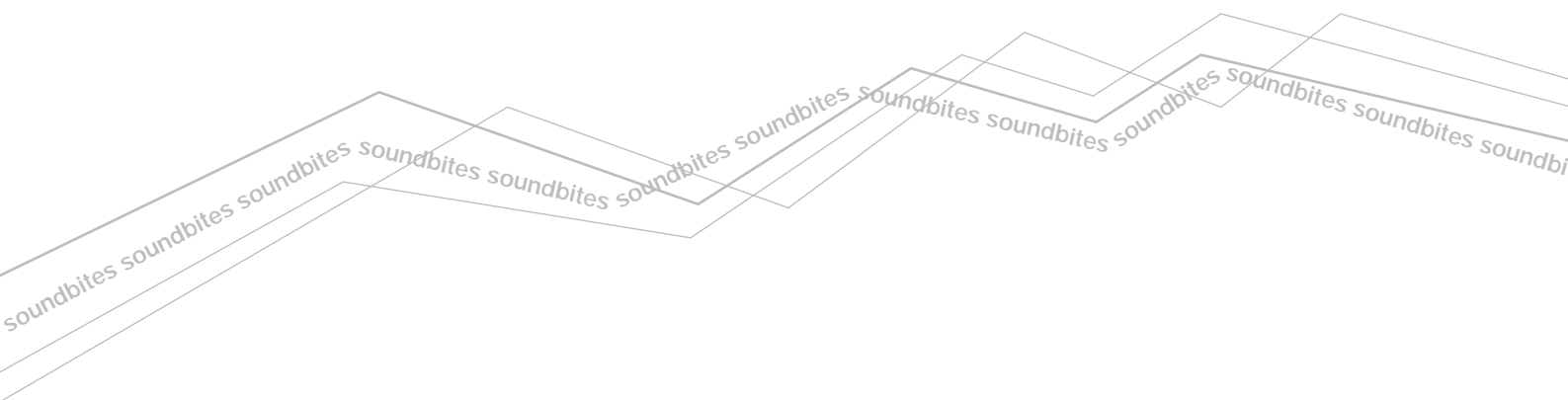
Two natural extensions of the project are currently the focus of our attention:

- 1 We are trying to analyze if the linguistic reform has had a differential impact depending on the origin of the interviewed and on the origin of parents of the interviewed.
- 2 We would like to understand if the reform not only affected feelings (preferences), but also if it affected voting behaviour and social cooperation (actions) through its effect on individual identity. ■

[See Appendices on page 20 for references]



Paolo Masella
Economic Organisation and Public Policy Programme



The Equalities Review

62 per cent of Black Caribbean boys achieve the expected level at Key Stage 2 maths, compared to an average of 75 per cent of all pupils. Domestic violence accounts for 16 per cent of all violent crime, and on average there will have been 35 assaults before a victim of domestic violence reports it to the police. These and similarly worrying statistics from the final report of the Equalities Review (2007) are some of the reasons why there is a continuing need for action to tackle inequality in Britain. From October, the three existing commissions – for gender, ‘race’ and disability equality – will be combined into a single Commission for Equality and Human Rights (CEHR), which will also take on responsibilities for equality by age, sexual orientation, transgender status, and religion and belief. It will also have a central role in overseeing protection and promotion of human rights in Britain. The CEHR, like its predecessor bodies, will be publicly funded but independent of government, and it will have some statutory powers.

The advantages and disadvantages of creating a single body have been debated. Those in favour see it as an opportunity to give equality as a whole a stronger voice in public debate and government thinking, as well as facilitating examination of cross-cutting inequalities and bringing in previously neglected aspects. Critics are suspicious that the amalgamation is just a cost-cutting exercise and point to the possible dilution of focus it will bring. The issues confronting people with learning difficulties in Britain today are clearly not the same as those preventing Bangladeshi women from entering the labour market: can a single organisation effectively tackle both?

The Equalities Review, chaired by Trevor Phillips, was a time-limited committee appointed by the government to smooth the transition to the CEHR. One of its tasks was to recommend a framework for monitoring equality across the board, and it commissioned CASE to assist in the development of this framework.

The framework we recommended, and which was subsequently adopted by the Equalities Review, was based on the capability approach (Burchardt and Vizard, 2007; Vizard and Burchardt, 2007). This seemed to us – and to those we consulted – to offer a number of advantages. It focuses on ends rather than means, recognises diversity in individuals’ needs and goals, and incorporates the idea of positive (substantive) freedom, rather than being limited either to a single dimension (like income or happiness), or to narrower interpretations of opportunity.

One difficult issue for operationalising the capability approach is which capabilities, of the almost infinite range of possibilities, should be the focus of evaluation. Building on Polly Vizard’s work (2006), we derived a core list from the international human rights framework – principally the covenants on civil and political rights and on economic, social and cultural rights, which together codify the Universal Declaration. This list was then subjected to scrutiny by human rights and capability approach experts, and was supplemented and refined by a deliberative consultation exercise with the general public.

The list which emerged has ten principal domains – listed in the box on the right-hand side of Figure 1 – with a large number of sub-headings under each. Inequality in the substantive freedom to achieve good outcomes in these domains should, we argue, be the focus of the future CEHR’s monitoring. Monitoring is only the beginning however; one also needs to examine the causes of inequality and the kinds of intervention which may be effective in addressing it. To this end, Figure 1 also shows some of the principal influences on people’s entitlements and their ability to convert these entitlements into valuable outcomes: the social, economic and legal context, the level and distribution of public and private resources, and the individual’s characteristics. Policy interventions can be targeted at the context and resources; they either cannot or should not attempt to change individual characteristics, at least not directly.

Our intention is that this framework is sufficiently general and flexible that it can help to illuminate the barriers faced by all the different groups and kinds of inequality with which the CEHR will be concerned. Indeed it is an advantage of thinking about different kinds of inequality within the same framework that connections between them become more apparent. It also demonstrates the way in which we believe the human rights and equality parts of the CEHR’s brief can be complementary, with the human rights framework providing the capability approach with specific content and legitimacy, while the capability interpretation of equality ensures that human rights are understood in their full, positive, sense of promoting substantive freedom, rather than purely as guarantees of non-interference.

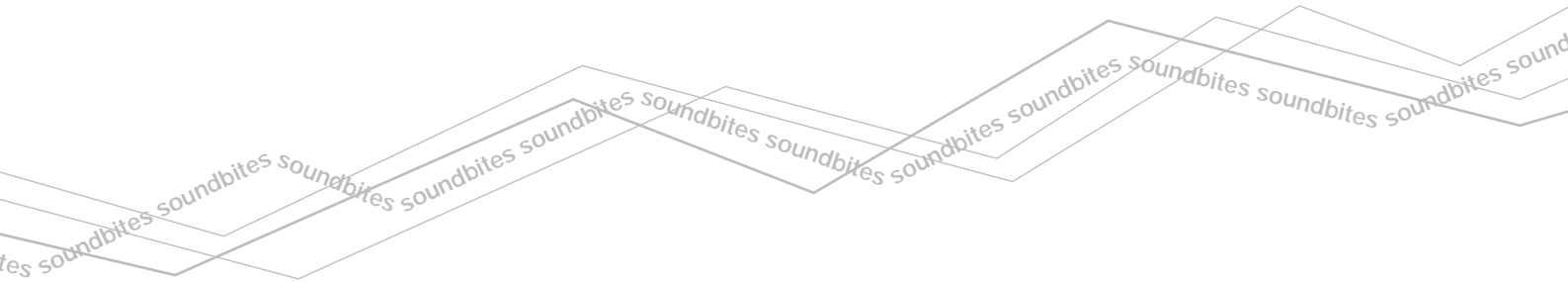
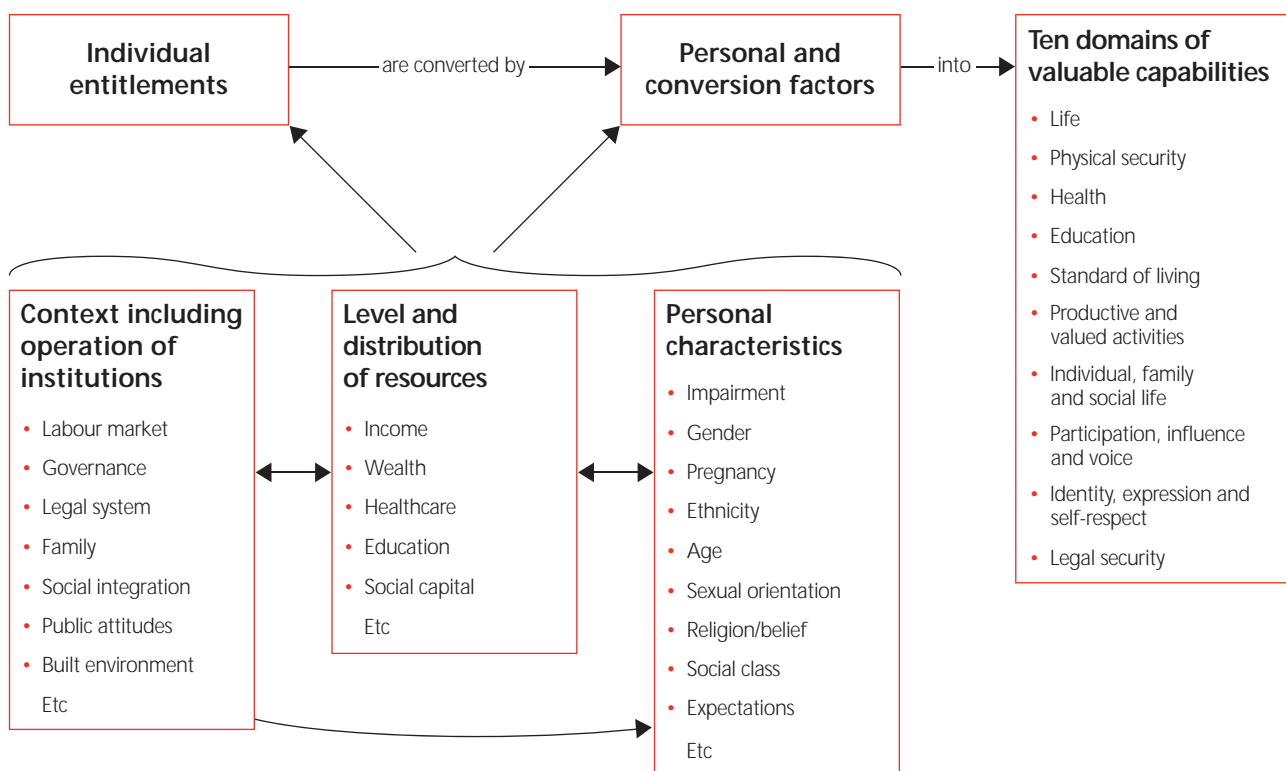


Figure 1: Capability measurement framework



Of course, how it works in reality is another matter. As academics who have been working on the *theory* of capability and equality for some time, it has been both fascinating and challenging working with the Equalities Review to attempt to translate these ideas into policy. Much more now needs to be done to take the further step of translating policy into practice. ■

[See Appendices on page 20 for references]



Tania Burchardt
CASE

Appendices

Industrial collapse and its aftermath: seven European cities in the recovery ward

¹We chose two German cities in order to have one reflecting the post-communist transition to the West European market model, and two UK cities in order to reflect the distinctiveness of the devolved parts of the UK.

²In most cases it is the better-off who are the first to leave.

³Since the 17th century, Saint-Étienne has been famed as the centre of arms production in France. Its optics industry has grown from local expertise in manufacturing sights for rifles.

On the determinants of ethnic and national sentiments

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