

**The Effect of Workforce Integration on Economic Development in Regions with  
Ethnic Conflict**

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## **I. Introduction**

“Businessmen who hired blacks into traditionally white positions almost always denied any moral motivation and said that it was just ‘good business.’ An advertising executive from BBD&O was typical in explaining his decision to hire African American ad man Clarence Holte in 1952: ‘I’m not a crusader. This is a cold calculated move on my part for the dollar sign only. I was not pushed. I was not shoved. I was only moved by the dollar sign.’” (Jennifer A. Delton, 2009).

The idea that integration can lead to economic growth is not a new one. Economic integration of former enemies leading to economic cooperation and growth was one of the founding principles of the precursor to the European Union. Trade leads to economic growth and decreases the likelihood of violence between trading partners. This is because economic interdependence makes violence too costly and provides an incentive for peacekeeping.

Economic interdependence can benefit regions with inter-ethnic conflict. This paper explores the question of whether businesses can play a role in reducing inter-ethnic conflict by encouraging cooperation through workforce integration. Workforce integration creates economic interdependence and provides incentives for those in inter-ethnic conflicts to find solutions.

I will be discussing whether inter-ethnic cooperation is possible and the theories of how it can be sustained. Workforce integration is an effective tool to increase cooperation and improve economic growth. By encouraging workforce integration, businesses can take a role in decreasing ethnic conflict. There are also economic incentives for businesses to do so which led several American businesses to integrate workforces before the Civil Rights Act of 1964 required them to do so.

The economic model applied is the gains from trade model which shows why there are economic incentives for businesses to integrate. Integrated workforces increase the amount of

inter-ethnic interactions which can lead to economic growth because different ethnicities have different professional comparative advantages. The theory is tested using social integration and income data from the 1960s in the United States. This research shows that increased inter-ethnic interactions can lead to economic growth. These conclusions can be interpreted to show that businesses can have a role in reducing inter-ethnic conflict by encouraging workforce integration.

## **II. Literature Review**

### **Is Inter-Ethnic Cooperation Possible?**

The general perception is that violent interactions are more common than peaceful interactions in areas with ethnic diversity (JD Fearon and DD Laitin, 1996). This is partly because studies of ethnic diversity focus on areas with ethnic conflict and exclude areas with peaceful inter-ethnic interactions, creating selection bias in the results. For example, in the former Soviet Union, only three out of thirty countries have experienced ethnic violence. Reducing interethnic violence requires building trust between the individuals of different ethnic groups in everyday interactions that have potential for opportunism (JD Fearon and DD Laitin, 1996).

### **How Inter-Ethnic Cooperation is Sustained**

There are a variety of opinions pertaining to how cooperation is sustained in areas with ethnic diversity. Fearon and Laitin's research shows that the expectation of future interactions can lead to systems that maintain cooperative behavior in current interactions. B. Arfi and Andrea Campbell et al's work focuses on how interactions create a feedback loop that encourages repetition of similar behavior. Campbell et al then introduces the contact hypothesis

which shows that increased contact between ethnic groups can have an effect on violence reduction. Civic engagement helps to form ties between ethnicities and makes it easier for communities to avoid violence, according to the research of Ashutosh Varshney. S. Jha builds on this to show that complementary economic activities between ethnicities, versus competition, help to decrease conflict. Rukmani Gounder's work shows that good political institutions have a role in sustaining cooperation, though B.D. Shoup and others believe it is possible that counter-balance in a political system will also sustain cooperation. E. Miguel focuses on the importance of creating a national identity in lieu of emphasizing ethnic identities to show commonalities between ethnic groups. Economic incentives can be used to encourage cooperation as B. Penh's research proves.

Using a Prisoner's Dilemma game, Fearon and Laitin show that the expectation of future interactions decreases the impulse for opportunism and leads to a foundation of cooperation and trust. Defection is generally more likely in interethnic interactions than in in-group interactions. This is because networks within ethnic groups tend to be very extensive so the cost of obtaining information about the other person is low and group punishment of individual bad behavior can occur. When interacting with members of the other group, it is more costly to obtain information about them and group punishment cannot be relied upon to prevent bad behavior (JD Fearon and DD Laitin, 1996). Fearon and Laitin identify two systems that have developed to prevent defections in interethnic interactions. First, the spiral regime relies on the threat of escalation and the breakdown of intergroup relations to prevent individual defections. The second system, the in-group policing regime, leads members of each group to continue to cooperate. Threat of punishment by a person's own group prevents him from defecting. Both of these systems encourage trust because defection is punished.

B. Arfi's work (2000) agrees with Fearon and Laitin's. He furthers their research to show that interactions create feedback loops which encourage similar behavior in future interactions and how interactions can be influenced to lead to the more peaceful feedback loops and outcomes. Spontaneous collective inter-ethnic cooperation can emerge because of feedback from random events that cause them to reinforce themselves. The more individuals choose violence, the more likely it will create a feedback loop and violence will continue to occur. The opposite is true as well; as more individuals choose to cooperate, more overall cooperation will occur. Because of the structure of incentives that shape individual choice and the sheer number of inter-ethnic interactions, it is impossible for a central body to eliminate the possibility of violence (or peace) erupting (ibid). However, by increasing the cost of violent interaction, third parties can encourage peace. For example, NATO's campaign against Serbia increased the costs associated with violence thereby encouraging individual actors to prefer peaceful interactions.

Studies in Northern Ireland support the research on the effect of feedback loops (Andrea Campbell et al., 2010). Campbell et al. found that desegregated communities will continue to prefer inter-ethnic mixing even when residents experienced intimidation and violence. The high costs associated with continued violence (i.e. relocation, risk of arrest) prevented a single violent event from spurring a violent feedback loop.

Campbell et al.'s research suggests that there is an association between contact between ethnic groups and positive out-group attitudes. The contact hypothesis states that conflict reduction may be achieved by creating contact between the two parties (F Konfliktforschung). Prejudices and animosities can be reduced and confidence built through positive experience with members of the other ethnic group. Rebuilding of infrastructure, economic development and

agriculture restoration can all be used to encourage contact and collaboration as well as rebuild the economy.

Ashutosh Varshney's work in India found that associational civic engagement (i.e. business associations, professional organizations and clubs) as well as quotidian civic engagement (i.e. children playing together and joint participation in festivals) work together to promote peace in areas with ethnic diversity (2002). Cities that experience less civic engagement and fewer interactions between ethnicities are more prone to violence. Eight cities account for 49% of all urban deaths in Hindu-Muslim violence but account for only eighteen percent of all urban population (ibid). Daily interactions work to build trust between ethnicities and prevent fractionalization and violence. Varshney shows that routine engagement makes it easier for temporary peace committees to be formed in times of tension. The committee, consisting of people of both ethnicities, polices neighborhoods, kills rumors and facilitates communication. This reduces the likelihood of violence.

It is commonly believed that increased inter-ethnic economic competition leads to an increase in ethnic conflict. This can be avoided if different ethnic groups provide complementary goods and services instead of substitutes that force competition (S Jha). Associational civic engagement is increased by creating business ties between the two ethnicities. In medieval India, Muslims developed trade networks through travel necessitated by a religious pilgrimage to Mecca. These networks were used by Hindus to increase trade and led to economic growth for both Hindus and Muslims and encouraged interethnic cooperation. Cities with a history of medieval cooperation are found to have a twenty to thirty percent reduction in violence today compared to other similar cities (S Jha).

Rukmani Gounder's research in Fiji finds that ethnic diversity doesn't hinder growth when there are good governmental institutions. However, Gounder shows that when one group dominates the government, race becomes the determining factor for the allocation of economic resources (2005). B.D. Shoup finds that this will be mitigated if the non-dominating group is more powerful economically, creating a counterbalance between political and economic domination (2007). Counterbalance alone will not always be powerful enough to maintain interethnic peace, as seen in Zimbabwe. Robert Mugabe's political party enflamed the black community's fears of the economically powerful white farmers. This led to the expropriation of white-owned farms and a breakdown of peaceful relations. After such an event occurs, the economically powerful group is unlikely to trust the politically powerful group again and peaceful equality is difficult to return to once it is lost. This also takes away any incentive the economically powerful group has to invest and may encourage them to leave the country which would be detrimental to the national economy. The most likely scenario for peace to be maintained in a counterbalanced state is when the moderates control the government and affirmative action organizations help decrease the economic imbalance (ibid).

Political institutions are instrumental in mitigating ethnic conflict in societies with high levels of interethnic suspicion, competition and rivalry. When the Calabar and Warri regions in Nigeria were compared, it was concluded that interethnic violent outbreaks did not occur in Calabar because inequalities are not based on ethnicity there and did not preclude the evolution of inclusive political institutions and social capital (Ukoha Ukiwo, 2009). Political inequalities are not reinforced by socioeconomic inequalities which gives little incentive to embark on violent group mobilization. In Warri, violence persists because minority groups feel marginalized in both political and socioeconomic realms. Complete exclusion leads to violence



because it creates an environment where disenchanted elites can easily mobilize alienated masses (ibid).

Research conducted in Busia, Kenya and Meatu, Tanzania show how nation-building reforms can bridge ethnic divisions (E Miguel, 2004). Independence leaders in Tanzania downplayed ethnic affiliation in public life and emphasized national identity. This was evident in public school curriculums which focused on national identity rather than regional or ethnic identity. Miguel has found that the much greater inter-ethnic cooperation seen in Meatu than in Busia is likely a result of the greater focus on nation-building in Tanzania. Though there are some fears that nationalistic identities might accelerate the loss of indigenous culture and lead to a backlash, this has not been the case in Tanzania.

Economic incentives and opportunities can provide legitimate means of improved well-being so that local populations will not want or need to support a return to conflict. Increased commerce and economic opportunities change the dynamics between groups in conflict so that the context is no longer a zero-sum game (B Penh, 2009). Commerce across cleavages leads to economic interdependency and a disincentive for conflict. Entrepreneurship is abundant in post-conflict areas but productive business (rather than destructive business) needs to be encouraged to avoid reigniting conflict.

### **Examples of Workforce Integration Decreasing Conflict and Improving Economic Growth**

Workforce integration is a powerful tool in decreasing conflict and improving economic growth. Diversity can have positive economic effects for businesses as research in New York and Los Angeles has shown. Many different organizations work to promote cooperation by using inter-ethnic workforces to rebuild post-conflict societies.

Diversity can have many positive economic effects. As Alberto Alesina and Eliana La Ferrara note (2005), New York City and Los Angeles are constantly innovating in art and business. Their work found that racial diversity has a positive effect on creativity and task completion. Certain ethnic groups can be used as links to other nations and facilitate trade, though institutions may need to be reformed to channel diversity toward productive uses. As business changes economic incentives, ethnic differences become less divisive.

The World Bank, USAID and the European Union all promote coexistence by taking active roles in encouraging inter-ethnic workforces (A Afzali and L Colleton). In Rwanda, the Health and Water Sanitation Project fixed and installed new water systems and housing developments using interethnic workforces after the genocide had ended. These workforces had a positive impact on the relations between members of both ethnic groups. Members of these workforces have said that they are committed to continue working together. Rebuilding infrastructure creates new jobs and can generate trust in reformed government institutions. Economic security can reduce tension and provide a disincentive for engaging in conflict because it would impede further economic growth. In Israel, the Center for Jewish and Arab Economic Development provides business training and management skills and creates investment and networking opportunities to facilitate joint ventures between Jewish and Arab businessmen. The center's work encourages economic cooperation by building trust between ethnicities to promote economic development and decrease the incentive for conflict.

The Enterprise Africa! Project assists indigenous entrepreneurs to alleviate poverty and social conflict through market ventures. Individuals are working around inefficient government institutions to realize the gains of commerce (PJ Boettke, 2007). Commercial developments in Rwanda are bringing people of both ethnicities together to heal deep wounds and reconcile

conflicting parties. A common theme in recent studies in Africa shows that entrepreneurial initiatives can alleviate poverty and ease social conflict (PJ Boettke, 2007). The market economy can also work as a civilizing force in society.

It is important to keep in mind that political context has a significant effect on whether ethnic diversity affects economic growth. The interaction of low levels of political rights and ethnic diversity is significant in reducing growth (P Collier, 2000). In democracies, the extent of ethnic diversity has not been found to systematically decrease growth rates. Collier's work found that the failure rate of projects in diverse societies is 26% in a democracy but 44% in societies with less political freedom.

### **Why and How Businesses Have Taken on Roles in Decreasing Conflict**

Multinational corporations often find that it is within their best interest to take an active role in decreasing conflict (Timothy L. Fort and Cindy A. Schipani, 2007). As Fort and Schipani show, multinational corporations can create incentives for two countries to find peaceful solutions. They created the Peace Through Commerce movement to encourage businesses to take a role in reducing conflict. Haufler shows that corporate responsibility standards are one of the tools being utilized to decrease conflict. Divestment activists influence businesses to consider how their actions in conflict regions impact the outcome.

There are many reasons why multinational corporations (MNCs) would choose to take an active role in conflict reduction. MNCs are negatively affected by violent conflict and have incentives to respond. Governments cannot always be relied upon as a credible force for peace because it may be in their best interest to overtly or covertly fuel the conflict (KA Getz and J Oetzel, 2009). Many MNCs cannot leave a country when problems arise because they are in extractive industries or it is too costly. Increases in insurance and security are expensive which

create an incentive for MNCs to engage in conflict-reduction activities. These activities can help reduce employee turnover rates, help avoid loss of assets or interruption of cash flows, reduce risk insurance premiums and improve relations with the community and government. They can also help a company avoid high-profile critiques and strengthen its legitimacy. Engagement in conflict-reduction activities helps MNCs develop competency in managing risk which is a rare and costly-to-imitate resource. These incentives for peace combined with the power MNCs have through their workforce, international connections and economic strength can lead MNCs to become a force for peace where the government cannot or will not do so.

Most businesses, such as the transportation and telecommunication industries, thrive on stability (Timothy L. Fort and Cindy A. Schipani, 2007). The Dell Theory, created by Thomas Friedman, states that if two nations are both in a company's supply chain, they will not go to war with each other because it is more economically valuable to resolve the conflict than to risk the company's pullout. MNCs can employ those who are in conflict to provide a common goal. Fort and Schipani, the creators of the Peace Through Commerce (PTC) movement, say the best ways a company can contribute to a more peaceful society are by fostering economic development (which is inherent), adopting the principles of external evaluation, nourishing community, and encouraging two-track diplomacy. Simply by entering a region, the MNC brings in technological know-how which provides the foundation for additional economic development.

The PTC movement has sparked a new way of looking at business operations in the developing world. An Irish company called Futureways purposely employs a 50-50 ratio of Protestant and Catholic employees to encourage them to work together in an ethical manner. The World Bank has incorporated PTC into its Business, Competitiveness and Development

programs. Successful PTC policies must be grounded in the particular conditions of each conflict-sensitive zone (J Forrer, 2009).

Globalization's negative impact on government capacity increases the role that MNCs can play in working with governments and NGOs to foster peace. MNCs have real economic and political power through resources they control and people they employ (CP Koerber, 2009). Corporate responsibility standards play an important role in helping firms operate in ways that support conditions for peace. There are approximately 300 corporate responsibility standards internationally that go beyond existing legal conditions to fill the gaps between a corporation's home country, host country and international laws and norms. Adoption of these standards means additional costs for consultants, fees paid to the standard-setting organization, third party assurances and employee training. However MNCs choose to adopt them for many reasons including preempting government regulation, garnering public recognition and improving employee commitment and motivation. MNCs are able to build relationships that transcend social, political and geographic boundaries and can act as a mediator in a conflict setting to exchange information and diffuse tension (CP Koerber, 2009).

Most standards directly related to peace are applied in the extractive industries because they have had the most conflict-prone pasts. The Kimberley Process Certification Scheme (KPCS) was created to reduce the negative impact of diamond extraction. KPCS took only three years to negotiate and has been associated with a perceived decrease in violence (V. Haufler, 2009). KPCS is broad-based and includes all major industry players so it can have an impact on illegal trade. It combines industry certification and public sector export and import controls. This strengthens the legitimate diamond market in ways that provide incentives for major players to

participate. The negative reputation of blood diamonds led the international public to push corporations to transform their behavior.

Divestment activists can have an important role in motivating a corporation to consider how its actions affect conflict (M Westermann-Behaylo, 2009). After apartheid was made official in South Africa, MNCs continued their activities as usual. By 1977, increases in violence and protests led MNCs to realize they could not conform to apartheid segregation without considering the ethical implications. Reverend Leon Sullivan created the Sullivan Principles, a code of six principles that required companies to violate apartheid laws related to employment conditions. By 1978, over 100 MNCs were signatories. Their presence was beneficial and helped to bring peaceful change. The eventual divestment in South Africa may have had more to do with the specific nature of the conflict than the idea that businesses should not remain in a nation and take an active role in peace-building (M Westermann-Behaylo, 2009). The Sudan Divestment Task Force recommends engaging with companies to change their operations so that they may help resolve the conflict or benefit marginalized people before resorting to divestment. Divestment is a last option to achieve change through more ethical business behavior.

Marketing peace as profitable to the private sector is a challenge that policymakers face (A Rettberg, 2010). The public good quality of peace hampers private sector involvement, though there have been successful initiatives to increase private sector involvement in peace-building all over the world. There is still much research that needs to be done on this subject. Once a company is involved, it is important to find a way to keep them involved and avoid desertion.

## **Why American Companies Chose to Integrate Prior to Enactment of the Civil Rights Act**

Before the Civil Rights Act of 1964, some companies hired black employees into stereotypical white positions because of labor shortages, pressure from civil rights organizations, moral or religious issues, or state and city fair employment laws, among other reasons (Jennifer A. Delton, 2009). These companies emphasized that fair business is good business. Workforce integration could indeed be profitable by expanding a company's consumer and labor markets. However it required elaborate planning and was costly to implement and overcome employee and white consumer resistance. World War II gave black employees access to wartime jobs which led to a black consumer market of \$8-\$10 billion. To reap the benefits of this new market, companies needed to hire black employees. In 1949, Joseph J. Morrow, the personnel director of Pitney-Bowes Inc said that if the earning power of the 6.5 million black employees increased, their consuming power would rise from \$10 billion to \$16 billion per year (ibid). As long as black people were denied access to jobs, they would be an economic burden on communities and states. The social costs of discrimination would in the long run lessen a company's profit.

Because national companies did not want to be associated with racism in the south, businessmen in charge of recruiting new industry to the south became the reluctant advocates of a peaceful transition to desegregation (James C. Cobb, 1993). In 1958, when the governor of Arkansas closed the Little Rock schools to avoid desegregation, industrial recruiters found they no longer could entice companies to move to Little Rock even though cheap labor was available and tax concessions were offered. Across the state, new industrial investment created 1400 fewer jobs in 1958 than it did the previous year (ibid). In 1957, eight plants had come to Little Rock (ibid). It took four years after the governor's decision before a single new industry entered the

market. Areas in the south with the most development-oriented leadership were the most opposed to segregation.

### **III. Economic Model**

The Gains from Trade economic model states that as trade increases between two countries, it will lead to economic growth for both countries. Nations will develop a specialty in producing certain products that have the lowest opportunity cost, developing a comparative advantage in this item. With trade, each nation can put more of its resources into developing this good and purchase other goods from nations that have developed a similar comparative advantage in producing those other goods. Because all nations are producing what they have a comparative advantage in and not wasting resources producing other goods, it leads to an increase in total output and economic growth in each nation.

The traditional example is the tradeoff between guns and butter as in Figure One. Neither nation has the resources to produce all the guns and all the butter that it would like. However, one nation may have a lower opportunity cost of producing guns and the other has a lower opportunity cost of producing butter. If each nation focuses only on producing the good in which they have a comparative advantage, total output will increase. As Figure Two shows, nations produce what they have a comparative advantage in and trade their products. This results an increase in supply for both nations. Increased economic interaction between the nations leads to economic growth for all countries involved.

I chose to apply this model to developing regions with ethnic conflict. These are the regions where there are limited inter-ethnic associations so the separation between the ethnicities has allowed them to develop unique comparative advantages in different sectors of the economy.



Increased economic interdependency could lead to greater economic growth because each ethnicity focuses on those products in which they have a comparative advantage. As shown through Jha's research, this leads to lower levels of violence between ethnicities.

The resulting benefits from an increase in inter-ethnic cooperation through workforce integration also apply where production is focused more on services than on goods. Different ethnicities develop different cultures, attitudes and ways of thinking. These different attitudes result in different specialties and abilities which lead to a comparative advantage in different ways of completing tasks or doing business. In this case, the trade that occurs is more of an intellectual trade but still capable of leading to economic growth. As Alberto Alesina and Eliana La Ferrara show, ethnic minorities also provide a link to businesses in other nations, creating a bigger market for a firm's products thereby increasing demand which leads to an increase in output.

Figure Three shows the ideal outcome of increased inter-ethnic interactions through workforce integration on the rate of economic growth. As integration increases, economic growth will proceed at a faster rate. This is because of the gains from intellectual trade between the ethnicities that occurs.

Therefore, if the amount of inter-ethnic business interactions in areas with ethnic conflict increases, no matter the level of economic development, it will lead to economic growth. In this hypothesis, the dependent variable is economic growth and the independent variable is the amount of inter-ethnic business interactions in a region.

#### **IV. Empirical Strategy**

The ideal data to measure the effect of inter-ethnic integration on economic growth would be workforce integration and profit data by firm. This would allow the comparison of firm growth rates by their level of integration to see if more highly integrated firms had higher profit growth rates. However data of this sort from the 1960s is not available. To approximate this data, I used data from the U.S. Census Bureau County and City Data Book. This provided information on the racial breakdown of cities and states in the 1960s as well as economic data. Though I could not find data on workforce integration by firm, I used the census data to create a Duncan Dissimilarity Index to show the level of integration in communities, because it is probable that more integrated communities had more integrated workforces. I then chose several control variables to decrease omitted variable bias in my findings. The data I used is described in the Tables section.

I used the Ordinary Least Squares regression model to show the relationship between the percent change in median family income and the Duncan Dissimilarity Index. I looked at the percent change in median family income from 1959 to 1969, as this period was the peak of the civil rights movement in the United States. The regression equation is as follows:

$$\begin{aligned} (\text{percent change in median family income from 1959 to 1969}) = & \beta_1(\text{Duncan dissimilarity Index}) + \\ & \beta_2(\text{percent of people 25 years or older with high school education}) + \beta_3(\text{percent employed in} \\ & \text{professional/managerial services 1970}) + \beta_4(\text{median age in 1970}) + \beta_5(\text{states}) \end{aligned}$$

When controlling for the education level, percent of people employed in professional or managerial services, the median age of the population and differences by state, this model shows the effect of diversity as measured by the Duncan Dissimilarity Index on the percent growth of

median family income. The larger the value of the Duncan Dissimilarity Index, the less integrated the city in question is compared with the larger population which in this case is the state where the city is located. If the coefficient on the index is negative, it shows that as diversity increases, percent change in median family income also rises. The Duncan Dissimilarity Index was calculated as follows:

$$\frac{1}{2} \times \left| \sum \frac{bi}{B} - \frac{wi}{W} \right|$$

Where  $bi$  represents the percentage of the population that is black in a given city,  $B$  represents the percentage of the population of the state that is black,  $wi$  represents the percentage of the population that is white in a given city and  $W$  represents the percentage of the population of the state that is white.

When the data was regressed, I found that the coefficient on the Duncan Dissimilarity Index was -2.816. Because lower values of the Duncan Dissimilarity Index show higher integration, a negative coefficient on the index was the ideal result. The absolute value of the t statistic was 3.66, showing that these results are statistically significant. The R-squared was 0.388, which is about what is expected for experimental data. The negative coefficient on the Duncan Dissimilarity Index shows that as the level of integration increases, the growth rate of median family income improves.

The scatterplot of the data in Figure 5 shows an interesting picture. It appears that most cities saw between 40 to 60% growth in median family income in this period, no matter the level of integration. However beyond 60% growth, more cities have low scores on the Duncan

Dissimilarity Index. This shows that high levels of integration should be expected at the highest levels of growth.

#### **IV. Conclusion**

As shown in this paper, businesses can play a role in reducing inter-ethnic conflict by encouraging cooperation through workforce integration. Workforce integration increases the amount of interactions between ethnicities. More interactions can build trust between the ethnicities, as Ashutosh Varshney's work shows. Workforce integration provides a common goal, the growth of the company, which can lead to cooperation between the ethnicities. This claim is supported by A. Afzali and L. Colleton's work. The costs to businesses for taking on this role are offset by the economic gains they see, as shown through Jennifer Delton's research. My regression analysis supports this conclusion by showing that increased integration led to higher growth in median family income in the 1960s.

Inter-ethnic cooperation is not only possible, but is more likely than inter-ethnic violence. This gives hope that it is possible for areas with ethnic violence to resolve their conflicts and find means of peaceful interactions. Workforce integration will also increase interactions between ethnicities, helping people to learn to view others from different ethnicities as individuals instead of as members of an outside group.

Encouraging integrated workforces can also be economically beneficial to businesses. As the regression research shows, increased inter-ethnic interactions do have a positive effect on the growth of median family income. Growth in family income reflects growth in business income. MNCs are becoming more politically powerful through globalization, their increasing workforces and increasing control of resources. This has increased their potential to

have a positive effect in areas with inter-ethnic conflict. Though this research shows that increased integration does lead to economic growth, short term backlash could prevent businesses from encouraging it. Corporate social responsibility standards have the potential to encourage businesses to overcome the backlash and take on this role.

More research should be done to see if these findings hold true in less developed economies. If so, workforce integration could be the means by which economic growth is possible in areas with ethnic conflict.

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## Tables

Variable	Number of Obs	Mean	Std. Dev	Min/Max
Percent Change in Median Family Income 1959-1969	659	62.355	11.940	-33.73/148.14
Duncan Dissimilarity Index	1010	.415	.378	0/2.996
Percent of People 25 years or older with a high school education	1011	54.427	17.877	0/92.8
Percent of people employed in Professional or Managerial Services	1011	22.221	10.886	0/57.1
Median Age in 1970	1011	25.274	10.144	0/64.4
State	1011	Not applicable	Not applicable	Not applicable



## Regression Results

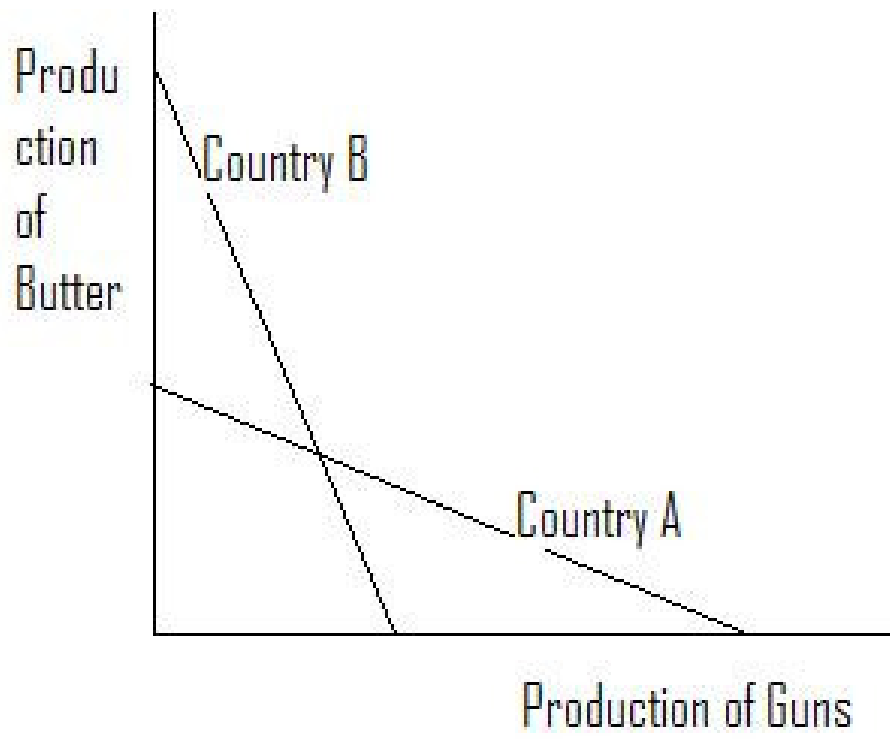
R-squared=0.388

Independent Variable	Coefficient (t-statistic)
Duncan Dissimilarity Index	-2.816 (-3.66)
Percent of people 25 years or older with a high school diploma	0.174 (2.13)
Percent of people employed in professional or managerial services	0.107 (0.88)
Median age in 1970	-0.280 (-2.40)

## Figures

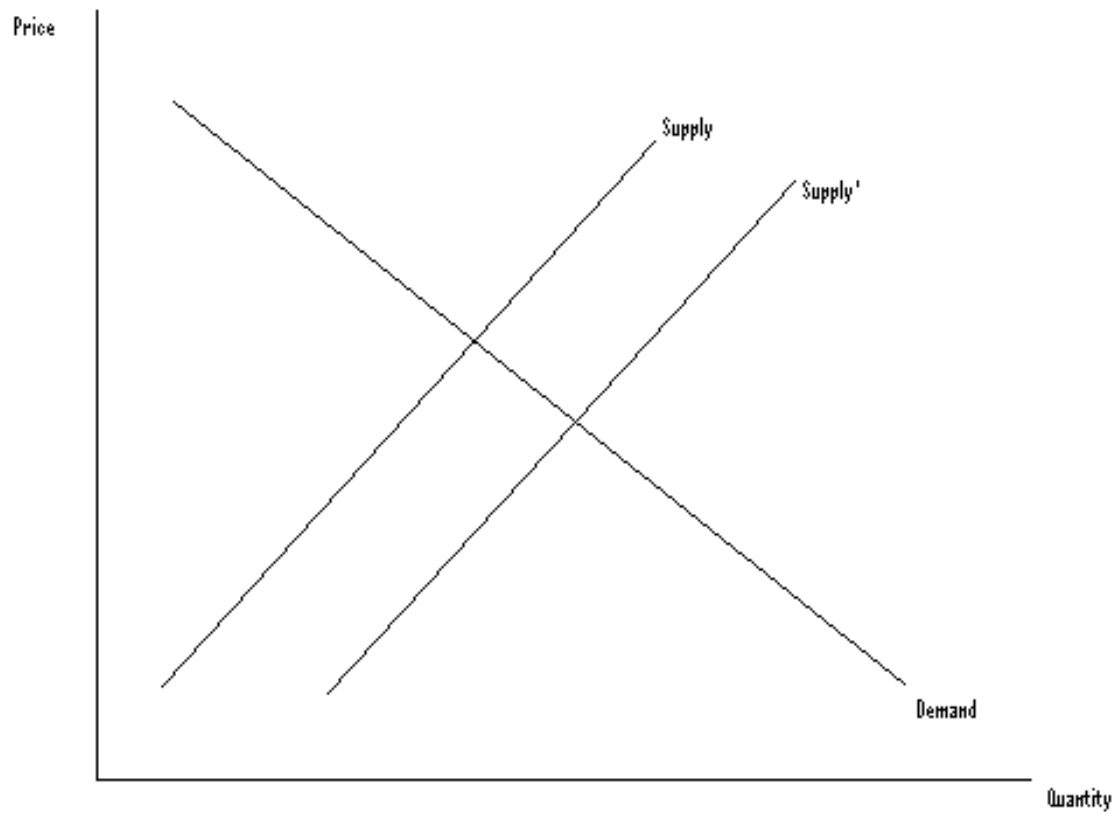
**Figure 1**

The Production Possibilities Curve of Country A and Country B



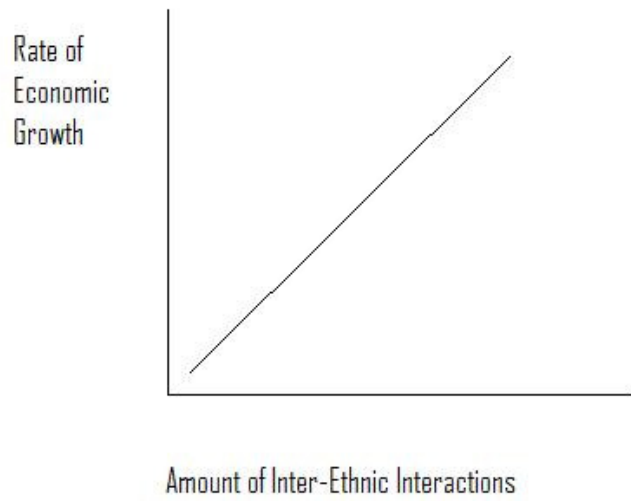
**Figure 2**

Gains from Trade Economic Model



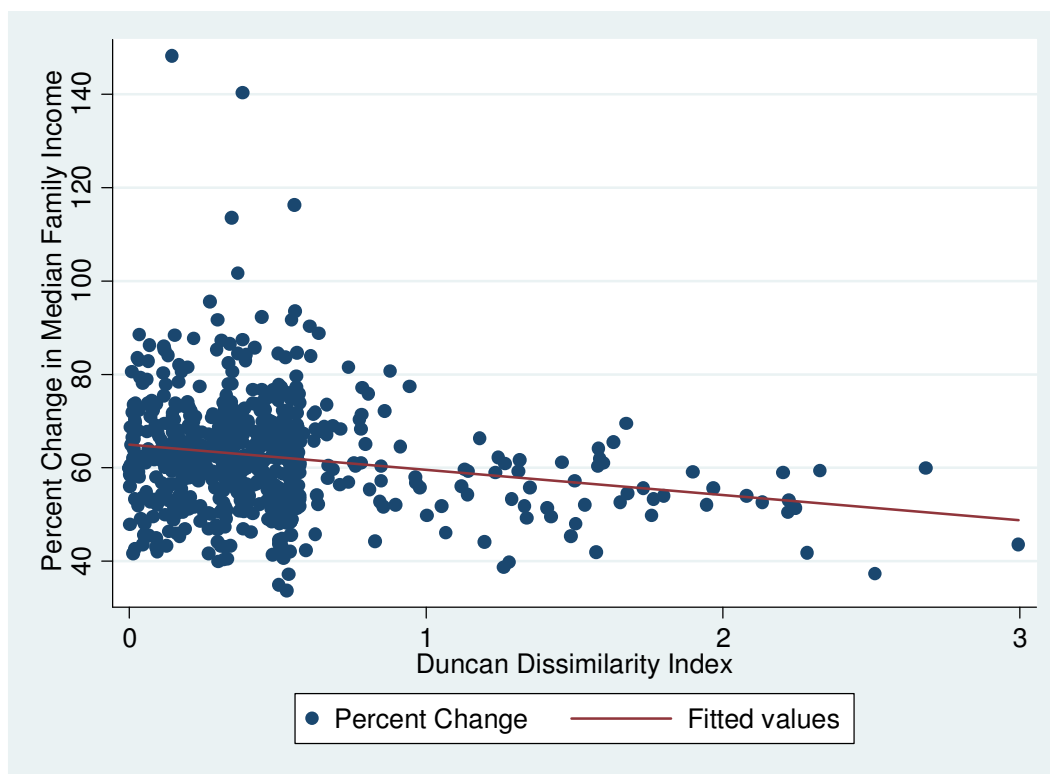
**Figure 3**

Expected Effect of Inter-Ethnic Interactions on the Rate of Economic Growth



**Figure 4**

Effect of the Duncan Dissimilarity Index on the Percent Change in Median Family Income 1959-1969



**Figure 5**

Scatterplot of the Effect of the Duncan Dissimilarity Index on the Percent Change in Median Family Income 1959-1969

