

Title: "National Identity and Modern Economic Performance."

ABSTRACT: Early in their development, modern nation-states typically have to solve internal conflicts that impede their economic performance. We argue that, to overcome such conflicts, gain sufficient cohesion, provide public goods, and grow, national identity plays a central role. We develop a model in which the population can identify with the nation or with an alternative identity. In addition to material payoffs, identity involves psychological payoffs in terms of status and social distance. We show that elites (who always identify with the nation in the model) have an incentive to commit to political rights of commoners (who have a choice between the national and the alternative identity).

The higher is the status of national identity, the more commoners identify with the nation, the lower is conflict, and the greater is the investment in a public good and the higher is economic growth.

Furthermore, state capacity in addition to national identity is complementary with public good provision and lower levels of conflict.

Furthermore, we construct an index of National Identity that correlates with public good provision, lower conflict, and economic growth.