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Interethnic relations, informal trading networks, and social integration: Imitation, habits, and social evolution*

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Abstract

The ethnically homogeneous middleman groups (EHMGs), which are informal trading networks, are ubiquitous in less-developed economies where the legal infrastructure for contract enforcement is not well developed. This paper develops a formal model of social interaction among members of the EHMG as well as of social interaction in more general situations in a society consisting of identifiable ethnic or linguistic groups

Behavioral patterns are transmitted between generations and altered via imitation in social contacts. The model demonstrates how different discriminatory behavioral patterns can evolve and persist over time.

One result is that the trust between such groups can increase due to a higher frequency of inter-group contacts.

Keywords: cultural transmission units, ethnic networks, inter-ethnic interaction, imitation, identity, trust

JEL classification: E71, B52, J15, Z13

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