Mining for peace

We study the feasibility of opening new mines in ethnically diverse, weakly institutionalized countries without escalating the risk of conflict. We propose a model that allows examining the systemic component of conflict risk resulting from the possibility of ethnic groups organizing themselves at the national or the local level. Our model yields two key insights. First, a social planner cannot ensure peace in the presence of ethnic segregation and spatial resource inequality. Second, if the planner prevents national conflict and minimizes local conflict risks, then the latter depend on local resource rents and local ethnic groups as well as the country's entire ethnic and mining geography. We validate key concepts from our model using granular spatial data and shift-share identification strategies. Finally, we apply these concepts to simulate the potential impact of planned mining projects in Sierra Leone and confirm that projects in the right locations can promote peace.