Abstract
State capacity matters for growth. I test Bates’ explanation of pre-colonial African states. He argues that trade across ecological boundaries promoted states. I find that African societies in ecologically diverse environments had more centralized states. This is robust to reverse causation, omitted heterogeneity, and alternative interpretations of the link between diversity and states. The result survives including non-African societies. I test mechanisms connecting trade to states, and find that trade supported class stratification between rulers and ruled. I underscore the importance of ethnic institutions and inform our knowledge of the effects of trade on institutions. (JEL: N57, O10)