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Ethnic Diversity and Conflict

The Role of Horizontal Inequalities

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Table of Contents

ABBREVIATIONS.....	iv
LIST OF TABLES AND FIGURES	v
PART I: INTRODUCTION	1
1.1 Motivation and Background.....	1
1.1.1 The Incidence of Internal Conflicts	2
1.1.2 The Importance of the <i>Ethnic</i> Factor	3
1.2 Hypothesis	5
1.3 Structure of the Work	6
PART II: THE RELATIONSHIP BETWEEN ETHNIC DIVERSITY AND CONFLICT	8
2.1 Ethnic Diversity – an Overview.....	9
2.1.1 The Incidence of Ethnic Diversity Across the World.....	9
2.1.2 Ethnicity and its Regional Significance.....	11
2.2 The Salience of Identity	12
2.2.1 A Concept of Identity	13
2.2.2 Group Formation – Choice and Limits	14
2.2.2.1 The External Imposition of Identity	15
2.2.2.2 Group Boundaries and Why they Matter for Conflict.....	16
2.2.3 The Two Facets of Diversity	17
2.2.3.1 Diversity – Source of Gains and Important Feature of Economic Decisions	18
2.2.3.2 Diversity – Source of Losses.....	19

2.3 Ethnic Diversity and Conflict – an Ambiguous Relationship	19
2.3.1 Group Mobilization	20
2.3.1.1 The Importance of Ethnicity for Group Cohesion.....	20
2.3.1.2 Leaders and Masses – Different Motivations?	22
2.3.2 Identity vs. Non-Identity Wars – Different Implications.....	23
2.3.2.1 Different Causes – Greed vs. Grievance	24
2.3.2.2 Colonial Legacies	25
2.3.3 Ethnic Diversity and Conflict in Literature	26
2.3.3.1 Empirical Studies	26
2.3.3.2 Models of Diversity and Conflict.....	28
2.4 Outlook.....	30
PART III: HORIZONTAL INEQUALITIES	33
3.1 HIs – Definition and Concept	33
3.1.1 Definition.....	34
3.1.1.1 The Role of Perceptions	36
3.1.2 The Four Dimensions of Horizontal Inequality.....	37
3.1.2.1 The Political Dimension.....	37
3.1.2.2 The Economic Dimension	37
3.1.2.3 The Social Dimension	37
3.1.2.4 The Cultural Dimension	38
3.2 Why HIs Matter.....	38
3.2.1 Why <i>Horizontal</i> Inequality – Implications for Development.....	39
3.2.1.1 Horizontal vs. Vertical Inequality	39
3.2.1.2 HIs – Implications for Development	41
3.2.2 Different Functions of the Different Dimensions.....	43
3.2.2.1 The Special Role of Cultural Status Inequalities.....	44

3.2.2.2 Root Causes vs. Triggers of Conflict	46
3.2.2.3 Causal Connections and the Persistence of HIs	48
3.3 The Measurement of HIs	51
3.3.1 Different Measures and Measurement Problems.....	52
3.3.2 The Minorities at Risk Project.....	55
PART IV: ETHNIC DIVERSITY, HIS AND CONFLICT.....	58
4.1 Models of Ethnic Conflict	58
4.1.1 Collier and Hoeffler (2000): Greed and Grievance in Civil War.....	59
4.1.2 Caselli and Coleman (2008): On the Theory of Ethnic Conflict.....	61
4.1.3 Esteban and Ray (2006): A Model of Ethnic Conflict	62
4.2 Ethnic Conflict and HIs	64
4.2.1 A Model of Discrimination and Conflict.....	65
4.2.1.1 Setting and Background of the Model.....	65
4.2.1.2 A Two-Stage-Model of Ethnic Conflict.....	69
4.2.1.3 Possible Outcomes and Equilibria.....	71
4.2.1.4 Conditions for an Equilibrium and Comparative Statics	73
4.2.2 Possible Long-Term Effects and Issues for Further Research	76
PART V: CONCLUSION.....	80
BIBLIOGRAPHY.....	83

Abbreviations

ANM	The Atlas Norodov Mira (1964)
EB	The Encyclopedia Britannica
EE/FSU	Eastern Europe and the Former Soviet Union
EH	Index of Ethnic Heterogeneity
ELF	Ethnolinguistic Fractionalization Index
HDI	Human Development Index
HDR	The Human Development Report
HI	Horizontal Inequalities
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
LDCs	Less Developed Countries
MAR	The Minorities at Risk Project
MDGs	Millennium Development Goals
PD	Prisoner's Dilemma
SSA	Sub-Saharan Africa
UDHR	United Declaration of Human Rights
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
VI	Vertical Inequality
WCE	The World Christian Encyclopedia

List of Tables and Figures

Tables

2.1 Descriptive Statistics on Ethnic Groups Larger than 1% of Country	
Population, by Region	10
3.1 Dimensions and Elements of Horizontal Inequality	35

Figures

1.1 Types of Conflict 1946 - 2003.....	2
1.2 Trends in Ethnic Conflict 1945 - 2004	3
3.1 The Main Causal Connections Between the Four Dimensions of HI	51
4.1 Prisoner's Dilemma Game Without and With Altruism Parameter α.....	66
4.2 Decision Tree.....	71

I. Introduction

‘Human diversity makes tolerance more than a virtue; it makes it a requirement for survival.’ [René Dubos¹ (1981)]

1.1 Motivation and Background

Conflict not only undermines development; one could rather say ‘it is development in reverse.’² Instead, for development efforts to be successful, a socially and politically stable environment is required. Conflicts lead to a destruction not only of initial endowments of all kinds of capital but also to immense suffering among a population.³ But why should the focus in this thesis be on *internal* conflicts primarily? In addition to all the devastating and destructive effects an inter-state war has, internal wars also create instability, distrust and hatred among the people within a country. As early as 1776, Adam Smith made the point that grievances within a country can be much more severe than those between states. When oppression one distinct cultural group within one society occurs, it ‘commonly render[s] the inhabitants of the same country more hostile to each other than those of different countries ever are.’⁴ The reason for this is that when a particular group is in power in developing countries – this may be an ethnic group or any other type of group – , the power over decisions and resources may be used to favor the own group and to secure benefits.⁵ This kind of discrimination against the other group(s) within the same society can cause grievances and lead to conflict.

A lot of studies still claim that ethnic diversity itself can cause conflict rather than the way how a society deals with diversity. However, if internal conflict breaks out between particular groups, there must be additional factors that affect the members of two potentially hostile groups differently.

¹ R. Dubos (1901-1982) was a French-American microbiologist, environmentalist, humanist and winner of the Pulitzer Prize for General Non-Fiction 1969.

² Collier et al. (2003), p.ix

³ Compare Tangerås and Lagerlöf (2003)

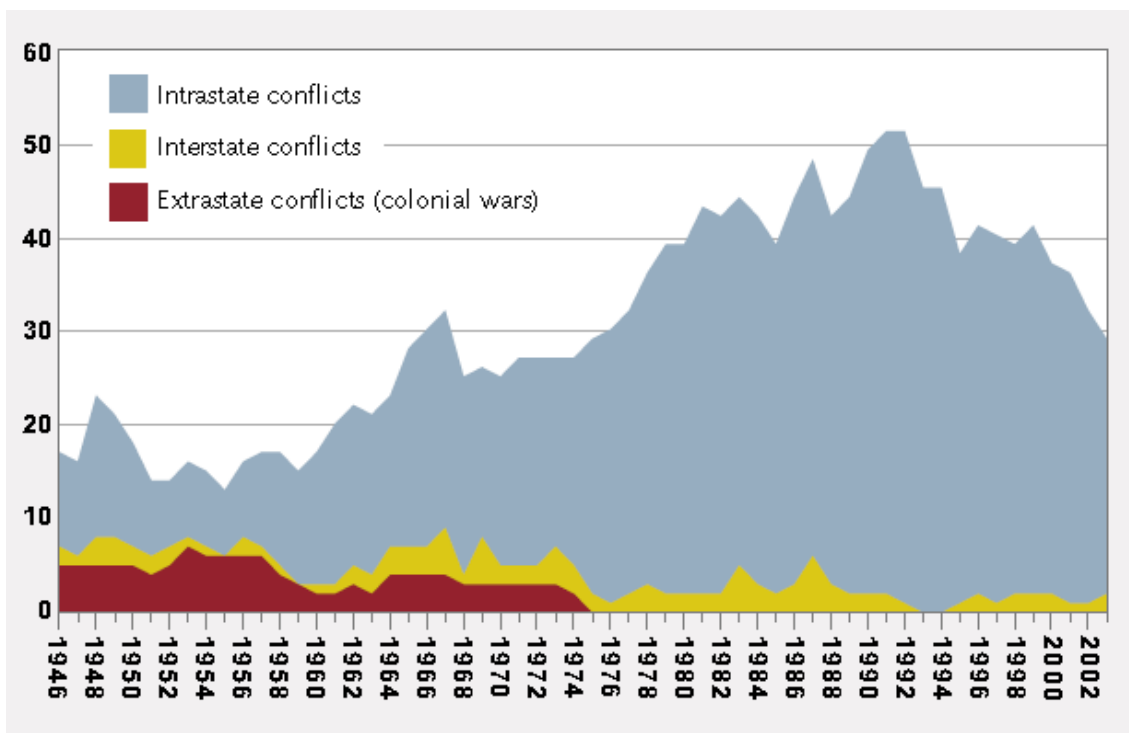
⁴ Smith (1776), p. 685

⁵ Compare UN (1998)

1.1.1 The Incidence of Internal Conflicts

Why is it important to deal with the causes of internal conflicts in a study? Over the past fifty years warfare has changed its character. International wars have become less frequent and civil wars more common, especially in Sub-Saharan Africa (SSA).⁶ In figure 1.1 it is shown how the incidence of three different types of conflict⁷ has developed between 1946 and 2002. In the graph, the number of conflicts of each type initiated in a certain year is displayed. The graph is 'stacked', which means that the top line indicates the total number of conflicts each year. The red area represents the incidence of colonial wars, the yellow area conflicts between states and the blue area internal conflicts. What really stands out is the incidence of internal conflicts which has vastly increased over the past 50 years. Although their number has been declining since 2002, they still constitute the great majority of all conflicts that occur.

Figure 1.1 Types of Conflict 1946 – 2003



Source: Human Security Center (2005), *Human Security Report 2005*, p.23

⁶ Compare Collier et al. (2003)

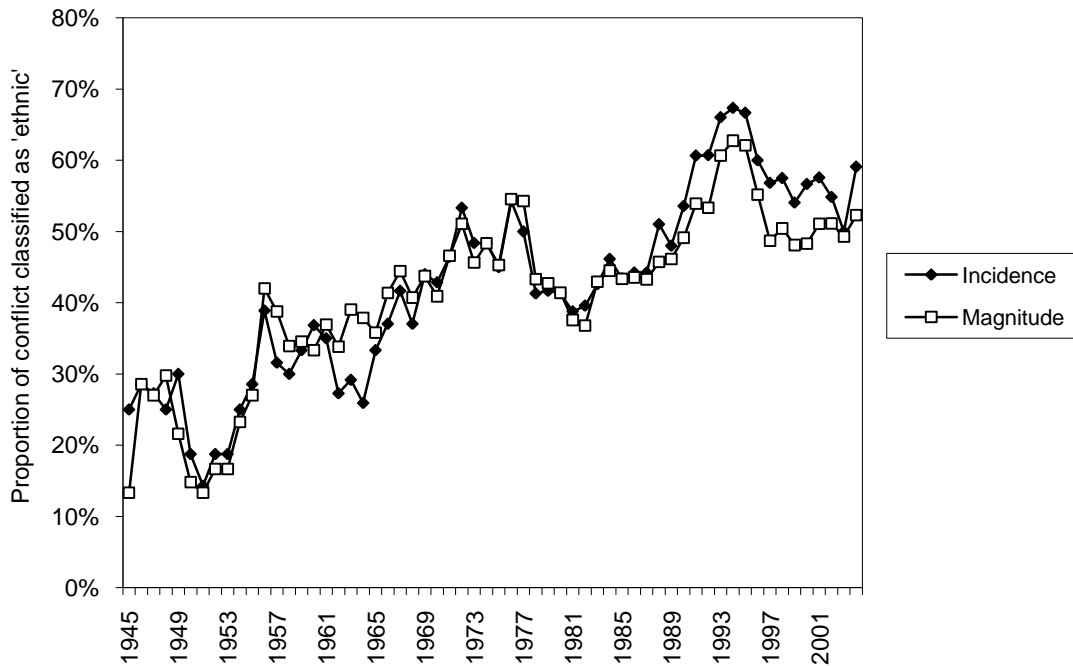
⁷ Only conflicts that resulted in at least 25 battle-related deaths a year were included in the graph.

1.1.2 The Importance of the *Ethnic* Factor

There are several different types of internal conflicts. One could differentiate between identity and non-identity conflicts. Identity conflicts involve identity groups such as ethnic or religious groups whereas guerilla or militias groups, warlord armies, gangs or revolutionary groups are involved in non-identity conflicts.⁸ The main difference lies in the different ways groups are formed. In identity conflicts, groups consist of people who identify with each other on the basis of certain characteristics that they have in common, ethnicity being one example for these characteristics. Groups that are not formed on the basis of identity often recruit from the poor and unemployed, since conflicts and the expected loot promise an alternative income source. These groups may have an ideology that is shared by all members, but they must not necessarily have a common origin or ancestry.

Since there are a number of different internal conflicts, what makes an ethnic conflict, or identity conflicts, salient and why should it be of further interest? There is evidence that the share of conflicts that are labeled as *ethnic* has increased.

Figure 1.2 Trends in Ethnic Conflict 1945 – 2004



Source: Stewart (2008a), p.6

⁸ Compare Sambanis (2001)

Scherrer (1997) examined civil war data for the years 1985 until 1996 in order to find out the frequency of the different types of internal conflict. The author concludes that ‘...conflicts with dominant ethnic components account for 60-75% of all war-like conflicts.’⁹ Figure 1.2 displays how the share of conflicts that were classified as *ethnic* developed between 1945 and 2004. The proportion of ethnic conflicts increased from around twelve percent in 1945 to approximately 60 percent in 2005. But does the increase of conflicts between ethnic groups imply that ethnic diversity itself is an explanation? Not necessarily. ‘In recent years, domestic conflicts and even civil wars have arisen out of ethnic groups’ perceptions that they are losing out in the competition for limited resources and job opportunities.’¹⁰

In order to prevent future conflicts, the underlying causes and motivations must be identified. Internal conflicts are by no means a homogeneous phenomenon, though. They differ in motivations and objectives. It is therefore likely that the different types also have different causes. That is why there is not one single cause that can explain the occurrence of internal conflicts per se and comprehensively. Still, studies on internal conflicts usually do not differentiate between different types when they try to find the underlying causes. Ethnic diversity is often blamed to be the cause of internal conflicts and the lack of development in a country in general. This type of reasoning is often justified with the argument that since especially developing countries consist of different cultural groups, the conclusion that ethnic diversity must be one of the reasons for the poor development is almost inevitable. Several studies have tried to find evidence for this theory, but there are no unambiguous results yet. Rather, evidence was found that identity wars – conflicts between ethnic or religious groups – have different underlying causes than non-identity wars – conflicts between guerilla or warlord groups, not based on identity, or revolutionary conflicts.

Undoubtedly, ethnic diversity plays an important role especially in developing countries. In Africa, access to services and rights often depends on ethnic affiliation.¹¹ But, ethnic diversity must not necessarily lead to conflict. ‘For each example of an ethnically divided African country that has been the victim of a civil war, several examples can be presented of equally divided African countries managing to remain

⁹ Scherrer (1997), p.19

¹⁰ Todaro and Smith (2009), p.243

¹¹ Compare Azam (2001) and Gibney (2008)

peaceful...'¹². Why is it then that some ethnically diverse countries are more prone to conflict than others? What particular aspect is decisive for an ethnically diverse country to engage in conflict rather than profit from cultural heterogeneity? Is it not likely that the underlying causes of a conflict between groups that are each founded on a common identity are somehow also related to this aspect of identity?

1.2 Hypothesis

'[A] major cause of violent conflict between groups lies in inequalities between them in political participation and economic resources and well-being, as well as in respect for their cultural differences.'¹³

In general, internal conflicts are organized group conflicts. Within a country numerous social divisions are possible. One could divide the population by class (income), religion, ethnicity, gender, region, language or even political views. This means there must be reasons why conflict breaks out between ethnic groups, for example, and not between different classes. If ethnic groups mobilize against each other, it means that the underlying reason was able to provoke mobilization along ethnic lines but not along any other type of social division. And if inequality is expected to be the cause of internal conflicts, it is inequality between groups rather than inequality between individuals that should be focused on.

The question is: what motivates internal conflicts in ethnically divided countries? Is it ethnic diversity itself, as it is often suggested? Or is it rather the mismanagement of diversity in a country?

Frances Stewart¹⁴ has introduced the concept of *horizontal inequalities* (HIs), which are defined as inequalities between distinct groups within a society regarding their economic, social, political and cultural status. What makes this type of inequality more useful in explaining the occurrence of internal conflicts than income-inequality? HIs are the result of identity-based discrimination. There is also discrimination between male and female, in the labor market, for example. But this kind of discrimination will not lead to an internal conflict between the males and females of a society. The reason

¹² Azam (2001), p.429

¹³ Kofi Annan in Stewart (2008b), p.xv

¹⁴ Frances Stewart is Professor of Development Economics and Director of the Center for Research on Inequality, Human Security and Ethnicity at the Department of International Development at the University of Oxford.

for that is that there are other factors such as common ancestry and family ties which are stronger than the identification with the own gender. The systematic discrimination of members of a certain identity group is more likely to be a powerful motivation for mobilization. This is due to the impact identity and group membership have on the individual's well-being. Not only the personal situation is decisive for individual well-being, but also how well the own group is doing compared to other groups in the society. Systematic identity-based discrimination not only affects the well-being of individuals, though, it also influences economic efficiency and social stability of a society. HIs may therefore be an explanation why the individual members of an ethnic group can be mobilized to engage in conflict.

The hypothesis examined here therefore is, that, *rather than ethnic diversity itself, it is the existence of horizontal inequalities between identity groups which motivates ethnic conflicts*. The majority of studies on ethnic conflict neglect HIs as underlying cause of conflict although there is evidence enough for their importance. That is why the focus of this thesis will be on the role of *Horizontal Inequalities* (HIs) and, especially, what role identity plays in motivating conflicts between ethnic groups. Although mainly developing countries are affected by ethnic conflicts, it does not mean that they are not an issue for developed states. Northern Ireland is only one example of a developed country which is affected by an identity conflict that have been lasting for decades now. It will be argued that identity-based discrimination, which means that there is unequal treatment of different groups in a society, can provide a powerful motivation for particular groups, such as ethnic groups, to mobilize for conflict. Of course, there are also other factors have impact on the risk of conflict in a country. The focus here is on identity-based discrimination, though.

1.3 Structure of the Work

In order to find out what role ethnicity and, thus, identity may play in causing ethnic conflicts, the relationship between ethnic diversity and conflict is discussed in part II. An overview of the incidence of ethnic diversity across the world is given and problems regarding the availability of data on ethnic groups are discussed. In part 2.2 a concept of identity is introduced and the salience of identity and group membership for individual well-being and their role in causing conflicts is stressed. Part 2.3 gives an overview of the literature on ethnic diversity and conflict and the role of ethnicity for

group mobilization and motivation. Furthermore, different causes of internal conflicts are identified and a study is introduced which found evidence that identity and non-identity conflicts are likely to have different underlying causes. In Part III, the concept of HIs is introduced and arguments are presented why HIs should be of interest not only for the explanation of the occurrence of ethnic conflicts but also for development in general. The special role of the cultural status of an identity group is emphasized and an overview of different approaches to the measurement of HIs and measurement problems is given. In part IV, the focus lies on how identity-based discrimination affects ethnic conflicts. Three existing models of ethnic conflict are discussed regarding the way they incorporate identity. In part 4.2 an own two-stage model of ethnic conflict is introduced which incorporates identity-based discrimination. Part V concludes.

II. The Relationship Between Ethnic Diversity and Conflict

‘Men may and do certainly joke about or ridicule the strange and bizarre customs of men from other ethnic groups, because these customs are different from their own. But they do not fight over such differences alone. When men do [...] fight across ethnic lines it is nearly always the case that they fight over some fundamental issues concerning the distribution and exercise of power, whether economic, political, or both.’ [Cohen (1974), cited in Stewart 2000]

Despite the great interest in the link between ethnic diversity and conflict there are no unambiguous results yet. In the literature on ethnic conflicts one of the main questions raised is how far the issue of *ethnic diversity* and thus *identity* plays a significant role in causing conflicts. A rather controversial view on the causes of ethnic conflict is the *clash of civilizations* thesis as brought forth by Samuel Huntington. The author argues that the mere presence of ethnic diversity can cause conflict due to insurmountable differences in values between the different cultures of the world. Other economists, also assuming that diversity has negative implications, are examining its influence on human and economic development. Their assumption is often based on the argument that since ethnic diversity is especially typical of African and other developing countries, diversity must be among the reasons for their problems such as poverty and underdevelopment. Still, there is no empirical evidence for a clear link between diversity and conflict and, in fact, there is nothing conflictual about diversity per se¹⁵. Osborne (2000), for example, concludes in his study on how diversity, multiculturalism and ethnic conflict are linked that ‘there is nothing about ethnic diversity per se that inevitably yields ethnic conflict.’¹⁶

The Human Development Report (HDR) 2004 estimates that the nearly 200 countries of the world are home to about 5,000 ethnic groups. The exact number

¹⁵ Compare Alesina and La Ferrara (2004) p.24 and Azam (2001) p.429

¹⁶ Osborne (2000) p. 522

depends on the definition of *ethnic group* though, which is also pointed out by Notholt (2008) who assumes an even higher number. The majority of developing countries are multiethnic in nature. Especially in Africa, also due to the arbitrary border drawing during colonial times, each country consists of a number of different ethnic groups. But compared to the magnitude of ethnic diversity only a small percentage of developing countries is experiencing ethnic conflicts.

Still, attention has recently been drawn to the fact that the majority of conflicts and wars nowadays are initiated internally.¹⁷ Ethnic diversity can obviously be both, a source of benefits and a reason for instability. But whether ethnic groups co-exist peacefully or engage in conflict depends strongly on the cultural, social, political and economic circumstances they face in a specific country.

2.1 Ethnic Diversity – an Overview

2.1.1 The Incidence of Ethnic Diversity Across the World

Despite the large number of studies dealing with the implications of ethnic diversity on conflict and development, there are only very few sources for data on ethnic groups that are commonly used. In literature¹⁸ mainly three sources of data on ethnic groups are mentioned: the World Christian Encyclopedia (WCE), the Encyclopedia Britannica (EB) and the Atlas Narodov Mira (1964) (ANM). All of them use different definitions of *ethnicity* and different approaches. The EB, for example, uses a concept of geographic race while the WCE takes into account linguistic and religious differences between groups. The ANM was the main source for the index of ethnolinguistic fractionalization (ELF) commonly used in studies on ethnic conflicts. Without discussing the differences of the data sources in detail, the results of a study clearly also depend on the data source used. It is therefore difficult to compare the different studies which claim to have found some kind of link between diversity and conflict. It is even difficult to compare the various diversity measures constructed for the studies because of the different underlying definitions of *ethnicity* used.

¹⁷ Compare i.e. Collier and Hoeffler (2000)

¹⁸ Compare i.e. Montalvo and Reynal-Querol (2005)

Due to these difficulties some authors¹⁹ have made the effort to develop an own data collection on ethnic diversity. While the methods and definitions used differ, there is consent about the scope of the data collection. Vanhanen (1999), Fearon (2003) and Montalvo and Reynal-Querol (2005), for example, state that only the most important²⁰ ethnic divisions of a country will be taken into account in their studies for reasons of simplicity and clarity. While the HDR 2004 estimates that there are about 5,000 ethnic groups in the world, Fearon (2003) only includes 819 of them in his study. Still, the incidence of ethnic diversity by region as calculated by Fearon (2003), given in table 2.1, gives a good overview.

Table 2.1: Descriptive Statistics on Ethnic Groups Larger than 1% of Country Population, by Region²¹

	World	West	NA/ME	LA/Ca	Asia	EE/FSU	SSA
# countries	160	21	19	23	23	31	43
% total		.13	.12	.14	.14	.19	.27
# groups	819	68	70	81	109	141	350
% total		.08	.09	.1	.13	.17	.43
Groups/country	5.11	3.24	3.68	3.52	4.74	4.55	8.14
Max. # groups	23	9	9	6	13	12	23
Min. # groups	0	1	1	2	0	1	2
Avg. pop. Share of largest group	.65	.85	.68	.69	.72	.73	.42
% countries with a group $\geq 50\%$.72	1.00	.84	.78	.82	.90	.30

Source: Fearon, J. (2003), Ethnic Structure and Cultural Diversity around the World: A Cross-National Data Set on Ethnic Groups, p. 36

¹⁹ Compare i.e. Vanhanen (1999), Fearon (2003)

²⁰ Fearon (2003) only includes ethnic groups with a size of at least one percent of the population

²¹ NA/ME - North Africa/ Middle East, LA/Ca – Latin America/Caribbean, EE/FSU – Eastern Europe/ Former Soviet Union, SSA – Sub-Saharan Africa

Especially the regional variations in ethnic diversity are large and explain why most studies focus on countries of Sub-Saharan Africa (SSA) or Asia. While SSA comprises about a quarter of the countries considered, it accounts for 43 percent of the ethnic groups.

According to Easterly and Levine (1997), fourteen of the fifteen most ethnically diverse societies in the world are located in Africa. But also the variations within a region are considerable. Table 2.1 shows that the countries of SSA display a broad range of diversity, the least diverse country consisting of only two ethnic groups and the most diverse of 23. But also Asia and Eastern Europe and the Former Soviet Union (EE/FSU) each possess a share of thirteen and seventeen percent respectively of the world's ethnic groups. Since ethnic conflicts have been initiated in all regions of the world, it is impossible to state with certainty that ethnic diversity does or does not lead to conflicts. Alesina and La Ferrara (2004), for example, state that '[e]thnic diversity per se is often uncorrelated with economic and political outcomes of interest.'²²

2.1.2 Ethnicity and its Regional Significance

The seminal work on the topic of ethnic diversity and conflict is the one by Horowitz (1985): *Ethnic Groups in Conflict*²³. Although it was one of the earliest studies, many aspects already mentioned then have been referred to by more recent studies. One of Horowitz's main points is that warring groups, more often than not, differ horizontally in regard to ethnicity and religion. Defining characteristics of ethnicity are, for example, differences in skin color, appearance, language, religion and other indicators of common origin²⁴.

But why are some elements of people's identity, such as ethnicity, perceived as significant and can be a reason for conflict while others are not? The perception of which part of one's identity is particularly important for an individual depends among others on the type of country one considers. '[G]roup memberships have proven far more significant in determining access to rights, privileges and security than citizenship in many developing countries.'²⁵ Despite the fact that the majority of ethnic conflicts take place in developing countries, this does not mean that they are less severe in

²² Alesina and La Ferrara (2004), p.24

²³ Here, the edition of 2001 is used.

²⁴ Compare i.e. Horowitz (1985,2001) or Northolt (2008)

²⁵ Gibney (2008), p.38

developed nations. The long-lasting dispute between Catholics and Protestants in Northern Ireland is only one example for that.

Clearly, in the majority of developing countries, especially in Africa, the identity group one belongs to is of much greater importance than in industrialized countries. In Germany interest groups representing one's occupation, like labor unions for example, are more common when it comes to voicing dissent. In developing countries, however, it is the ethnic group rather than the state which provides individuals with access to rights and services such as education²⁶ and represents their interests. Since political power is often held by one particular group especially on the African continent, those in power often have a 'winner-take-all' mentality which leads to conflicts with other groups of society.²⁷ One could say that the more a country develops, the more the salience of specific identities changes. While in developing countries groups are formed along identity lines like ethnicity or religion, in developed countries it is rather class divisions that appear salient.

2.2 The Salience of Identity

'In many countries and many periods a person's ethnic identity has profound consequences for his or her physical safety, political status and economic prospects.'²⁸

Why some characteristics such as ethnicity seem to be more salient than others is partly due to the way an identity group is formed and how much impact it has on the individual. When violent conflict occurs along identity lines, identity must be of great importance to many people since they are willing to fight, kill or even die for it. But to be a major driving force of conflict, the identity of a group must have clear boundaries and some permanence over time. Additionally, the identity of a group must be significant for the individual members' behavior and well-being, resulting from how the group members perceive themselves and how they are perceived by others. Despite the fact that individuals within a group are definitely also motivated by personal interests²⁹, Stewart (2008a) is of the opinion that in an ethnic conflict the majority must be motivated mainly by the more general interests of the ethnic group.

²⁶ Compare Azam (2001)

²⁷ UN Report of the Secretary General (1998)

²⁸ Caselli and Coleman (2008), p.1

²⁹ Collier and Hoeffler (2000)

2.2.1 A Concept of Identity

‘Once one recognizes oneself as belonging to a certain group one develops a preference for the symbols of that group.’³⁰

Each individual possesses a number of different characteristics which form his or her identity. There is not one single part of our identity which defines us completely although in conflicts attention is often drawn to one single characteristic only. The *clash of civilizations* theory, for example, implicitly suggests that there is only one possible way of classifying people worldwide – although there are obviously more. Among the many characteristics that define our membership in certain groups are, for example, gender, citizenship, religion, race and ethnicity. Other ways individuals define themselves is via their occupation, the area they live in or the political party they support. The way one dresses, our music taste and membership in a sports team are also characteristics which define our identity. Clearly, the examples given differ in many ways. While some are rather short-term and easily changeable characteristics, like being a student or the member of a sports team, others are more permanent, like race for example.

Some of the characteristics are clearly more decisive for the formation of an identity group representing one’s interest. Nobody has yet formed an interest group based on the taste of music or fashion in order to voice dissent. Although there are insurmountable differences between men and women, it is not very likely that one day a serious conflict breaks out between the men and women of a society. Above all, not all of the characteristics are likely to become the cause of a conflict. Reynal-Querol (2002) compares the conflict risk of religious linguistic divisions. The author argues that religious divisions are more prone to conflict because religious identity is exclusive. A person can speak more than one language; it is not possible to have more than one religion, though. ‘Disputes among identity groups based on their religious nature are particularly difficult to negotiate, raising the odds of violence.’³¹

In the sociological and psychological literature there are different views on identity and identity formation. Ethnicity, as one part of our identity, comprises language, religion, appearance and skin color for example. Members of an ethnic group

³⁰ Basu (2005), p. 23

³¹ Reynal-Querol (2002), p.29

furthermore share common ancestry, traditions and culture.³² The *primordialists*, for example, believe that ethnicity, as one part of a person's identity, is deeply anchored in our subconscious from our birth. They cannot explain, however, why some ethnic groups or at least the importance of some identities change over time. In their view diversity leads to conflict due to the clash of values. *Instrumentalists* believe that ethnicity is developed so that it can be used to achieve certain political, social and economic goals.³³ A third view is that of the *social constructivists*, which emphasizes the making and remaking of ethnic boundaries for various purposes. Frequently, leaders or elites raise ethnic consciousness by reinforcing cleavages in order to mobilize support for a goal which may or may not also be the goal of the group.³⁴

Depending on how an identity develops, a common identity often means that there are values, customs or certain behavioral patterns that all members of the group have explicitly or implicitly agreed on. Not only are the preferences and decisions of an individual influenced by the identity but also the behavior towards others. The sense of belonging together often establishes a 'we' on the one side and a 'them' on the other. This can cause preferential behavior towards members of the own group and antipathy or averseness towards members of other groups.

2.2.2 Group Formation – Choice and Limits

'A strong – and exclusive – sense of belonging to one group can in many cases carry with it the perception of distance and divergence from other groups.'³⁵

Sen (2006) highlights the fact that the relative importance given to one or the other part of one's identity is mainly the individual's choice. Everyone has multiple identities, ranging from citizenship, ethnicity and gender to occupation, political attitude and music taste. Despite the fact that there are limits within which one can give weight to a certain element of one's identity, an individual is not forced to give ethnicity, for example, the highest priority. Definitely, the particular circumstances under which an individual makes this choice have a great influence. Thus, it is not very surprising that the importance of one's social distinction can change significantly over time. In the

³² Compare Horowitz (2000) p. 17-18 & 73

³³ Compare Teicola and Scanlan (2007), pp.4-5 or Stewart(2008a)

³⁴ Compare Sambanis (2001), p.8, Fearon and Laitin (2000) or Stewart (2008a)

³⁵ Sen (2006), pp. 1-2

following parts the significance of having the freedom to choose one's identity and the role of group boundaries for conflict will be discussed.

2.2.2.1 The External Imposition of Identity

‘[E]ven when we are clear about how we want to see ourselves, we may still have difficulty in being able to persuade *others* to see us just in that way.’³⁶

Sometimes an individual feels as a member of a certain group because other individuals point it out to him. A person of a certain ethnic group may not see himself primarily as such until he faces different treatment – positive or negative - because of that identity. This act of positive or negative discrimination may be reason to feel proud of one's identity or disadvantaged respectively. Even if an individual knows exactly what part of his identity is most important to him, the society or members of society may view a different element of his identity as paramount. A person of Muslim faith in Germany or the United States, for example, may not feel that religion constitutes his most important part of identity. But due to recent history, his religious affiliation may be the major part of his identity that is perceived by others. Due to identity-based discrimination, a person may start to identify more with being Muslim than German.

Stewart (2009) finds evidence that Muslims compared to non-Muslims are systematically discriminated worldwide. In psychological literature it is suggested that discrimination leads to a stronger identification with the own identity. Stewart (2009) finds evidence that supports this theory and concludes that ‘religion was a more important identity for Muslims than for people from other religions’³⁷ in the countries the author examined. Furthermore, the author states that more than half of the Muslims, in the 16 Muslim and non-Muslim countries considered, responded that they were Muslim first and only secondly the citizen of a particular country. For a moderate Muslim the exclusion from a group that he identified with – like being a German – could lead to a radicalization of the person's attitude. The feeling of being expelled from a group may create feelings of insecurity, anxiety and even anger. In order to improve personal well-being the person will start to identify with the group that the society expected him to belong to anyways. But because of the anger of being excluded from the other group, the person may not only identify with the group of Muslims, in

³⁶ Sen (2006), p.6

³⁷ Stewart (2009), p.40

this case, but also have a radical attitude. It must not be ignored that there are always multiple possibilities of how to classify individuals. The external imposition of a particular identity on a group of individuals, though, can be the reason for both resentment and violent resistance.³⁸

2.2.2.2 Group Boundaries and Why They Matter for Conflict

Another limit to the choice of identity are group boundaries. An ethnicity or the belonging to an ethnic group cannot be chosen freely. There must, at least, be some common characteristics like language, religion, behavior or customs – objectively or subjectively perceived – which make it possible to differentiate between members of different groups.³⁹ Akerlof and Kranton (2000) point out that if ethnic categories in a country are defined by physical characteristics in order to distinguish members from non-members, some characteristics may be more defining than others. While a traditional dress is not an exclusive attribute, a transformation of physical appearance through piercings, scars or tattoos as required by some ethnic groups is.⁴⁰

Ethnicity is an example for a part of one's identity that one cannot easily change; its importance can change over time though. A white person will have great difficulties if he wants to become member of an African ethnic group. He can become the citizen of an African country, learn the local language and live there. But even then he is missing the common history, customs and values that are shared in an ethnic group. Most importantly, he is missing the common ancestry and, thus, the network which is a feature of great significance. Therefore, ethnicity – compared to the membership in a political party – is the part of human's identity which leads to rather clearly defined group boundaries. As long as group boundaries persist, the respective part of identity is salient for the well-being of group members.⁴¹ The salience of specific elements of identity can change over time such that group boundaries become weaker or disappear. For example, once the distinction between Angles, Saxons, Jutes and Frisians as Germanic tribes was important. The importance of the groups has changed over time because of territorial changes and the intermingling of different groups, for example.

³⁸ Compare Sen (2006), pp. 2-10

³⁹ Compare Stewart (1998)

⁴⁰ Compare also Basu (2005)

⁴¹ Compare Stewart (2009)

When identity groups are inclusive and it is difficult to switch groups, it is particularly negative if an individual feels discriminated against because of his identity.⁴² The situation of the identity group within society, marked by how far it is recognized and respected, has therefore an impact on the well-being of the individual. Stewart (2009), for example, emphasizes the importance of group affiliation for individual well-being especially when identity-based discrimination occurs. Especially when groups are exclusive, one could say their boundaries are tight, identity is salient for well-being.⁴³ If there is discrimination on the basis of identity group membership and group boundaries are tight, the only feasible way of improving one's personal situation is to improve the situation of the group.⁴⁴ While in a democratic society demonstrations or petitions can serve as means to draw attention to discrimination, in a non-democratic environment more violent means may be chosen.

2.2.3 The Two Facets of Diversity

Our sense of identity can bring us closer to people who are members of the same group and create a distance to the members of other groups. In conflicts, attention is often drawn to a single element of identity, such as ethnicity or religion.⁴⁵ But ethnic diversity does not only have negative effects. The following two parts will focus on the two different facets diversity is said to have. Both, positive and negative effects resulting from ethnic diversity in a society will be discussed. If, for example, a particular feature of identity is imposed on a group externally, there must be a particular reason for that. Sometimes, groups need a clear concept of the 'enemy' in order to draw attention to an opposing group and, thus, to achieve cohesion in the fight for a specific cause. Sen (2006) argues that it may help to mobilize group members when incidences of unequal treatment of members of two groups are identified. If, in addition to the kind of discrimination perceived against the own group, the group boundaries are tight, this will fortify the creation of group grievances. Only when there is freedom to switch groups at no or only little cost, boundaries do not matter much. Whether identity is constructed to discriminate against a certain group or whether it is self-constructed in order to improve the group's position, it has the potential to provide a basis for violent conflict. However, diversity also has positive impacts on a society since it adds variety

⁴² Compare Stewart (2002)

⁴³ Compare Stewart and Langer (2008)

⁴⁴ Compare Stewart (2009)

⁴⁵ Compare Sen (2006)

to a number of different aspects. Not only the variety of skills increases but also the variety of the goods produced, due to different preferences, is affected by the ethnic diversity of the population. The art scene is probably the most obvious example of how diversity can add to a society but it is not the only one.

2.2.3.1 Diversity – Source of Gains and Important Feature of Economic Decisions

The UNESCO (2005) emphasizes the importance of diversity as defining characteristic of humanity. By creating a variety of choices, skills and opportunities, diversity can be the driving force of development. There is no doubt that diversity has a great influence especially on arts, music and other creative areas. But benefits from diversity can only be reaped by a society when the government is able to establish fair social, political, economic and cultural structures which grant equal access to all members of society.⁴⁶

According to Bates (1999), ethnic groups often take over economic functions i.e. when there is a lack of access to capital markets. By generating credible and enforceable implicit contracts between the generations, an ethnic group is able to ensure the formation and accumulation of human capital within the group. Therefore, it is the ethnic group rather than the state that ensures the provision of or the access to goods and services. Bates (1999), thus, argues that ethnic groups constitute a form of social capital in a society. Alesina and La Ferrara (2004) conducted a survey, focusing on literature which deals with the relationship between ethnic diversity and economic performance. Especially the variety of skills is emphasized as a benefit to society. Greif (1994) describes how traders in medieval times formed coalitions along ethnic lines to be able to control the behavior of their agents. It is argued that ethnic affiliation helped to promote and remain the reputation of a group and, thereby, the success of the group. Akerlof and Kranton (2009) argue that behavior and, thus, economic decisions are greatly influenced by one's identity. The authors stress that economic decisions are influenced by identity because preferences are often identity-based. Therefore, the inclusion of identity in economic analyses is suggested.

⁴⁶ Tecola and Scanlan (2007), p.14

2.2.3.2 Diversity – Source of Losses

Although diversity can add to a society, there are also numerous examples which show that it has been the source of conflict. Bates (1999) uses data from African countries to examine the two facets of ethnicity. The author states that there must be certain conditions ‘under which ethnic competition can lead to political conflict.’⁴⁷ Especially when there is unequal treatment of different identity groups in a society, this can lead to resentment. Through this dispute, diversity may be perceived as negative for the society in general although the actual reason for the dispute is a different one. According to Alesina and La Ferrara (2004), conflicts of preferences, racism and prejudices which lead to suboptimal policies and oppression of minorities constitute the potential sources of negative impacts resulting from diversity. Referring to the negative implications of diversity, Azam (2002) states that useful theories of conflict should allow for the role of ethnicity but should not regard ethnic diversity itself as a cause of conflicts.

2.3 Ethnic Diversity and Conflict – an Ambiguous Relationship

‘[E]thnicity is a preexisting factor that enhances the ability of the opposing forces to organize themselves in case of war.’⁴⁸

Ethnic diversity itself should not be regarded as the cause of ethnic conflicts. Still, the different elements of identity such as ethnicity have an important influence on various aspects of our lives. When it comes to conflict ethnicity helps to provide a base for the mobilization of supporters. What is important, though, is that there are some shared characteristics between the members of a group. Ethnicity cannot just be created for a particular reason. Members of an ethnic group identify with what the group stands for. It influences their behavior and affects their well-being. To defend one’s identity or to improve the group’s situation can be a powerful motivation for mobilization. The cohesion created within a group can, thus, solve the problem of collective actions.⁴⁹ There is evidence that wars which are fought along identity lines have different

⁴⁷ Bates (1999), p. 1

⁴⁸ Azam (2002), p. 133

⁴⁹ Compare Collier et al. (2003)

underlying causes than non-identity wars. The reasons for a conflict between ethnic groups are often directly or indirectly linked with their identity.

2.3.1 Group Mobilization

‘Large scale *group* mobilization – particularly for violent actions - is unlikely to occur in the absence of serious grievances at both leadership and mass level.’⁵⁰

As described above, ethnicity is one of the more important characteristics of the identity of a person because of its impact on the behavior and well-being of the individual. Belonging to the same group creates strong cohesion among the members of a group, which makes it quite easy to mobilize the group members in the case of a conflict – especially if the situation of the group is at stake. When all members of a group are affected by discrimination, resulting from their ethnic identity, it will have great mobilization power. Since groups consist of leaders and followers – the former initiating, planning and coordinating the actions taken in the course of the conflict and the latter carrying out actions and supporting the leaders – different motivations may also play a role.

2.3.1.1 The Importance of Ethnicity for Group Cohesion

A major factor in organized group conflicts is the motivation and the mobilization of the groups’ members. There must be some shared characteristics which are able to ensure group cohesion long enough to reach the group’s goal and there must be comprehensible reasons to engage in conflict with an opposing group.⁵¹ What is special about group conflict is that it is not primarily personal motivation or benefits which prompt individuals to mobilize. There must be more general reasons which each member of a group can identify with and is ready to fight for. This motivation must be quite strong since those involved are willing to engage in violent conflict and die for the group’s goal. As mentioned before, cultural differences, especially regarding ethnicity and religion, are suited well as mobilizing agents. The motivation to engage in conflict is especially high, though, when discrimination on the basis of cultural differences occurs. In group conflicts, it is rather the relative position of the group that is able to initiate conflict than the absolute position. If a group feels it is being treated unjustly

⁵⁰ Stewart (2008a), p. 12

⁵¹ Compare Stuart (2000)

compared to other groups, this can result in grievances. If the whole society was equally deprived this may be a reason for anguish, but no ethnic group in particular had a unique incentive to mobilize though. Murshed (2007) argues that many conflict societies are characterized by relative deprivation which describes a situation in which at least one group feels it is being unfairly treated.

Sambanis (2001) claims that in an ethnic civil war individual and group interests coincide. Individuals engaging in conflict may derive utility from preserving the group's identity and improving its status in their society and may thus offer their labor for free. 'Survival of ethnic identity has utility in itself (...) as economic opportunity costs are outweighed by the higher expected costs of suppression of ethnic identity.'⁵² Ethnic groups make within-group coordination easier since i.e. the mobilization base is clearly defined by ethnic identities. When a group engages in conflict for its own benefit, the collective action problem and the free-rider problem become irrelevant for an ethnic group.⁵³ Also Collier et al. (2003) point out that group-specific issues are more likely to motivate conflict since the collective action problem is less acute. If the objective were to improve everyone's situation, no one in particular would have much of an incentive to engage in conflict.

In much of the literature within-group homogeneity is said to generate the highest level of within-group coherence and thus the highest risk of conflict. Esteban and Ray (2008a) call this a unidimensional view and point out that multidimensionality in certain characteristics may well generate an even higher level of cohesion and thus conflict. It is important though 'that the heterogeneity is over a different attribute (income, in this case) than the one that determines the conflictual battle lines (ethnicity, in this case).'⁵⁴ What Esteban and Ray (2008a) do not take into account, though, is the possibility that reaching the aim the conflict is initiated for, may be enough remuneration for the individuals supplying their labor.⁵⁵ As argued before, the mere protection of one's own ethnic identity or the improvement of the group's status in the society may have utility in itself.

⁵² Sambanis (2001), p.267

⁵³ Compare also Azam (2002), p. 134

⁵⁴ Esteban and Ray (2008a), p. 18

⁵⁵ Esteban and Ray (2006) state that *self-compensation*, i.e. the willing to bear opportunity cost, is part of the compensation for conflict activists

While members of a rebel group or guerilla organization are typically⁵⁶ said to be young, unemployed males which seek remuneration, individuals joining in an ethnic conflict may do this voluntarily. Often, groups are mobilized as a defense against discrimination and attacks by others. It may well be the case that members of the discriminated group have not felt that this particular part of their identity is significant to them until it was pointed out by others. Still there must be some differences not only in characteristics but also in economic, political and other areas of life determining the well-being of the members of different groups in a society. Referring to political control and economic conditions, Stewart (2000) states that '[w]ithout any differences in these factors, group identification is likely to be weak and remain a cultural rather than political or conflict-creating phenomenon.'⁵⁷

2.3.1.2 Leaders and Masses – Different Motivations?

Leaders are said to often instrumentalize identity, ethnicity or religion to find support for their private goals.⁵⁸ Ethnic elites may try to take advantage of existing ethnic networks which 'reduce transaction costs and uncertainty with respect to the enforcement of contracts.'⁵⁹ This may or may not be true on the leaders' side but there remains doubt whether people engage in violent conflict without any personal identification with the goal. Leaders cannot take action without the support of their followers. Thus, there must be reasons for the followers to support them. While political exclusion may be a strong motivation for leaders to mobilize, grievances due to their group's relative position in social and economic dimensions may be of much greater importance to their followers.

Mobilization occurs when members of an ethnic group feel discriminated against because of their ethnic affiliation. Bates (1999) mentions the example of unequal access to education in a country. Since there is imperfect information on the labor market, individuals coming from a region with few schools are likely to be offered less good jobs. The skilled individuals of that group thus 'pay the highest costs of discrimination, and therefore possess the strongest incentive to end it.'⁶⁰ Bates (1999) thus points out

⁵⁶ As identified in literature on organized crime. Collier and Hoeffler (2000) find a higher gross secondary school enrollment rate to be associated with lower conflict risk in their study on greed-based civil wars.

⁵⁷ Stewart (2000), p.5

⁵⁸ Compare i.e. Collier and Hoeffler (2000), Sambanis (2001), Fearon and Laitin (2000)

⁵⁹ Sambanis (2001), p.263

⁶⁰ Bates (1999), p. 16

another reason, besides private financial interests, why it is mostly ethnic elites who start mobilization the masses for ethnic conflict.

If leaders only followed their own interests then why would the other members of the group support them? Esteban and Ray (2008a) argue ‘that “price-grabbing” on a large scale – often economic but possibly political, cultural or religious in nature – is frequently at the heart of ethnic conflict both for the elites as well as for the masses.’⁶¹ While leaders or the educated elite will feel resentment due to political inequalities and a lack of access to high-level jobs, a lack of access to land and employment as well as social services will rather cause resentment among the masses. Cultural HIs affect both equally.⁶² Thus when social, economic and political differences between defined groups are severe and consistent, both leaders and followers will be strongly motivated to change the group’s situation. These inequalities are called *multidimensional horizontal inequalities* and will be introduced in detail in part III.

2.3.2 Identity vs. Non-Identity Wars – Different Implications

Identity is a concept which involves distinct membership requirements and influences the behavior and the well-being of individuals. In countries where the membership in an identity group – ethnic or religious groups, for example – decides about the access to rights and services, conflicts are likely to occur along the lines of identity. However, identity wars differ from conflicts that are motivated by greed. Militias or other non-identity groups often aim at gaining control over the resources of a state such as diamonds and oil. Collier and Hoeffler (1999), for example, state that conflicts such as rebellions appear to be linked to the capture of resources like minerals, for example. In an identity conflict it is likely that the underlying motivation is linked with identity, though. To be able to identify the real causes not only for ethnic conflicts but also other internal conflicts it is necessary to distinguish between identity and non-identity wars – the former being conflicts between identity groups and the latter conflicts between guerilla or militias groups, warlord armies, revolutionary or gang wars.

⁶¹ Esteban and Ray (2008a), p. 2186

⁶² Compare Stewart (2008), p. 14

2.3.2.1 Different Causes – Greed vs. Grievance

‘Politics is more important than economics in causing ethnic civil war’⁶³ and ‘economic variables may be more important determinants of non-ethnic war onset’⁶⁴.

Most studies on the causes of ethnic conflicts aggregate all types of internal conflict in one single category, *civil war*. There is doubt, though, whether the findings of these studies apply equally to ethnic and non-ethnic conflicts. Sambanis (2001) analyzes whether different causes for identity and non-identity civil wars exist. Since ethnic groups often seek to improve the group’s status in the society by engaging in conflict, the core causes of ethnic civil wars may ‘be integral to the concept of ethnicity’⁶⁵. Conflict between co-existing ethnic groups is likely to break out if there is competition for economic and political resources in the presence of discrimination since ‘to deny the freedom of choice and access to economic or political resources to some segments of society while they are enjoyed by a privileged few can profoundly impact culturally diverse societies.’⁶⁶

Conflicts which aim at capturing the resources of a state such as oil or diamonds in turn may rather be motivated by economic incentives – greed. The examination of economic, social and political factors leads Sambanis (2001) to the conclusion that especially the lack of political and civil rights is likely to intensify grievances which motivate identity conflicts. The author finds proxies for democracy and political institutions to be significant and negatively correlated only with the onset of ethnic civil wars, not civil wars in general. Non-identity civil wars in turn are found to rather have economic motives. Murshed (2007) finds that greed cannot explain the majority of internal conflicts, but once a conflict has been initiated resources help to finance the duration of conflict. Grievances, Murshed (2007) argues, may help to initiate conflicts by decreasing the costs of participating in conflict and by preventing cooperation. Also, Collier and Hoeffler (2000) come to the same conclusion. A conflict initiated by existing grievances can become dependent on the resources that are captured during the

⁶³ Sambanis (2001), p. 279

⁶⁴ Sambanis (2001), p. 276

⁶⁵ Sambanis (2001), pp.261-262

⁶⁶ Tecola and Scanlan (2007), p. 5

conflict. Grievances may, thus, be the reason for conflict onset but greed will affect the duration.⁶⁷

2.3.2.2 Colonial Legacies

In literature it is also discussed whether the different colonial policies could be among the root-causes of ethnic conflict in post-colonial times. The distinct colonial politics used by the British and the French are said to have left different structures which either fostered ethnic conflicts or suppressed them respectively.⁶⁸ The British are said to have kept control over their colonies by dividing the population along ethnic and cultural lines and playing the groups against each other by systematically pointing out differences between them⁶⁹. Scherrer (1997) argues that the British tried to prevent the horizontal coexistence of different ethnic groups to establish a hierarchy for administrative convenience. Minority groups of a country were often given privileges to secure their support. Rwanda is an example for that.⁷⁰ While the distinction between the Hutu and the Tutsi was rather a class than an ethnic distinction, the British emphasized a variety of differences between them. The British gave the Tutsi privileged access to education and government posts among others to ensure their cooperation.⁷¹ This created not only resentment and grievances on the side of the other groups, in this case the Hutus, it also created inequality which is still present in many cases today. Although the Rwandan government emphasizes that today all citizens are Rwandan and that the distinction was only a creation of the colonial powers, the majority of political posts still seem to be in the hands of the Tutsi. No statistics are kept in regard to how posts are occupied either by Hutu or Tutsi and foreign observers have noted ironically ‘that most holders of senior posts just happen to have the light, fine features and thin noses of the typical Tutsi.’⁷²

Osborne (2000) argues that particularly after decolonization individuals will have found ethnicity the most effective characteristic to form interest groups to solve the free-rider problem and exclude non-members in the struggle for political power. Scherrer (1997) and Blanton, R., Mason, T.D. and Athow, B. (2001) examined the link

⁶⁷ Compare also Stewart and Langer (2008)

⁶⁸ Blanton, R., Mason, T.D. and Athow, B. (2001)

⁶⁹ Tecola and Scanlan (2007), p. 10; see also Scherrer (1997)

⁷⁰ Fearon and Laitin (2000), Scherrer (1997)

⁷¹ Scherrer (1997)

⁷² Scherrer (1997), p. 2.25

between the different colonial policies and the incidence of post-colonial ethnic conflict. Both studies come to the conclusion that the British policies of segregation are highly correlated both with the incidence and the severity of ethnic conflicts in post-colonial times. In Scherrer (1997) it is stated that of the seven post-conflict intra-state wars, claiming more than one million lives each, five took place in former British colonies.

There are also several arguments raised against the argument that ethnic conflicts today have their root causes in the colonial policies. Of course the colonial powers cannot solely be blamed for causing ethnic conflicts, but it cannot be denied that there are inequalities in the societies of former colonies which were caused during colonization. Whether these inequalities were alleviated or have persisted and become the cause of conflict also depends on the political system established after independence. While more inclusive institutions are able to secure the rights of all groups of a society, the groups in power often established 'winner-take-all' institutions which privileged the members of their own group only.⁷³ It is the inequalities inherited from colonial times combined with the political system established after decolonization which can lead to conflicts in former colonies even today.

2.3.3 Ethnic Diversity and Conflict in Literature

2.3.3.1 Empirical Studies

In the literature about ethnic diversity and its implications on development many different relations are examined. Quite a few studies have focused on the relationship between ethnic diversity and conflict. The overall consent is that there is no straight link between them, the relation is rather ambiguous. Still, there are many papers claiming that diversity is an obstacle to development, especially in Africa. But since the incidence of ethnic conflict is small, compared to the incidence of ethnic diversity, there must be other reasons which are able to explain such conflicts.

One area of dissent is the measurement of diversity. There are not many sources which have collected data on ethnic groups as mentioned earlier and their quality is discussed widely. But in addition to using different data sources, the studies also choose different indices for the measurement of ethnic diversity. These indicators can broadly be categorized into measures of fractionalization and measures of polarization.

⁷³ UN Report of the Secretary General (1998)

Montalvo and Reynal-Querol (2005), for example, introduce the *Q-Index*, which is a polarization measure. They argue that measures of fractionalization have failed to find a positive link between diversity and conflict because of the implicit claim of the fractionalization index that the more ethnic groups in a society the higher the risk of conflict. This is contradictory to the more popular view of a non-monotonic relationship between the two.⁷⁴

The Index of Fractionalization measures the probability that two randomly drawn members from a given state are from the same ethnic group. Collier and Hoeffler (2000), for example, use this kind of measure and conclude that ethnic diversity has no significant impact on the risk of civil war. Montalvo and Reynal-Querol (2005) run regressions with different measures of diversity and different data sets and come to the conclusion that the Q-Index is significant and positively correlated to the incidence of civil war for each variation. The Q-Index as a measure of polarization has an inverted U-shape, it is low when a state is either completely homogeneous or highly heterogeneous. The highest risk of conflict exists for the medium range of ethnic diversity. In contrast to an index of fractionalization which attributes the same weight to all groups, the Q-Index uses weights equal to the size of the different groups. One explanation given for the fact that in highly diverse countries there is little risk of conflict is that there is a coordination problem. This must not be the case though. As long as groups only mobilize their own members and have an objective which concerns the situation of the own group and thus the well-being of its members, there will not be a coordination problem (see also part 2.3.1).

Esteban and Ray (2008b) compare studies which try to find the link between either fractionalization and conflict or polarization and conflict. The authors argue that the results of the studies heavily depend on how the variables were defined and whether the onset or the intensity of conflict were examined.

Vanhanen (1999) takes a quite different approach for examining the link between diversity and conflict. In a comparative study on ethnic conflict in 183 countries he tries to find a theoretical explanation for the universality of ethnic conflicts, which he presumes to be the human predisposition to *ethnic nepotism*⁷⁵. He introduces

⁷⁴ Compare i.e. Horowitz (2001)

⁷⁵ A concept introduced by P.L. van den Berghe (1981, 1987) which argues that humans have the propensity to favor kin over non-kin. It is also claimed that the closer the relation, the stronger the preferential behavior.

an Index of Ethnic Heterogeneity (EH) which is based on the concept of genetic distance. Genetic distance is measured as the period of time that two ethnic groups have not had close contact; specifically the number of intergroup marriages is used. Vanhanen (1999) also constructs a measure of ethnic conflict for each of the countries. He concludes that significant ethnic heterogeneity leads to conflict in all societies. This conclusion is problematic in at least two ways. Firstly, Vanhanen (1999) only takes into account significant ethnic divisions. It is not stated though how the author defines significant ethnic division. This distorts the heterogeneity measure since there may be more countries with a high value of EH that display only a low level of ethnic conflict. Other studies which use a measure of fractionalization were not able to confirm a positive link between fractionalization and conflict. Secondly, the author states that the 133 countries which have high EH values also have a high value for ethnic conflicts. This is deceptive since he aggregates all types of conflict from demonstrations and riots initiated by single persons to ethnic war and genocide into one measure of ethnic conflict.

Bates (1999) chooses to use economic, social and political data of forty-six African countries to examine the relationship between ethnicity and violence since the politics of the African continent are believed to be dominated by ethnic groups. As indicator for ethnic tensions the author uses the presence or absence of a minority at risk. In his findings he emphasizes that in the majority of cases, when there is a minority at risk, there is no conflict. On the other hand when violence was recorded, in 74-84% of cases there was a minority at risk.⁷⁶ Thus 'the presence of ethnic minorities may approximate a necessary condition for political violence, it does not constitute a sufficient condition.'⁷⁷ Once the largest ethnic group constitutes fifty percent of the population violence increases because the group is big enough in size to 'permanently exclude others from the exercise of power.'⁷⁸ This threatens the existence of the minorities.

2.3.3.2 Models of Diversity and Conflict

There are various models which try to capture the relationship between ethnic diversity and conflict, each focusing on a different attribute. Whether it is the number of

⁷⁶ Compare Bates (1999), pp. 22-25

⁷⁷ Bates (1999), p. 24

⁷⁸ Bates (1999), p. 28

groups or the group sizes, the abundance of resources or the political system the models focus on, mostly an assumption is made in advance that there are inter-group antagonisms. This means that although the papers claim to investigate what they think are root causes of ethnic conflicts, the actual reasons for grievances are not even taken into consideration. By doing this, the authors keep their models from giving a broader insight into what actually causes grievances and eventually conflict. Here, only a small selection of models will be introduced. Some of these studies even state that it is inequalities between the groups which lead to conflictual situation, but they do not include this aspect in their models.

Esteban and Ray (2008a) construct a model of group formation and show that class divisions are often dominated by horizontal divisions. The authors see the reason for that in the within-group inequality in ethnic groups. Groups formed along class divisions consist either of poor or rich people. When ethnic groups are formed, they consist of individuals from possibly all class divisions, although it is also acknowledged that in some cases ethnic affiliation may be correlated with income. The rich are said to supply the financial resources needed to engage in conflict, while the poor are more likely to supply their labor. This specialization, due to economic inequality among the population is, according to Esteban and Ray (2008a), the reason for a bias in favor of the emergence of ethnic groups. The authors assume that in the course of a conflict the groups try to get the power over 'budgets' or 'policies' that produce different public goods and can be used to benefit one group over another. As examples for ethnic public goods, the funding for and support of religious activities, the proclamation of 'majoritarian' identities, the employment in economic sectors – which are dominated by a certain ethnic group – and access to natural resources are given.⁷⁹ Once one of the groups is in power, it will use its position to benefit the own members. If this is pursued across all areas, this will result in an increased level of horizontal inequalities and thus in further conflict.

Esteban and Ray (1999) try to link social conflict to the distribution of individual characteristics. In the paper social conflict is defined as a situation in which social groups with opposing interests accept losses in order to achieve their preferred outcome. Esteban and Ray (2008b) construct a model of conflict which follows Esteban and Ray (1999). Each group has to decide whether to accept peace payoffs which result from a

⁷⁹ Compare Esteban and Ray (2008a)

status quo policy or to initiate conflict. If the institutions that result from the status quo are not inclusive, a group may find it necessary to engage in conflict. They conclude that thus the occurrence of conflict also largely depends on the responsiveness of the political system.

Akerlof and Kranton (2000) develop a model of behavior which incorporates identity as motivation for behavior in a general utility function. In their view, especially for problems such as ethnic conflicts and discrimination, an identity-based analysis is useful. According to the authors, individuals tend to give rewards to members of their own group and also have better opinions of them. When one group is discriminated against, for its members this means the choice between an effort to assimilate to the dominant group – if possible at all – and suppress one's own identity or to stick by one's own identity and, therefore, accept unfair treatment. This way social exclusion can create conflictual situations.

2.4 Outlook

Even though no straight link can be established between ethnic diversity and the risk of conflict empirically, the presence of ethnic conflicts across the centuries and regions of the world requires the identification of potential root causes. The lack of empirical evidence could be due to the complexity of the issue. There is neither a single definition for ethnic group nor ethnic conflict that is commonly used. There are many types of identity groups just as there are many types of conflicts differing in severity. Conflict is not only an impediment to further development; it also destroys part of what has been accomplished so far in the development process of a country. All types of capital are affected by this destruction. For an already poor country a conflict can make the situation even more severe. Through political instability and insecurity, conflicts deepen existing grievances. It must thus be a priority of the development agenda to end existing conflicts and prevent future outbreaks.

But it may also be the expectation that diversity itself must have an impact on the incidence of ethnic conflict which is misleading. In many multi-ethnic societies ethnic groups coexist peacefully. This means that for group mobilization and violent group conflict to emerge, also other factors besides identifying with a certain group must play a role. If there are democratic channels to voice one's dissent, conflict is not very likely. For conflict to occur, a trigger of some sort is necessary.

‘[C]ultural diversity can have negative consequences on society when there is lack of freedom, unequal access to economic resources by all members of society, discrimination based on ethnic lines with regard to access to social resources and uneven representation in politics. Such social, economic and political discrimination will eventually lead to ethno-political conflicts as people struggle to gain access to scarce resources.’⁸⁰ Discrimination between different groups can thus be the reason why members decide to engage in conflict to improve their group’s situation.

Tecola and Scanlan (2007) claim that there is ‘evidence from all over SSA that lack of freedom and dominance of one group over the other have resulted in conflicts disrupting the entire population.’⁸¹ Bates (1999) suggests that good political institutions could decrease the risk of ethnic violence and help enjoy the benefits of diversity. The author recommends a political system with proportional representation rather than winner-takes-all institutions in order to avoid ethnic conflicts. But despite the high degree of ethnic fragmentation on the African continent, the incidence of conflicts is relatively low. Why do ethnic differences matter only in some cases? Tecola and Scanlan (2007) mention as example the case of the Csewas and the Tumbukas in Zambia and Malawi. Due to the arbitrary drawing of borders in colonial times, two-thirds of each group now belong to Malawi and the rest to Zambia. It is reported that since the ethnic groups were divided, the two ethnic groups were political allies in Zambia and opponents in Malawi. The different outcomes suggest that there is nothing inherent to ethnic differences, the reason why they are salient only in some cases must be a different one. The authors also argue that rather ‘it is the structure of domestic political and economic competition that shapes potential ethnic divisions into meaningful realities.’⁸² The authors conclude that a democracy is necessary which represents all groups so that there is a relative balance of power and economic equality among them.

What all these arguments have in common is the notion that ethnic diversity does not inevitably lead to ethnic conflict. Diversity itself should not be blamed to provoke conflict. There must be other factors influencing this relation. When ethnic groups engage in conflict, they may feel limited either in the opportunities they are given or the extent to which they can live and express their identity. Another reason

⁸⁰ Tecola and Scanlan (2007), p. 13

⁸¹ Tecola and Scanlan (2007), p. 4

⁸² Alesina and La Ferrara (2004), p. 25

could be the denial of rights and freedoms which are granted to other groups of society. One of the factors influencing the relation between ethnic diversity and conflict has already been mentioned by some of the models. The so called *horizontal inequalities* (HIs) will be analyzed in part III.

III. Horizontal Inequalities

‘In several nations, ethnic tensions are on the rise, often over limited access to opportunities whether to social services from the state or to jobs from the market.’⁸³

Human development regarding health, education and income, for example, is rarely spread evenly throughout a country. Often, certain religious or ethnic groups face severe inequalities in these areas.⁸⁴ In literature, inequality is usually measured in income terms and only assesses inequality between individuals. Inequality is said to be an impediment to development. Monetary inequality does not capture the incidence of inequality in a society thoroughly, though, for at least two reasons. Firstly, income inequality measures inequality only between individuals of a society and, secondly, there are multiple dimensions in which inequality can arise. There are numerous incidences in which identity groups face systematic discrimination in different areas and, thus, inequality.

The United Declaration of Human Rights (UDHR) which was ratified by the vast majority of all countries worldwide comprises the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). The dimensions stressed coincide with the dimensions that are covered by the concept of HIs, which is an indication for their importance. The importance of group identity is increased by the presence of political, social, economic and cultural discrimination, which leads individuals to be more self-conscious about their common interests.⁸⁵ The importance of identity for personal well-being was discussed in part II. Group inequality in the sense of discrimination based on identity is more likely to be an obstacle to development and to be the reason for conflict than inequality between individuals.

3.1 HIs – Definition and Concept

The existence of inequality, whether assessed between individuals or groups, implies an uneven distribution of tangible or intangible goods. Inequality means that, in

⁸³ UNDP (1994), p. 32

⁸⁴ Compare Todaro and Smith (2009), p. 63-64

⁸⁵ Stewart, Brown and Mancini (2005)

comparison, one party lacks something relative to the others: a lack of access to goods or services, a lack of recognition, a lack of freedom, a lack of opportunities or a lack of choice. Group inequalities, in addition, imply discrimination and not being able to live as one wishes because of one's identity. 'It is evident that [a] significant number of people worldwide face social, cultural, economic, and political discrimination from biased government policies or ethnocentric social practices based on their social identity.'⁸⁶ This kind of discrimination is not only an obstacle to development because of its negative implications for the ones facing it. The society as a whole is not as productive and as efficient as it could be without discrimination. Especially when whole groups are affected, their most talented and skilled members cannot fully contribute to society and, thus, the overall welfare. When inequalities occur across different dimensions, are consistent over time and coincide with group boundaries, they can have the most severe consequences.

3.1.1 Definition

The definition of *horizontal inequalities* (HIs) adopted in this paper is taken from Stewart (2008a)⁸⁷. 'Horizontal inequalities are inequalities in economic, social or political dimensions or cultural status between culturally defined groups.'⁸⁸ Vertical inequality (VI), in contrast, is inequality between individuals, mainly measured in monetary or consumption terms. An important aspect of HIs is their multidimensionality. HIs can be divided into four dimensions: political participation, economic aspects, social aspects, and cultural status. Each of the four areas comprises a number of different aspects. An overview of some of the elements of the four dimensions is given in table 3.1. While each category is important in itself, it may also be 'instrumental for achieving others.'⁸⁹ The importance of particular elements as source of income or well-being depends on the economic, political and social characteristics of the society. While, for example, access to natural resources and land is important in rural developing countries, other elements, like housing, will be more relevant when considering at a more industrialized, urban society.

⁸⁶ Tecola and Scanlan (2007), p. 4

⁸⁷ In her earlier papers similar definitions were used, Stewart (2008a) and Stewart (2008b) are however the first studies emphasizing especially the role of the cultural status dimension of inequality.

⁸⁸ Stewart (2008a), p. 3

⁸⁹ Stewart (1998), p.12

What makes HIs salient is that inequalities in different dimensions coincide with distinct group identities. Unequal access to political, economic and social resources as well as unequal treatment as far as cultural status is concerned, can reduce the well-being of members of a discriminated group. Discrimination in regard to cultural status can become a powerful mobilizing agent, since belonging to a discriminated group has negative externalities for an individual, especially when group boundaries are tight.⁹⁰ Conversely, Akerlof and Kranton (2000) argue that ‘a person assigned a category with higher social status may enjoy an enhanced self-image.’⁹¹ The UNDP (2004) states that data on education, life expectancy, literacy and school enrollment are rarely collected with respect to group affiliation. But if they are, ‘data show consistent patterns of inequality.’⁹²

Table 3.1: Dimensions and Elements of Horizontal Inequality

Political Participation	Economic Dimension		Social Access and Situation	Cultural Status Recognition
	Assets	Employment and Incomes		
Political freedoms	Land	Incomes	Education	Recognition of cultural practices
Participation in government	Human capital	Govt. employment	Health services	Respect for cultural sites
Parliament	Privately owned capital/ credit	Private employment	Safe water and sanitation	Recognition of religions
Political parties	Govt. infrastructure	‘Elite’ employment	Housing	Religious freedoms
Local government	Communal resources	Unemployment	Poverty	National holidays
Army/police	Natural resources	Informal sector opportunities	Personal and household security	Recognition of languages
Aid	Security of assets	Skilled vs. unskilled		

Sources: Stewart (1998), Stewart (2008a), Langer and Brown (2008)

⁹⁰ Compare Stewart (2002)

⁹¹ Akerlof and Kranton (2000), p.719

⁹² UNDP (2004), p.35

3.1.1.1 The Role of Perceptions

The role of identity for the individual well-being was discussed in part II. Nobody is born with a sense of which group he belongs to. Rather, group membership is determined socially by the family or community. A strong perception of one's group identity and the injustice this group faces relative to others is often necessary to provoke conflict. Differences between groups may become a reason for conflict, although they are mainly only perceived from a subjective standpoint. The actual reality may be filtered by the media, political propaganda or through education that is biased in favor of a specific view. Often, biased perceptions were created throughout history, like the differentiation between the Hutu and the Tutsi in both Burundi and Rwanda during the time of colonization.⁹³ Although both groups share a lot of characteristics, like language, religion, dress etc., the colonial powers treated the Tutsi as superior group. The newly created differences were fortified through biased propaganda and became the basis for conflict.⁹⁴ Regarding discrimination and insecurity, perceptions play an important role. In the Human Security Report 2005 the role of perceptions as trigger of conflict is emphasized. At times, it is argued, perceived threats are created intentionally by leaders in order to use them as a justification for the initiation of conflict. '[G]overnments sometimes play on people's fears and exaggerate or fabricate threats to provide political justification for war or repression.'⁹⁵

Although perceptions are important and may suffice to initiate conflict, empirical studies usually do not take them into account. Stewart (2009) is an exception. The author examines whether there is evidence for the systematic discrimination of Muslims worldwide. Therefore, among other sources, a survey on perceptions carried out in Ghana and Nigeria is used. It is stated that in Ghana, where Muslims form a small minority, 'a substantially larger proportion of Muslims think that religion affects the chances of getting government jobs, contracts and housing than Christians'⁹⁶. In Nigeria where Muslims form the majority, it is rather Christians who think that their religion may constitute a disadvantage regarding these matters. But, interestingly, ethnicity was perceived as being even more important than religion in both countries.

⁹³ Compare Scherrer (1997), Brubaker and Laitin (1998) and Stewart (2002)

⁹⁴ Compare Stewart (1998), p.24-25; Stewart (2002), p.5

⁹⁵ Human Security Center (2005), p. 47

⁹⁶ Stewart (2009), p.25

3.1.2 The Four Dimensions of Horizontal Inequality

3.1.2.1 The Political Dimension

Inequalities in political participation can occur on all levels of public life, e.g. on the levels of the national government, parliament, the local government, bureaucracy and the army.⁹⁷ Members of a certain group may be denied the right to vote or to nominate political representatives for their group's interests. This impacts the individuals in several ways. When one group is denied political participation, this means unequal access to political power. Access to political power means having an influence on the allocation of the government budget and other resources of the state including their rents. Also, the allocation of public employment can be influenced by the group in power. Especially when the government budget is small, also the power over foreign aid and its allocation is of great significance. The ones in power are also able to influence rules and regulations concerning the allocation of public goods and sometimes even private investments. Political power, thus, allows the state leader to favor his own group at the expense of the other groups.⁹⁸

3.1.2.2 The Economic Dimension

The economic dimension comprises not only inequalities in income but also unequal access to land, minerals, livestock and other financial and natural resources. Discrimination can additionally occur regarding employment opportunities and the access to human and social capital. Especially 'elite' positions in the private and public sector may be reserved for members of the privileged group. The skilled members of a discriminated group may have no access to jobs that would fit their qualification. These positions may instead be taken over by a less skilled member of the privileged group. By controlling economic assets, some groups are able to secure long-lasting privileges which put them in a stronger position to exploit the market.⁹⁹

3.1.2.3 The Social Dimension

Also regarding the social situation group inequalities can exist. Access to public services, such as education, health facilities, safe water, sanitation and housing, may be

⁹⁷ Compare Stewart (2008a)

⁹⁸ Compare Tangerås and Lagerlöf (2003)

⁹⁹ Compare Stewart (2005)

unequally distributed. This leads to unequal outcomes in human development indicators regarding health and educational achievements, like life expectancy, disease cases, literacy and school enrollment. Through the lack of access to health and education, discriminated groups often have higher poverty rates and worse future prospects. Overt discrimination can, in addition, affect personal and household security of members of the discriminated group.¹⁰⁰

3.1.2.4 The Cultural Dimension

The cultural status of different identity groups may be unequally recognized in a society. The prohibition or the special treatment of cultural expression can occur formally and informally. Therefore, the extent to which a society recognizes a group's cultural practices, like traditional dresses, rituals or customs, and shows respect for cultural sites, plays a role. For the leaders of identity groups the recognition of customary leadership and group hierarchies are important. An important characteristic of group identity is often religion. Cultural status equality, hence, also comprises religious freedoms and the respect for religious holidays and festivals, as well as the symbols of that religion. Culturally diverse countries are usually also linguistically diverse. This raises the question of which official language to choose: one of the group's languages or the language of the former colonizer, for example. When an official language is chosen, there should be support for the study of the other languages and the media in other languages.¹⁰¹ The recognition of the cultural characteristics of a particular group enhances the status and prestige of a group. The partial lack of recognition can lead to tensions within a society, in turn.

3.2 Why HIs Matter

As mentioned before, economists predominantly use vertical inequality (VI) measures to assess the income inequality in a society. For development not only financial aspects are of importance, though. Also the situation regarding education, health, good governance and many other factors matter. These aspects are taken into account in the concept of HIs. Why HIs matter, what roles they can play in causing conflict and whether one of the dimensions may be especially important is discussed in the following parts.

¹⁰⁰ Compare Stewart (2008a)

¹⁰¹ Compare Langer and Brown (2008)

3.2.1 Why *Horizontal* Inequality – Implications for Development

The following parts illustrate why it is rather HIs than income inequality that are important for the assessment of inequality in a country. The importance of the concept of HIs mainly results from the effect they have on the development of a country. Still, for the assessment of the development of a country measures of income inequality like the Gini coefficient are used. While income inequality definitely has negative implications for an individual, group inequalities are likely to be more salient for the society as a whole. Individuals may be unhappy with their situation but cannot start a rebellion on their own. When group inequalities coincide with identity, this creates resentment across group members and is a much greater motivation mobilization. These inequalities can endanger the political and social stability of a society, which is a precondition for successful development. For large-scale group mobilization to be effective, a shared identity does not suffice. There must be serious group grievances concerning the relative situation of the own group regarding different dimensions. Both, leaders and followers of a group, will be motivated strongly when group inequalities are severe and consistent in multiple dimensions.¹⁰² Thus, the group aspect as integral part of HIs is of great importance.

3.2.1.1 Horizontal vs. Vertical Inequality

When examining the impacts of inequality, commonly a one-dimensional measure of income or consumption per capita is used. But the income distribution can only display the monetary inequality of a society, ranking individuals from top to the bottom according to their income. It is not very likely, though, that income inequality is able to reflect the actual inequality that exists in a society thoroughly. Addison and Murshed (2003) point out that ‘national measures of inequality often hide considerable (and unmeasured) local variations and it is the latter that can be crucial in determining the scale and character of violence.’¹⁰³ The focus should be on the well-being of individuals when measuring inequality. If an individual faces discrimination because of his identity, for example, regarding the access to health or the freedom of cultural expression, even a high income cannot compensate for the negative impact on well-being and the feeling of exclusion. As mentioned above, group inequality can arise in at

¹⁰² Compare Stewart (2005)

¹⁰³ Addison and Murshed (2003), p. 392

least four dimensions, which each comprise a number of elements. If one tries to assess inequality in a country, both monetary and non-monetary aspects should be taken into account. Table 3.1 gives an overview of the elements of the political, economic, social and cultural dimensions, but it is not exhaustive. Depending on each case, there can be also other relevant elements for each category.

Significant vertical inequality in any dimension can exist in a society without the simultaneous existence of horizontal inequality and vice versa. When the average income of all groups is equal, for example, this means that not across but within groups inequality exists. Since vertical inequality is not restricted to one group only, it will not cause resentment towards other groups.¹⁰⁴ Still, strong intra-group vertical inequality may also affect the risk of conflict. When the access to certain assets is unequally distributed within a group this may cause resentment among its members. The elite of a group may then identify more with other elites, which would decrease the risk of group conflicts. Esteban and Ray (2008a), however, point out that within-group inequality in certain dimensions, like income, may also increase the risk of conflict by making specification within groups possible. While members with higher income can contribute financial resources, members with lower income can supply their labor.

Stewart, Brown and Mancini (2005) argue that measures of vertical inequality can often be decomposed into inequality between and within groups. When poverty reduction is the objective, the main focus is still on the reduction of income inequalities in a society. Where HIs are present, however, it will not suffice to only address income inequalities. Stewart, Brown and Mancini (2005) argue that group inequality is likely to be a worse impediment to growth that makes reaching social objectives more difficult than VI in a homogeneous society.

Concerning the risk of conflict, studies such as Collier and Hoeffler (2000) were not able to establish a link between income inequality and internal conflict. The narrow definition of inequality and them not taking into account group inequalities may be the reason for that. Internal conflicts, like civil wars, are conflicts between identity groups. Identity groups do not mobilize without a reason, though. The causes for such conflicts are, therefore, likely to be inequalities between the groups. Other studies, such as Gurr

¹⁰⁴ Compare Stewart (1998)

(1993) and Østby (2007), find evidence for a positive relation between group inequalities and internal conflict.

3.2.1.2 HIs – Implications for Development

‘Economic, social and political inequalities can harm economic growth if they result in the accumulation of discontent amongst some population groups to a sufficiently high level as to break social cohesion.’¹⁰⁵

According to Stewart (1998), the existence of HIs can largely affect the efficiency of an economic system. By excluding members of certain groups from education, employment in certain sectors and political participation, for example, a society cannot tap its full potential. Discrimination is always less effective than a situation without discrimination since the society does not make use of the potential of talented or skilled members of a discriminated group. Also, unequal access to education means a rising proportion of unskilled workers, unemployment and poverty, which has negative implications for the society as a whole. This affects the generations to come as well. When parents are uneducated and poor, they are less likely to be able to provide their children a good education and, thus, the chance to break the cycle of deprivations. Granting equal access to health services and education, as well as the creation of political and social stability, are important to facilitate development.

‘Group inequality can be more damaging for individual well-being than similar inequality among a homogeneous population because people in deprived groups may feel trapped in their situation, particularly when persistence occurs across generations.’¹⁰⁶ It is the situation of a group that is important for individual well-being and happiness.¹⁰⁷ ‘[T]he performance of a person’s own identity group may affect their happiness positively while that of other (...) groups may have a negative impact.’¹⁰⁸ Due to the close link between identity and well-being, restrictions in living conditions and expressing one’s identity have a negative effect on well-being. A country cannot develop successfully when members of society face systematic discrimination.¹⁰⁹ Examples of systematic discriminated groups are the Catholics in Northern Ireland,

¹⁰⁵ Justino (2004), p.1

¹⁰⁶ Stewart and Langer (2008), p. 56

¹⁰⁷ Stewart et al. (2005), Akerlof and Kranton (2000)

¹⁰⁸ Stewart, Brown, Mancini (2005), p.6

¹⁰⁹ Compare Todaro and Smith (2009), pp. 16-19

Africans in South Africa during Apartheid and Moslems in Western Europe and North America today. Stewart, Brown and Mancini (2005) refer to a psychological study which has found evidence that African-Americans suffer from many psychological ills due to the position of their group. Also the UNDP (2004) emphasizes the importance of cultural liberty and argues that cultural exclusion of specific groups impedes development. One important aspect of cultural exclusion that is stressed in the Human Development Report 2004 is the so called *participation exclusion*. It refers to systematic social, economic and political exclusion based on cultural identity. This corresponds with the definition of HIs as put forward by Stewart (2002). Another type of cultural exclusion is stated to be *living mode exclusion*, which means that there are restrictions or discrimination regarding the expression of one's identity.

HIs have a negative impact on individual well-being through the limitation of choices. The notion of *capabilities* and *functionings* in the measurement of inequality, as put forward by Sen (1992), corresponds with the notion of HIs to some extent. *Functionings* are defined to be 'beings and doings' which influence the quality of life from access to health and being adequately nourished, to taking part in the life of the community and being happy. *Capabilities* are defined to be a set of vectors of *functionings* which reflect a person's freedom to choose from possible ways of living. Freedom to choose thus reflects a person's opportunities of well-being. 'Choosing may itself be a valuable part of living, and a life of genuine choice with serious options may be seen to be –for that reason- richer.'¹¹⁰ What matters for well-being is, thus, the freedom of choice, to have the control over one's own life and the ability to express one's identity. Conversely, HIs which imply the denial of choices in different dimensions, have a negative impact on well-being. Sen's approach has influenced recent development studies, which have now put increasing emphasis on health, education, social inclusion and empowerment when assessing the development of a country, and not only income.¹¹¹

Social and political stability in a society also depends to some extent on personal well-being. HIs, which have a negative effect on personal well-being, therefore are a danger to the stability of a country.¹¹² Especially if systematic discrimination persists over generations, individuals may feel trapped in a vicious cycle. In ethnic conflicts

¹¹⁰ Sen (1992), p.41

¹¹¹ Compare Todaro and Smith (2009)

¹¹² Compare Stewart (2009)

individual and group interests, thus, often coincide since group membership is connected with identity and thus a person's well-being.¹¹³ According to Stewart (1998), it is the political and economic differentiation between distinct groups which make group identity a significant mobilizing basis. The relative rather than the absolute position of a group compared to other groups is, thus, of importance. Deterioration in well-being due to HIs can lead to political mobilization. 'Some mobilisation occurs as a defensive reaction, in response to discrimination and attacks by others.'¹¹⁴ Glaeser (2002) argues that hatreds often result from the belief that other groups are responsible for past and future crime. According to the author, these beliefs may be based on facts but are also often created by leaders who follow their political ambitions.

Through the creation of higher conflict risk, HIs are an obstacle to development. Østby (2007) examines the relationship between horizontal inequalities, political environment and civil war in 55 developing countries. The author finds socioeconomic inequalities to be positively correlated with conflict for group identifiers, such as ethnicity, for her sample of data of 55 developing countries. Stewart (2000) argues that countries in which HIs are consistent across different dimensions have a higher conflict risk than those without any HIs or where HIs are inconsistent. But there are also many societies in which HIs have persisted over a long time until conflict breaks out all of a sudden. Often there is some sort of trigger event which sometimes does not even seem to be connected to the root causes of conflict at first sight.

3.2.2 Different Functions of the Different Dimensions

'[E]thnicity as a concept is much more closely associated with political and cultural identity than with economic rights or class'¹¹⁵.

Inequalities in the different dimensions differ in their impact on both, individuals and the other dimensions. Inequality in political participation and cultural status are likely to have more severe consequences than the other two dimensions, though. Causal links between the dimensions are responsible for the persistence and reinforcement of group inequalities. Group inequalities can lead to virtuous and vicious cycles. Privileged groups are more likely to secure or even improve their position through the access and

¹¹³ Sambanis (2001)

¹¹⁴ Stewart (2000), p.5

¹¹⁵ Sambanis(2001), p. 266

accumulation of capital, while discriminated groups may feel trapped in a vicious cycle. While political, economic and social inequalities can persist for years until conflict breaks out, cultural status inequalities can trigger conflict immediately.

3.2.2.1 The Special Role of Cultural Status Inequalities

‘Where groups feel their identity is accorded insufficient recognition, they are most likely to become alienated from that state and to resort to mobilization, which could turn violent.’¹¹⁶

There has been quite a lot of research on political and economic grievances (i.e. Stewart (1998), Stewart (2000), Collier and Hoeffler (2000), Fearon and Laitin (2000), Tangerås, and Lagerlöf (2003)). One aspect that has been more or less neglected for a long time is the cultural status dimension which often complements political and economic discrimination. Now that people are increasingly demanding more respect for their cultural identities, greater social justice and greater political voice¹¹⁷, the importance of the cultural dimension of HIs has been emphasized in different studies. The UNDP, for example, devoted the Human Development Report 2004 to the issue of cultural liberty in today’s diverse world. Langer and Brown (2008) define cultural status inequalities ‘as perceived or actual differences in the treatment, public recognition, or status of different groups’ cultural norms, practices, symbols and customs.’¹¹⁸ Culture often plays a fundamental role since it is the common identity based on a shared culture that connects the members of a group. How a group is treated or recognized relative to other groups can form an inequality itself, which leads to mobilization, not only in combination with the other dimensions. The cultural status of a group and discrimination regarding that status may, thus, be decisive for mobilization to occur.

What makes the cultural status important is its close connection to a person’s identity. Although the cultural status comprises the recognition of the culture, religion and language of a group, there is evidence that religion is especially important. Religious differences compared to linguistic differences may be more important in explaining internal conflicts. Religion is exclusive; a person can only have one religion. It can, thus, be used more effectively to form a group and exclude others. A person can, however, speak more than one language, which weakens the boundaries between

¹¹⁶ Langer and Brown (2008), p. 53

¹¹⁷ Compare HDR (2004)

¹¹⁸ Langer and Brown (2008), p. 42

different linguistic groups. Religion, in addition, implies a certain way a group views the world. Two different linguistic groups within a society may have a common way of viewing the world, which makes cooperation and collaboration easier. It is more difficult when different religious groups are involved. When a group feels that its religion or the practices and rituals are not recognized, it may, therefore, be especially conflict-provoking.¹¹⁹

Especially the lack of cultural recognition can easily trigger violent mobilization. Amartya Sen emphasizes the role of cultural liberty in the Human Development Report 2004. Cultural liberty means one is able to choose the own identity without losing the respect of others or being excluded. The denial of cultural liberty can lead to significant deprivations and grievances, since it is also important for the success or failures in social, political and economic spheres. Deprivation largely works through a process of exclusion. It is dangerous to allow such inequalities since for ethnic groups it is quite easy to mobilize in order to contest disparities such as injustice.

Historical examples of cultural status inequalities are the Aborigines in Australia in the 18th century, the native Indians after the discovery of North America, the slaves in the United States before the civil war and the black majority in South Africa during the Apartheid era. These groups were not only discriminated against because of their identity, they were also not given the possibility of assimilation.¹²⁰ Belgium and Ghana, on the contrary, are examples for culturally inclusive states. Both have implemented institutions which are supposed to ensure the inclusion and equal treatment of the different groups within the countries. Although inequalities have persisted, mainly between the northern region and the rest of Ghana, it never led to internal conflicts. Already the first president of Ghana, Kwame Nkrumah, promoted cultural inclusiveness through a variety of practices. One example is that he alternately wore the traditional dresses of the different groups on public occasions.¹²¹ This gave all groups the feeling to be equally included and respected.

Although exclusion and discrimination are probably the best visible forms of cultural status inequalities, they are not the only ones. Langer and Brown (2008) discuss three aspects of cultural status inequality in more detail: the recognition of religious

¹¹⁹ Compare Reynal-Querol (2002)

¹²⁰ Langer and Brown (2008)

¹²¹ Compare Langer and Brown (2008), p.44

practices and observances, language rights and language recognition, and recognition of ethno-cultural practices.

The first aspect covers the relationship between the state and religion and how different religious groups are recognized. Issues can be public holidays, religious practices and building churches, mosques, synagogues or temples. At the two extremes the state is either separated from religion (at least officially) or integrates it completely. Whether one religion is labeled 'dominant' or just treated as such, discriminating in favor of one religion is likely to initiate grievances among the adherents of other religions. Especially religion, due to its great symbolic value, is potent for being the motivation for group mobilization. Nowadays there are various examples of intra-state wars being fought in the name of religion. But even in secular states in Europe and the United States, Christianity has a privileged public position regarding holidays etc. There are political parties which either explicitly or implicitly integrate religious affiliations. An example is the German Christian Democratic party (CDU). 'Given the profound importance of religion to people's identity, it is not surprising that religious minorities often mobilize to contest these exclusions.'¹²²

But also the second aspect, the way different languages are treated in a society, matters. The declaration of an 'official' language which is used by the government, schools etc. is the most visible form of privileging one language. 'It symbolizes respect for the people who speak it, their culture and their full inclusion in society.'¹²³ The third aspect is the recognition of ethno-cultural practices and customs. Official practices may privilege the dominant group in a society through the incorporation of their practices and symbols, national holidays or the promulgation of national heroes. The status and prestige of a group can be greatly affected by cultural status discrimination. It is, thus, likely to be a motivation for conflict.

3.2.2.2 Root Causes vs. Triggers of Conflict

'While severe socioeconomic HIs can persist for decades without raising violent responses (...), changes in cultural status inequalities, like changes in political HIs, can

¹²² UNDP (2004), p. 8

¹²³ UNDP (2004), p. 9

be important in the politicization of inequalities, and can be a factor in group mobilization for violence.’¹²⁴

Stewart (1998) emphasizes that it is of great importance to not only identify the root causes of conflict but also the specific triggers that lead to an escalation in order to decrease future conflict risk. The author points out that in several societies, organized conflicts persist over a long time at a certain – often non-violent – level until they escalate. Scherrer (1997) argues that it is an interplay of root causes and trigger events that leads to conflict. The author assumes the root causes of many post-colonial ethnic conflicts to be the socio-economic and political injustice caused during colonization. ‘[E]uropean colonization also created or reinforced differing degrees of inequality, often correlated with ethnicity, which have also proved remarkably stable over the centuries.’¹²⁵ Privileged access to education in Burundi and Rwanda goes back to colonial times for example.¹²⁶ Socio-economic inequalities can definitely create grievances among groups but are not likely to trigger conflicts in the absence of political and cultural status inequalities.

The lack of cultural recognition can be a continuous source of resentment while ‘particular attacks on cultural symbols can be a trigger for conflict’¹²⁷. An important feature of cultural status inequalities is that they are able to provoke mobilization themselves; leaders do not need to explain their meaning. Grievances are directly linked to the elements of identity which predominantly provide the basis for group mobilization.¹²⁸ Examples of cultural status discrimination which trigger conflict are the recurring marches through the Catholic neighborhood by Protestants in Northern Ireland to remind of the ancient victory over Catholic Ireland or the burning of flags of other ethnic groups in public. Whenever such discrimination is performed in public without any or insufficient reaction from the state or the society, it implicitly seems that it is being tolerated. Thus, it is the state’s reaction to such events that can even fortify perceived inequalities.

¹²⁴ Langer and Brown (2008), p.51

¹²⁵ Todaro and Smith (2009), p.68

¹²⁶ Compare Stewart (1998), p.22

¹²⁷ Stewart (2008a), p.14

¹²⁸ Compare Langer and Brown (2008)

‘The trigger necessarily involves some change – including changes in relative deprivation or the activities of a particular political leader.’¹²⁹ A change in inequality, like the relative access to an important resource, can thus also trigger a conflict. This change can be caused by different factors. Endogenous developments, like a growing population, environmental changes, like floods or droughts, or the success or failure of development models, are some examples. Others are policy changes regarding institutions, employment, prices or incomes that can change existing inequalities. But also external developments regarding the allocation of aid, market access and terms of trade may have an influence.¹³⁰ Triggers can, thus, be events of allegedly minor importance which do not have any connection with ethnicity at all.

Consequently, one could say that while political, social and economic HIs are often the (root) causes of conflict, cultural inequalities are the means most effectively used for group mobilization and changes in cultural inequalities are likely to trigger actual conflict onset. The meaning and the importance of identity and group membership has been discussed in section II. Due to the fact that the majority of civil wars are organized along identity lines, it is especially important to understand what role identity and discrimination based on identity plays in provoking conflict. While they may not be the underlying root causes of conflict, they are often inevitable in mobilizing support for the groups in conflict.

3.2.2.3 Causal Connections and the Persistence of HIs

One aspect making HIs harmful is their persistence over time that is fortified by the causal connection between the dimensions. A group being treated as ‘second-class’ will face discrimination not only in regard to the expression of their cultural identity but also to various other instances that are part of the political, social and/or economic dimensions. Deprivation and grievances are often passed on to the next generations, reinforce each other and intensify. But only if groups or group boundaries respectively persist over time, persistent inequality is an issue. Dominant groups will try to preserve their privileges. Through the causal connection between inequalities in different dimensions this leads to an accumulation of advantages.¹³¹ Persisting inequality, in turn, leaves people trapped and powerless providing a powerful motivation for mobilization.

¹²⁹ Stewart (2000), p.6

¹³⁰ Compare Stewart (1998), p.14 or Stewart (2000), p.11

¹³¹ Stewart (2005)

Historic examples for persisting inequalities are those between Catholics and Protestants in Northern Ireland, between the north and the south of Ghana and between blacks and whites in the United States. Although inequalities have narrowed they still exist to some extent.¹³²

While each dimension of inequality is important itself, it may also be ‘instrumental for achieving others.’¹³³ Despite the fact that there are causal connections between all four dimensions of inequality, the political and the cultural dimensions have the greatest impact on the others, however. Political power inequalities can impact all other dimensions due to the range of decisions one has control over. The special role of cultural status inequalities was already discussed in part 3.2.2.1 . But why are cultural status inequalities and political participation especially important and effective as motivation to mobilize for conflict? Perceived discrimination that is based on cultural affiliation is in itself a reason for grievances because of the inherent link to group identity. Still, the combination of inequalities in all four areas affecting a group bears the highest risk for conflict because the existence of cultural status inequalities can influence the salience of HIs in other dimensions. The more a group is discriminated against, the more desperate and hopeless members are.

Inequality in political participation can result in social and economic inequalities as well, since the group in power is likely to discriminate in its favor. This is possible due to the unequal distribution of political power.¹³⁴ A biased distribution of health and educational infrastructure can, for example, be the result of political participation inequality. When a country is endowed with resources, like minerals, a group can secure the power over the rents of such resources and, thus, economic advantages by securing political power. Political power is an important instrument for economic power since it comprises the allocation of the government is economic and social investments.¹³⁵ A group facing severe political participation inequalities is not able to influence decisions taken by the ones in power. These decisions may regard the social as well as the economic or the cultural life of the society. When the decisions taken by those in power result in systematic discrimination for a particular group, this group may not have an alternative to improve its situation but to mobilize its members to fight for justice.

¹³² Compare Stewart and Langer (2008)

¹³³ Stewart (1998), p.12

¹³⁴ Compare Stewart (2005), p.8

¹³⁵ Compare Stewart (2000)

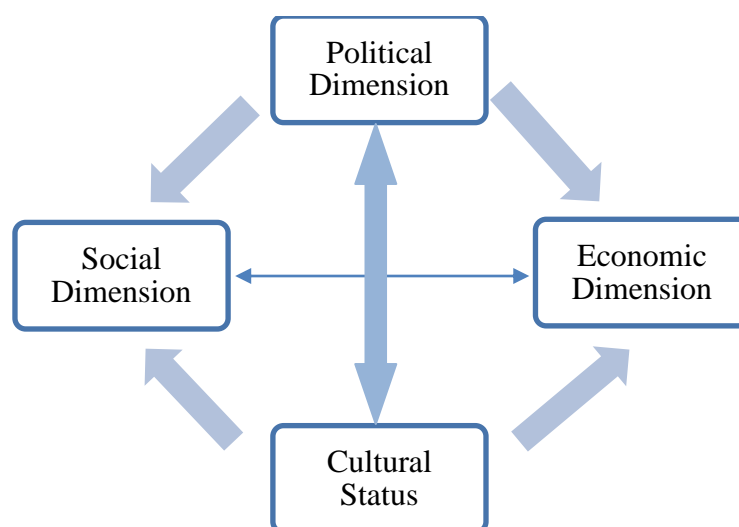
Social and economic inequality can impact each other both ways but do not affect the political or cultural dimension a lot. They rather result from political and/or cultural status inequality than cause it. A lack of access to education and health facilities results in poor economic opportunities. Low income, in turn, tends to result in poor educational access and health status. An individual may feel trapped in a vicious cycle of deprivation. ‘Differential access to education both reflects differences in incomes and causes it, so it is key to the perpetuation in inequalities’¹³⁶. This will be passed on to the next generation and can turn to a vicious cycle of deprivation. But, vice versa, there are also reinforcing cycles of privilege since one type of capital requires another to be productive. A privileged group is, thus, likely to secure its position through the access to several types of capital.¹³⁷

Interactions among the elements of the four dimensions of HIs are important in explaining the persistence of deprivation. Different types of capital interact and need each other to be productive. When a group is kept from accumulating human capital, for example, its possibility to be productive and accumulate financial capital is also limited. Once a group is deprived of the access to different forms of capital, it will be harder for them to improve their situation in the future. On the contrary, a person with good education and high income can easily save, invest or borrow money due to the easier access to the capital market. Social capital, like the networks of a group, is of higher value the more group members are well educated and have higher income. Continuing discrimination regarding the access to different types of capital is of course the most severe obstacle for a group to improve its situation and reduce HIs. Those facing socioeconomic inequalities often lack political power, which keeps them from being able to influence their situation. The presence of one form of inequality, thus, makes inequality in other areas more likely. Figure 3.1 indicates the most important causal connections between the four dimensions as they are discussed above. The political and cultural dimensions exhibit the greatest influence on the other dimensions. The social and economic dimensions are greatly influenced by the political and the cultural dimensions and also reinforce each other.

¹³⁶ Stewart (1998), p. 22

¹³⁷ Compare Stewart (2008a)

Figure 3.1: The Main Causal Connections Between the Four Dimensions of HI



When it is not possible to reduce HIs directly, there are also indirect ways to improve a group's situation. According to Stewart and Langer (2008), group inequalities can be reduced through the weakening of group boundaries. This can happen through inter-group marriage, for example. Since the salience of specific identities change over time, group boundaries also change. This also affects the HIs that have existed before. When the identity of a group, or the salience of a specific identity, changes, the former basis for discrimination disappears. Another way to reduce HIs is said to be migration. Often, migration is believed to enhance personal opportunities, but it does not necessarily improve the situation. It depends on several factors whether migration leads to a successful change of one's situation or not.

3.3 The Measurement of HIs

'Grievances can be historical, but it can have a measurable and quantitative counterpart in group inequalities in socio-economic achievement.'¹³⁸

Regarding the measurement of VI, a lot of research has been done. Various issues, like different types of measures, using either income or consumption, the advantages and disadvantages of aggregation and the limitations, have been discussed in great detail. Although there are a number of different measures which each have their advantages and disadvantages, there is consent about the characteristics a measure of

¹³⁸ Murshed (2007), p. 12

income inequality should ideally have. Sen (1992) supplies a helpful summary of the state of the art

However, there are only very few studies on the measurement of HIs. This is partly due to the complexity of the concept of HIs and the lack of group-level data. There are a few approaches to construct a single measure of HIs. Another idea would be to construct of a measure for each dimension in order to make a more detailed analysis and interpretation possible. Still, the comparison of the single elements across groups and over time would not be possible.

But there are also other approaches. The Human Development Index (HDI), for example, is usually calculated on the country-level, trying to capture a country's development performance in a single number. Only for very few countries the HDI has been calculated for the different cultural groups. It has been done for Romania and Namibia in 2004. While Romania's HDI ranks 72nd, the HDI calculated for the Roma population would only rank 128th. This shows that the Roma in Romania thus have an HDI well below the Romanian average. Regarding Namibia, there are 174 ranks in between the HDI of the German-, English- and Afrikaans-speaking population and that of San speakers.¹³⁹ One effort to collect data on the systematic discrimination of ethnic groups, which mobilize because of the inequalities they face, is the Minorities at Risk Project. It will be introduced in part 3.3.2 . Since there is no consent about the empirical measurement of HIs, the following section is supposed to give an overview of the approaches existing in the literature and some of the measurement problem one faces.

3.3.1 Different Measures and Measurement Problems

‘The extent of real inequality of opportunities that people face cannot be readily deduced from the magnitude of inequality of *incomes*, since what we can or cannot do, can or cannot achieve, do not depend just on our incomes but also on the variety of physical and social characteristics that affect our lives and make us what we are.’¹⁴⁰

The measurement of HIs is not very common yet. But there are different approaches on how to measure multidimensional inequalities. However, several

¹³⁹ UNDP (2004)

¹⁴⁰ Sen (1992), p.28

important issues need to be taken into consideration. Aggregation, for example, may be useful for cross-country comparisons of the severity of HIs, on the one side, it does not allow an in-depth examination of a causal connection between different elements of different dimensions of HIs, however. It may be useful to construct indices for each dimension instead of developing a single measure of HIs. In a single measure one could also not determine which of the dimension actually has the greatest impact and how each dimension changes. Another issue is how to incorporate the values of the different groups when only one measure, either for HIs or for each dimension, is constructed. Should weights be used? Are group sizes the best benchmark for weights?

Some studies try to use income inequality measures to approximate group inequalities. There are certain axioms, like anonymity, transfer sensitivity, scale independence and population independence, which a good measure of (vertical) inequality should fulfill. A measure that satisfies these is the Gini index, for example. The fifth axiom is actually of the greatest interest here and regards decomposability. When a measure also satisfies also the fifth axiom, inequality can be broken down into within and between sub-group inequality. This will give an overview of the incidence of both the overall inequality in the society and how much inequality between groups contributes to this. While both inter- and intra-group inequality may be of interest, they should not be incorporated into one measure since this could lead to difficulties as far as interpretation is concerned. Still, there must be a connection between vertical and horizontal inequality, though, since measures of overall inequality like the Theil index can be decomposed into between and within-group inequality.¹⁴¹

Still, these measures are only based on income or consumption data. They do not give insight into the incidence of HIs. The Gini index, for example, is a popular measure for inequality although it is not sub-group consistent decomposable. General Entropy Measures, which also include the Theil index, satisfy all five axioms. Their use is not as commonly spread, though. Stewart, Brown and Mancini (2005) discuss different measures of VI like the Coefficient of Variation, the Gini coefficient and the Theil index and the limits in using them as a measure of group inequality. The authors suggest to modify these measures into group measures of inequality. While this can give an overview of the incidence of income inequality among groups, the other aspects of HIs are not covered.

¹⁴¹ Seminar Income Distribution and Welfare Analysis 2008/09, HU Berlin; Stewart (1998)

The lack of a commonly accepted measure is not the only issue, though. Measurement problems can arise because governments often do not collect data on group inequalities because of their political sensitivity.¹⁴² Even if the first obstacle – to identify the relevant groups involved – is overcome, there may be no data on the groups of interest.¹⁴³ It may be obvious or known which groups are in conflict but since identities can change and are often instrumentalized, as discussed in part II, new groupings can also appear. This means that even if there are data collection efforts which take into account group divisions, this is only useful as long as groups persist. Hence, the existence and change of salient group divisions must be monitored closely.

As mentioned earlier, some studies have made the effort to construct a single measure of HIs. Østby (2007) is one example for that. The author uses an aggregate measure of HIs in her study on the relation between HIs, the political system and social conflict. HIs are measured as

$$HI = 1 - \left(\exp \left(- \left| \ln \left(\sum_{i=1}^M \frac{A_{i1}/A_{i2}}{M} \right) \right| \right) \right)^{144}$$

where M is the maximum number of household assets, A_{i1} is the mean asset score of group 1 and A_{i2} is the mean score of group 2. The index ranges from 0 (lowest level of asset inequality between the two groups) to 1 (highest level of inequality). The index, however, only incorporates socioeconomic inequalities which are approximated by the distribution of household assets and years of education across different groups. This does not capture the whole incidence of HIs in a country. Furthermore, the index is only constructed to include two groups. Choosing which two groups are used for the measurement of HIs can bias the outcome heavily when assessing the link between HIs and conflict, for example. Keeping these limitations in mind, Østby (2007) finds both horizontal asset inequality and educational inequalities to be positively associated with conflict onset. The former is significant at the ten percent level only, the latter at the five percent level.

Stewart (2000) suggests the use of simple measures to measure HIs like the coefficient of variation, the ratio of the worst performing group to the average and to the

¹⁴² Compare Murshed (2007)

¹⁴³ Stewart, Brown and Mancini (2005)

¹⁴⁴ Østby (2007), p. 12

best performance. Since there are four dimensions, one can compare the performance in each dimension for the different groups and whether gaps widen or narrow. One problem of using ratios of average performance, for example, is that it can only be applied to two groups. This limits their use and effectiveness. They can give an insight into the severity of different HIs for different groups. When the relationship between HIs and conflict or HIs and development is of interest, though, they can only be used with caution.

Acknowledging the insufficiency of income to capture the inequalities existing in a diverse society, Gurr (1993) includes political, social, economic and cultural dimensions of relative deprivation in his study. The author constructs indices of political, economic and cultural disparities for 233 groups in 93 countries. However, the Minorities at Risk data set only includes groups which face discrimination or mobilize to support their interest. Due to these limitations in the selection process, the problem of a selection bias may arise. Still, Gurr (1993) emphasizes the importance of identity-based discrimination in different dimensions and its relevance for conflict occurrences. The project and its data support the view expressed here, that differential treatment of distinct identity groups in a society regarding a number of dimensions constitutes a risk for the stability of a country. The Minorities at Risk project will be introduced in more detail in part 3.3.2 .

This was only a brief overview of the different approaches to measure HIs empirically. The majority of studies do not try to develop measures explicitly for that purpose. Instead, they use data on economic, social, political and cultural aspects and compare the different performances. These data often do not include information on group affiliation. In order to approximate group differences, often regional data are used, assuming that particular regions coincide with the territory of distinct groups. This may be true in some cases but surely not all. Definitely, future research on the measurement of HIs must be accompanied by efforts which explicitly collect data on the various elements of the four dimensions of HIs for the relevant identity groups of a country.

3.3.2 The Minorities at Risk Project

The Minorities at Risk (MAR) Project was initiated by Ted Robert Gurr in 1986 and is based at the University of Maryland's Center for International Development and

Conflict Management. Data are collected worldwide on 283 politically active ethnic groups from 1945 to the present, divided into several phases. Since group boundaries change, also the number of groups tracked in each phase changes. The groups included into the data set must face discrimination in the social, political, economic and/or cultural dimensions compared to other groups. Also, a group must be the basis for political mobilization and collective action in defense or promotion of its self-defined interest. The concept used in the MAR project thus corresponds with the concept of HIs introduced here. Another restriction on groups being included is their size which must exceed 100,000 members or constitute at least one percent of a country's population.¹⁴⁵

The view is advanced that group traits, which originate from a common identity, can contribute to the sentiments and interests that lead to collective action. Common identity is defined as sharing characteristics like language, history, experience, cultural practices and religion. It is stated, though, that these are not essential for group identity as it is seen in the project. What matters is the perception that the characteristics differentiate one group from another and, thus, justify their separate status. Taking into account all the criteria, this means that only advantaged and disadvantaged minorities are included. Majorities that are advantaged and minorities and majorities that are at least not worse off than other groups were not included. Since the focus is on discrimination between groups, in countries where freedoms are restricted for all members, no data were collected. The data collection is not comprehensive since there are definitely ethno-political groups that meet the criteria and are not included, as stated on the MAR website.

The MAR data comprise quantitative data on identity groups, their cultural, economic, political and social status, discrimination in any of the dimensions and whether they were engaged in any type of conflict from demonstration to rebellion. The cultural and political dimensions are split up into several variables examining discrimination. To measure the economic situation of the groups, an economic discrimination and an economic differentials index are included.

¹⁴⁵ Compare Gurr (1993) or Minorities at Risk Project (2009): <http://www.cidcm.umd.edu/mar/> for more detailed information

The data set only includes the identity groups that are affected by HIs and mobilize because of that. This means that examining the link between HIs and conflict is impossible. The results will be biased and will over-exaggerate the link since there is no comparison possible with groups that face HIs and do not mobilize or with groups not facing HIs that mobilize. Only the change in the incidence of HIs can be tracked using the MAR data set and the type of conflicts the groups were involved in. It gives a good overview of the incidence and the severity of the different elements of political, cultural and socio-economic discrimination around the world and how many people are affected by them. For current data collections the criteria for the groups have been altered to address issues of selection bias.

The following numbers¹⁴⁶ give an overview of the incidence of discrimination in different dimensions between 1996 and 2000 as calculated by the MAR project. In the brackets the sum of the members of all groups that faced respective discrimination are given. All levels of discrimination in one particular area were summed up to give an overview of their overall incidence.

Cultural discrimination was measured among others as restriction in religion (359 million), the use of the own language (334 million) and ceremonies (305 million). Altogether 129 of the 233 groups included in the MAR data with around 518 million members faced some kind of cultural discrimination.

Regarding political discrimination, data was collected on discrimination concerning key political rights such as freedom of expression (280 million), rights in judicial proceedings, freedom to organize, the equal right to vote (83 million) and the access to police, military, civil service and higher office (300 million). Of 233 groups 191 with 832 million members faced political discrimination of some sort.

Socio-economic discrimination affected 189 groups with 750 million members.

¹⁴⁶ Compare UNDP (2004)

IV. Ethnic Diversity, HIs and Conflict

4.1 Models of Ethnic Conflict

In the economic literature there are various approaches to model different aspects of ethnic conflicts. The eventual aim is to identify the root causes of ethnic conflicts in order to come up with recommendations on how to decrease the conflict risk of a country. The main focus is on economic motivations of ethnic conflict which may be a too narrow approach, though. Other factors such as political, social and cultural aspects may have an even greater impact on the motivation of individuals because of the connection to one's identity. Collier and Hoeffler (2000) have initiated a discussion about whether greed or grievances are better explanations for civil wars. Other models, such as Tangerås and Lagerlöf (2003), focus on how the number of ethnic groups affects the risk of conflict in an already conflictual situation. Esteban and Ray (2006) examine how increases in ethnic radicalism, population size, income and within-group inequality influence the risk of conflict. Caselli and Coleman II (2008) developed a two-stage model in which the members of the discriminated group have the option either to 'switch' their ethnic group at some cost or remain in the initial group and be exploited by the dominant group.

What these models have in common, despite their different approaches, is how they treat the role of identity. Identity is used to construct group cohesion but can be 'switched' if it is convenient. The salience of identity for both individual and group well-being is neglected. Of course, there are conflicts that are initiated due to economic or political incentives and in which ethnicity is used to create group cohesion and to be able to identify an enemy. This type of conflict may mistakenly be perceived as being an *ethnic* conflict. Ethnicity is used instrumentally in order to hide the actual reasons for the conflict. Here, the focus is on conflicts that are actually *ethnic*. What defines this type of conflict is that ethnic groups mobilize because of grievances that are related to their identity. As discussed in the previous parts, identity has a strong impact on personal well-being especially when a group faces systematic discrimination. Still, most studies on ethnic conflict do not consider identity-related motivations for conflict although it is quite likely that conflict causes are linked to identity.

In the following parts, first, three existing models will be discussed and criticized regarding the incorporation of identity the role it is given. Each of the models aims at finding the cause of ethnic conflicts but neither of them examines the role of ethnicity explicitly. Eventually, an own model is introduced which incorporates the role of identity. It will be shown, that in a society with two different ethnic groups, discrimination and conflict is more likely to occur when identity is viewed as salient by the groups.

4.1.1 Collier and Hoeffler (2000): Greed and Grievance in Civil War

Collier and Hoeffler (2000) compare two different motivations for rebellion: greed and grievance. Therefore, two empirical rational choice models are constructed which are, then, tested empirically. Civil war is defined as internal conflict with at least 1000 battle-related (civilian and military) deaths. This is quite an arbitrary definition, but it is commonly used in economic literature. There are different forms of internal conflicts, as mentioned before Scherrer (1997) has made an effort to come up with a systematic typology of different types of civil war. Of the seven types identified, four were classified as ethnic conflicts. Collier and Hoeffler (2000) use civil war data to find out which of the two motivations, greed or grievance, or a combination of the two exhibits the greatest explanatory power for the occurrence of civil wars. Since the definition of civil war used only takes into account the number of casualties, the data comprise different types of civil wars. Sambanis (2001) showed that identity and non-identity wars have different motivations, the former rather caused by grievances the latter by economic motives (greed). The explanatory power of the models is thus affected by the proportion of identity and non-identity wars in the data set. The authors define grievances as resulting from religious or ethnic inter-group hatreds, political exclusion and/or vengeance. Inter-group hatreds are assumed to be historical and likely to be the cause of conflict in ethnically diverse societies. This is problematic because it makes it impossible to examine the reasons for the inter-group hatreds which may be historical, as assumed, but are likely to be influenced by the current situations of the groups as well. In the regression, ethnic fractionalization is used as proxy for hatreds, although there is no evident link between diversity and the existence of hatreds. This implies that diversity of some degree is assumed to lead to hatreds and eventually

conflict which is controversial.¹⁴⁷ As mentioned earlier, no empirical evidence was found for a link between fractionalization and the occurrence of internal conflicts yet. Whether a group is able to exclude another politically is assumed to depend on the existence of *ethnic dominance*¹⁴⁸, the level of political rights and the degree of income inequality in the society. Ethnic dominance exists when a group constitutes more than 45 percent of the population. High income inequality in the society is used as indicator for political exclusion. This is problematic as well. Grievances are assumed to be the motivation for groups to engage in conflict. The groups are distinguished by ethnic or religious affiliation. A measure of income inequality only distinguished the poor from the rich; it does not take into account group affiliation explicitly. Of course income inequality may coincide with group boundaries but Esteban and Ray (2006) for example focus on within-group inequality. While all members of a group have a common identity, inequality in other dimensions, such as income, may lead to a specialization within the group and, thus, an increase of conflict risk. Leaders or the elite of a group can contribute financial resources while the other members can supply their labor.

A hypothesis examined by Collier and Hoeffler (2000) is that since grievance assuagement is a public good, a group trying to initiate a rebellion will have severe collective action problems. This depends on how the role of identity is treated. Collier and Hoeffler (2000) only state that there must be objective grievances for a group to start a rebellion. As discussed in part III, grievances between identity groups are based on the relative situation of their group in the society. This means that not objective but rather subjective grievances are at the core of a conflict. While a rebel organization, which is not based on common identity, faces a collective action problem when trying to initiate a conflict, an ethnic group does not. The well-being of members of an ethnic group depends to some extent¹⁴⁹ on the situation of the group. Therefore, if a group mobilizes for its own benefit, to improve the group's status in the society, for example,

¹⁴⁷ The relationship between diversity and conflict was discussed in part II. Although a number of economists assume negative implications of diversity on development in general and on conflict risk specifically, there is no empirical evidence. Azam (2002) therefore strongly recommends the inclusion of identity in the search for conflict causes but stresses that diversity itself should not be regarded as a cause.

¹⁴⁸ Compare also Collier et al. (2003) in which it is argued that it is rather ethnic dominance than ethnic diversity that causes conflict.

¹⁴⁹ The stronger the discrimination of a group, the greater is the impact of identity on personal well-being. The restrictions which arise from discrimination limit the possibility of an individual to improve the personal situation on his own. Thus the stronger the discrimination, the more motivated are the members of the group to improve the situation collectively.

or to fight against discrimination, the collective action problem becomes irrelevant.¹⁵⁰ Another aspect that is often emphasized is that the costs of conflict are lower for ethnic groups because recruits are more willing to join. While remuneration is definitely needed to recruit people for a non-identity rebel organization, in an ethnic group the defense or improvement of the welfare of the group may also count as remuneration.¹⁵¹

The results of the paper are largely affected by the lack of recognition of the importance of identity and how it affects well-being and decision-making. The grievance model is found to provide only little explanatory power. This result may have been influenced by various aspects, how grievances were modeled and the type of civil war data used. By explicitly incorporating other aspects of identity-related grievances, such as the systematic discrimination of certain groups, the explanatory power of the model could be increased.

4.1.2 Caselli and Coleman (2008): On the Theory of Ethnic Conflict

Caselli and Coleman (2008) aim to find an explanation for the variation of ethnic conflicts across countries and over time. In the model, the society is endowed with a set of wealth-creating resources which provide an incentive to form coalition in order to capture them. Ethnicity is used as distinguishing marker to form a group. Caselli and Coleman (2008) state, that some ethnic distinctions are more effective than others in preventing infiltration of the group. According to the authors, religion and language cannot prevent infiltration. Skin color and other physical characteristics, in turn, can because assimilation is more costly or even impossible. The authors use ethnicity as an instrument to distinguish between members and non-members. When one group is exploited by the other, members can choose to switch their identity and join the dominant group. The dominant group has the incentive to prevent infiltration. The more group members it has, the smaller the per capita benefit of holding power and exploiting the other group.

¹⁵⁰ Compare also Azam (2002), p. 134

¹⁵¹ Esteban and Ray (2006) include *self-compensation* in their model. This coincides to some extent with the arguments brought forward in part II. Fighting for the cause of the group and improving the group's situation may have value in itself, which could explain why individuals are willing to bear the opportunity costs of conflict also in the absence of financial remuneration.

The model focuses on income streams which either result from assets that cannot be expropriated, such as human capital, or the access to expropriable resources which depends on the access to political power. The assumption, that individuals will switch their ethnicity whenever it is more convenient, is critical though. As stated before, an individual has multiple characteristics which form his identity. Ethnicity and religion were found to be especially conflict-provoking, though. It is the strong group cohesion created by ethnicity and religion and the loyalty of group members, which make them salient for conflict. In a conflict that is initiated due to grievances between identity groups, it is quite unlikely that members will switch their identity to get an economic advantage since their well-being does not depend on income primarily. Caselli and Coleman (2008) use ethnicity as an instrument to form groups which are motivated by greed. There are definitely conflicts for which this type of scenario applies, the focus in this thesis is on actual *ethnic* conflicts, though.

4.1.3 Esteban and Ray (2006): A Model of Ethnic Conflict

In the model introduced by Esteban and Ray (2006), there are two ethnic groups, H and M, in a society. Discriminatory government policy leads to ethnic activism. The extent of activism depends on *ethnic radicalism* of individuals. Ethnic radicalism is defined as the intensity of feelings a group member has towards a discriminatory government policy. If this policy favors the own group it will be supported, if it discriminates the group it will be neglected. Group success is modeled as the probability that the discriminatory policy is prevented or implemented respectively. The participation in conflict must be compensated, which can also take the form of *self-compensation*¹⁵². The main focus is on the role of within-group versus across-group heterogeneity, though. It is assumed ‘that the situation is inherently conflictual, and (...) no attempt [is made] to model group decisions to enter into conflict in the first place.’¹⁵³ Inter-group antagonism is furthermore assumed to vary across individuals, which leads to different contributions to conflict.

If the policy raised is in favor of group H, the variable x , ethnic radicalism, measures the extent to which a member of H supports the policy or the extent to which a member of M rejects it respectively. The variable A^i stands for the number of activists

¹⁵² This means that individuals willingly bear the opportunity costs of conflict in the absence of financial remuneration.

¹⁵³ Esteban and Ray (2006), p.3

of each group. The Each member of group H takes the contributions of all others H-individuals, A_-^h , as given to choose his own contribution of financial resources, r , which depends on individual income:

$$\max_r p \left(A_-^h + \frac{r}{s^h}, A^m \right) x + u(\omega - r)$$

The remuneration of one unit of activism is given by s^h . The probability that the policy is successful, p , depends on the relative number of activists of each group involved in the conflict. The utility derived from consumption by a person with resources w , who contributes the amount r to the group's cause, is $u(w-r)$. The maximal contribution an individual can make is, thus, their earning capacity.

Mobilization is modeled to depend on the intensity of 'ethnic feelings'. Furthermore, it is acknowledged that also non-financial compensation may suffice as remuneration for activism. The authors conclude, though, that an increase in income inequality within groups increases conflict risk, rather than an increase of inequality between groups. If the elite of the group can contribute more financial resources, it is argued, and the rest of the group is even poorer and, thus, has lower opportunity cost, this will lead to an increase in conflict. Other factors identified by Esteban and Ray (2006), which make a conflict more likely, are one-sided increases in radicalism or population size. When individuals are more radical, they are willing to contribute more; when there are more people in one group it means there are more individuals contributing resources or labor. Both ways, conflict increases in the model. This has nothing to do with the initial causes of the conflict, though. If the factors that made the situation inherently conflictual, as it is assumed, vanished, an increase in income inequality within a group, an increase in radicalism or in group size would not be reason enough to provoke a conflict.

The factors identified, thus, contribute to explain the duration and persistence of conflicts and also different levels of severity. It does not, however, help to explain why conflict breaks out between ethnic groups in the first place. The authors state, that the focus is on heterogeneity both between and within groups. The conclusion focuses on income heterogeneity only, though. Inequalities in other dimensions which are linked to identity, although mentioned by the authors, are not taken into account. On the side, ethnicity is acknowledged to affect radicalism and thus mobilization, but its role in determining the underlying causes of conflict is neglected.

4.2 Ethnic Conflict and HIs

The models introduced in the previous part have incorporated identity in different ways. But neither has recognized the importance of identity in motivating conflict. According to Sen (2006), rather than the simultaneous presence of different cultures, it is the way they are treated in society which matters for conflict risk. I make an attempt to develop a simple model which incorporates discrimination of identity groups – HIs – and identity-related behavior. What makes HIs an important aspect in explaining the occurrence of ethnic conflicts is that inequalities in different dimensions coincide with group identity. When inequality is linked to identity, it provides a powerful motivation to mobilize. Members of the group are motivated to help improve the situation of the group because their own personal situation is closely linked to it. Discrimination can affect all parts of life: income, success, health, happiness and well-being. Therefore, identity should be incorporated in a model of ethnic conflict.

The incorporation of identity-related behavior in an economic model was introduced by Akerlof and Kranton (2000)¹⁵⁴. It is shown that identity, modeled as social categories the individuals are assigned, is salient for human behavior. Not only does identity affect our preferences and, thus, economic decisions, it can also ‘explain behavior that appears detrimental.’¹⁵⁵ The authors state, that the choice of identity and also limits to the choice may be important determinants for individual economic well-being. Identity is modeled as belonging to different social categories. These categories differ in the social status they are given in society. Members of a category with a high social status are likely to have an enhanced self-image and, thus, differentiate themselves from members of ‘lower’ groups. Each social category has a set of prescribed characteristics, which comprise appropriate behavior and ideal physical characteristics, for example. Male/female and poor/rich are given as examples for social categories. Each individual is expected to behave according to the prescriptions. Akerlof and Kranton (2000) argue, that if a female has an occupation which is traditionally male-dominated, this may cause resentment on both sides. The model is not concerned with conflict between groups, but has important features which make it a good basis for a model of ethnic conflict.

¹⁵⁴ Other papers exploring different economic functions of identity are Basu (2005), Sen (2006) and Basu (2009). In the sociological and psychological the importance of identity in determining behavior is commonly acknowledged.

¹⁵⁵ Akerlof and Kranton (2000), p.717

4.2.1 A Model of Discrimination and Conflict

4.2.1.1 Setting and Background of the Model

The model of ethnic conflict introduced here only concerns short-term decisions and consequences. As discussed in the previous two parts, identities or better the salience of specific parts of identity can and do change over time. But only as long as the groups of interest persist over time, a long-run model makes sense. There are two identity groups in a society, A and B, which differ regarding their ethnic affiliation. It is also possible to assume N groups but several studies¹⁵⁶ have shown that polarization rather than fractionalization is significant for conflict and that the highest conflict risk exists for a society with two opposing groups. Group A is in power.¹⁵⁷ This means that members of A form the government and, thus, hold political power. Alternatively, in some models like Esteban and Ray (2006), it is assumed that there are two groups and a government. As argued before inequalities regarding the political power are of great importance. The ruler has power over a wide range of decisions and, thereby, has the possibility to favor the own group. That is why it is assumed that one of the groups is in power. No assumption is made regarding the political system. There are several studies which have either found no significance of democracy for conflict risk (Collier and Hoeffler (2000)) or a higher conflict risk for democracies and semi-democracies (Østby (2007)). There is also evidence that even in majoritarian democracies minorities can be discriminated.¹⁵⁸

In economic literature, individuals are usually assumed to be rational and act in their self-interest. Only few papers have focused on the role of altruism. Basu (2009) endows individuals with *cooperative spirit*, ‘which allows them to work in their collective interest, even when that may not be in their self-interest.’¹⁵⁹ Individuals are randomly matched in a Prisoner’s Dilemma (PD) game. It is examined how in-group altruism affects the decisions taken in different situations. Figure 4.1 displays how the

¹⁵⁶ Compare for example Collier and Hoeffler (2000), Tangerås and Lagerlöf (2003) or Montalvo and Reynal-Querol (2005)

¹⁵⁷ It has been mentioned that often the state instigates violence to defend position and benefits of the own group. Compare i.e. Stewart (2000). The UN (1998) states that in ethnically divided countries the group in power often displays a ‘winner-takes-all’ mentality. Also, Montalvo and Reynal-Querol (2002) state, that societies split into two equally sized groups face a conflict risk that is six times higher than that of a homogeneous society.

¹⁵⁸ Compare Stewart (2000)

¹⁵⁹ Basu (2009), p.1

payoffs change with and without altruism parameter α . Players can choose between cooperative behavior C and defection D. Basu (2009) states, that the payoffs of the PD can also be regarded as ‘units’ of well-being. Being cooperative only pays when one is facing a member of the same group though. ‘People do have different ethics and altruism for in-groups and out-groups.’¹⁶⁰ This should be taken into account especially in a society that is divided along identity lines.

Figure 4.1: Prisoner’s Dilemma Game Without and With Altruism Parameter α

		Player 2				Player 2	
		C	D			C	D
Player 1	C	6, 6	0, 8	→	Player 1	$6+6\alpha, 6+6\alpha$	$8\alpha, 8$
	D	8, 0	3, 3			8, 8α	$3+3\alpha, 3+3\alpha$

Source: Basu (2009), p.8-9

Following Basu (2009), it is assumed that individuals are endowed with *cooperative spirit* towards their own group. The reason could be that individuals are proud of their identity. A member of a certain group, thus, values the well-being of a member of the same group more than the well-being of members of the other group. This means that group A, which is in power, has the incentive and the possibility to favor the own group. The positive discrimination of the own group, which simultaneously implies the negative discrimination of the other group, increases the well-being of the own group. The allocation of jobs, investments in school and health facilities and the distribution of rents from resources may be used to favor members of group A. In turn, this means that group B is being discriminated in the access to these goods and services. As stated in part III, inequality in political power often lead to inequality also in the economic and social status of a group. This is also the case here.

The well-being and the behavior of individuals are affected by their identity. This becomes even more obvious in the presence of identity-based discrimination.

¹⁶⁰ Basu (2009), p. 20

Akerlof and Kranton (2000) model a general utility function, which depends on the individual's identity. Individuals are assigned social categories like male/female or poor/rich. Here, the utility functions of the groups are of interest. Although the background of the model is a totally different one, the general idea of Akerlof and Kranton (2000) is the basis for the group model developed here. Instead of being assigned a social category, the groups are differentiated by identity – ethnicity in this case. It has been stated before, that collective action is not a problem in an ethnic group due to strong identification and group cohesion. Even if leaders and followers of a group have different motivations for conflict, what they have in common is the aim to improve the group's situation in order to improve their personal situation and well-being. Both, leaders and followers are affected if there is identity-based discrimination. Due to the collective spirit, individuals value their identity and group membership. Discrimination has a negative impact on an individual and is, thus, likely to increase cooperation within the group and provide a motivation to mobilize.

Group utility depends positively on the relative status of the own identity group in the society I_i ¹⁶¹. U_i is furthermore assumed to be additively separable. This is supposed to make the identification of utility changes in the different scenarios more transparent. Regarding the second derivative of the utility function no assumptions are made, since a concave utility function would imply risk aversion and no assumptions shall be made regarding the risk preferences of the groups. The utility of group i is:

$$U_i = U_i(I_i)^{162}$$

⊕

The relative status I_i , in turn, depends positively on the overall status of group i , G_i , and negatively on the overall status of group $-i$, G_{-i} . It was mentioned in the previous part that it is not the absolute but rather the relative position that matters for group conflicts. If both groups were equally poor or had an equally bad access to services, there would be no reason for a conflict particularly between the two ethnic

¹⁶¹ Akerlof and Kranton (2000) define I_i as the status of the social category an individual is assigned. An individual belonging to a category with a higher status also has a higher self-image.

¹⁶² The utility function looks exactly like the one used by Akerlof and Kranton (2000), the variable I_i is defined differently though.

groups. Therefore, the status of the group in the society only matters in comparison with the status of the other group:

$$I_i = I_i(G_i, G_{-i})$$

⊕ ⊖

Following the concept of HIs, there are four dimensions in which a group can face discrimination. Since the discrimination is based on group identity, the status of the group is affected by it. The overall status of each group, thus, depends positively on the political status, P_i , the economic status, E_i , the social status, S_i and the cultural status, C_i , of the group. Furthermore, it is assumed that the overall status of a group depends positively on the actions of the own members, a_i , and negatively on the actions of the members of the other group, a_{-i} . Group A can choose between two types of action, $a_A = \{discrimination, no\ discrimination\}$. The discrimination only concerns the cultural status, though. The existence of cultural status inequalities, as discussed in part III, are assumed to severely increase the conflict risk and to serve as trigger for conflict in many instances. Group A could decide to increase its cultural status by improving the status of its own language, religion or culture. This would have a positive effect on group A, however, at the same time group B will be affected negatively. Group B also has the choice between two actions, $a_B = \{conflict, no\ conflict\}$, as a reaction to group A's behavior. By letting the actions of others influence the own status, externalities are captured. Due to the cooperative spirit, members of i will always favor other members of i over members of group $-i$. The actions of both groups, discrimination and conflict, are likely to influence i 's access to consumption goods and services.¹⁶³ While discrimination can directly impact whether individuals have access to goods and services, conflicts can have an indirect impact through the destruction of stores, production sites and the like. The overall status is:

$$G_i = G_i(P_i, E_i, S_i, C_i, a_i, a_{-i})$$

⊕ ⊕ ⊕ ⊕ ⊕ ⊖

¹⁶³ Compare Akerlof and Kranton (2000). They assume that a_i and a_{-i} determine an individual's access to consumption goods and services.

The relative status of a group, I_i , therefore provides information on the relative situation of the group regarding the four dimensions of HIs.

4.2.1.2 A Two-Stage-Model of Ethnic Conflict

Langer and Brown (2008) emphasize the importance of cultural status inequalities for conflict. The situation described so far already contains inequalities regarding the political status and, thereby, possibly also regarding the social and/or economic status of the groups. Group A is in power and can increase the own utility by discriminating group B also regarding its cultural status. Political power implies that one has the control over a wide range of decisions. Since both groups are assumed to favor the own group, the one holding power is able to influence the economic and social situation of the groups. Before any decisions regarding the actions are taken, A's relative status in the society is already higher than the status of group B due to its higher political status, $P_A > P_B \Leftrightarrow G_A > G_B \Leftrightarrow I_A > I_B$. If group B were economically stronger, for example, it is still not very likely that its status is higher due to the importance of political power. Group A has the power to influence policy and regulations. It could decide to expropriate members of group B, could exclude them from leading positions, prohibit the export of their goods or could deny them the access to the capital market.

In stage one, group A decides whether it discriminates group B regarding its cultural status. Since A is in power, it has the possibility to favor the own group. Due to the cooperative spirit towards the own group it also has the incentive. A, thus, takes the first decision in the game. Group A could decide to declare its own language to be the national language or the own religion to be the national religion in order to increase its relative status even further. Due to the inherent link between cultural status and identity, the discrimination in this dimension has a great impact on the utility of the groups. In diverse societies individuals often show extra trust towards those they share a common identity with. Therefore, A gains extra utility from enhancing its cultural status, B is affected negatively and incurs a loss in utility.

Basu (2009) mentions an altruism premium towards individuals with a common identity. This idea is transferred to the situation between the two groups modeled here. Each group will receive an identity premium, $IP_i > 0$, for putting effort into increasing the group's status, as in A's case, or defending the own group against discrimination, as in B's case. The identity premium results from the importance the groups attribute to

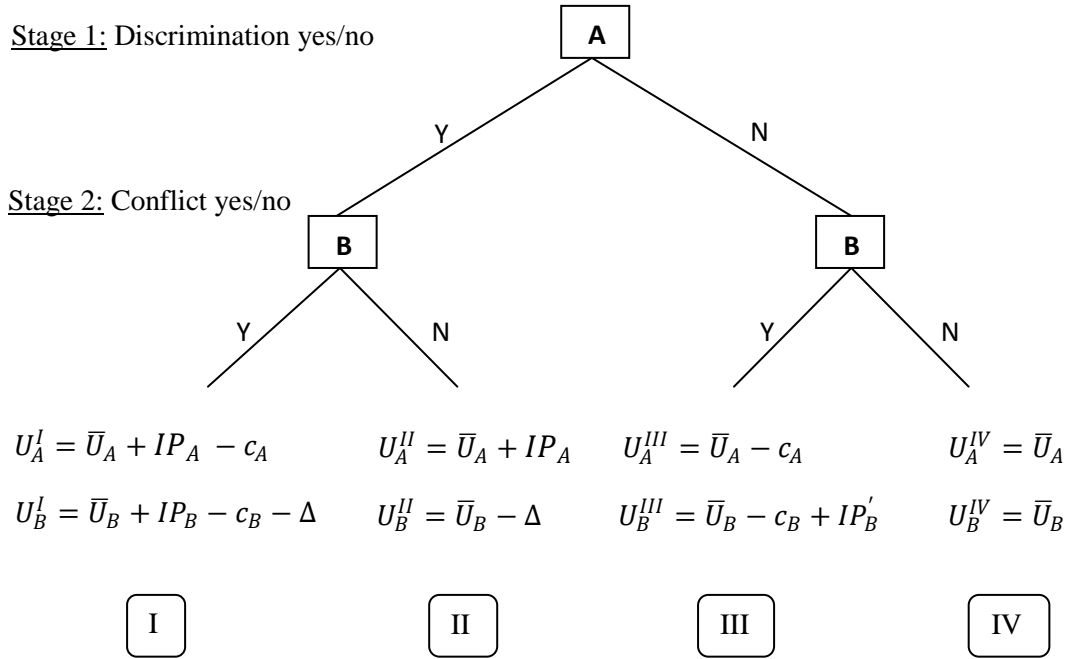
their identity. The more the individuals identify with their group and the more important identity is, the more effort a group will put into improving its situation. Due to the importance of identity for the group's utility and, thus, also the member's well-being, taking action in order to improve the situation of the group has value in itself. The identity premium is assumed to completely capture the utility gains that are generated. This assumption is made in order to make the comparison of the group utilities in the four possible outcomes of the game more transparent. Due to the assumption that the utility function is additively separable, the utility will be split up into a status quo utility, \bar{U}_i , and the gain or the loss in utility due to the respective actions of the groups. \bar{U}_i is the utility of a group at the beginning of stage one, before any decisions regarding actions are taken.

In stage two, group B decides whether to engage in conflict and contest the cultural discrimination or to accept it and remain peaceful. If it accepts the discrimination, it will incur a loss of utility, Δ ; if it decides to engage in conflict, B will also incur this loss and additionally face costs of conflict, c_B . However, B will also receive a premium, IP_B , for making an effort to improve its situation. The costs of conflict should be seen as psychological costs rather than monetary costs. In the case of conflict, also A incurs costs, c_A with $c_A \neq c_B$. The loss in utility, Δ , results from the difficulties group B faces due to the discrimination. If A's language becomes the national language, members of B will face difficulties in their daily life.

Basu (2009) uses a PD game to demonstrate that due to the cooperative spirit an individual possesses towards individuals with a common identity, the individual will receive additional utility when he cooperates with someone of the same identity. Here, the identity premium, IP_i , implies a utility gain that is reaped because each group values its own status more than that of the other group. The premium for group B is assumed to be larger when it faces discrimination regarding its cultural status. When group B is not discriminated by group A but still engages in conflict to improve its position, it will receive a premium IP'_i , with $0 < IP'_i < IP_i$. This assumption is based on Langer and Brown (2008) who emphasize the special role of cultural status inequalities. Group A does not receive any premium for the discrimination of group B regarding their economic and social status. This type of discrimination is not modeled as a separate decision. Since group A is in power, it has the possibility and the innate tendency to

favor its own members in the decisions it can take. It is not an extra effort to increase the group's status.¹⁶⁴ Figure 4.2 displays the corresponding decision tree.

Figure 4.2: Decision Tree



4.2.1.3 Possible Outcomes and Equilibria

Since U_i is assumed to be additively separable, the group utility in the different scenarios is the sum of a group's *status quo* utility plus utility gains and less any types of losses or costs incurred due to the actions. The model has four possible outcomes:

Scenario I: $U_A^I = \bar{U}_A + IP_A - c_A$

$$U_B^I = \bar{U}_B + IP_B - c_B - \Delta$$

In scenario I, group A decides to discriminate group B which increases the cultural status of group A. The cultural status, C_A , has a positive impact on the overall status, G_A , which, in turn, has a positive impact on the relative status, I_A . The effort of A to increase its cultural status, thus, leads to a utility gain, IP_A . The discrimination has a

¹⁶⁴ It is mentioned in many instances that especially in diverse states the group in power often displays a 'winner-takes-all'-mentality. Compare for example United Nations (1998)

negative effect on group B and leads to a utility loss, Δ . Group A receives an identity premium because it decides to put effort into enhancing the status of the own group. Group B decides to contest this discrimination and receives an identity premium for this effort. Both have to incur the costs of conflict.

Scenario II: $U_A^{II} = \bar{U}_A + IP_A$

$$U_B^{II} = \bar{U}_B - \Delta$$

Group A has discriminated group B which, again, leads to a gain in utility for A and a loss in utility for B respectively. Group B decides not to engage in conflict, though, and accepts the discrimination. Group A receives the identity premium and group B has to incur a utility loss Δ due to the cultural discrimination it accepts.

Scenario III: $U_A^{III} = \bar{U}_A - c_A$

$$U_B^{III} = \bar{U}_B - c_B + IP'_B$$

In scenario III, group A does not discriminate group B which means that the relative identity status does not change. Group B, however, decides to initiate a conflict. The reason could be the lower relative status due to the discrimination it faces in the political and possibly also in the economic and social dimensions. Both have to incur the costs of conflict. Group B receives an identity premium which is smaller than the premium received in scenario I.

Scenario IV: $U_A^{IV} = \bar{U}_A$

$$U_B^{IV} = \bar{U}_B$$

In scenario IV, group A does not discriminate group B and group B does not initiate conflict. Neither group receives a premium or incurs a loss. The relative status remains the same and both receive their status quo utility.

The question is, which of the scenarios is more likely and how does the role of identity affect this? Is there a Nash-equilibrium to this game and what does it depend on? Solving the game backwards, B's decision is considered first. If group A decides to *discriminate*, group B has the option either to engage in conflict or to remain peaceful. B will engage in conflict if:

$$U_B^I > U_B^{II} \Leftrightarrow IP_B - c_B - \Delta > -\Delta \Leftrightarrow IP_B > c_B. \quad (1)$$

If group B is *not discriminated* by group A, it can still decide whether or not to engage in conflict. B will decide to engage in conflict if

$$U_B^{III} > U_B^{IV} \Leftrightarrow -c_B + IP_B' > 0 \Leftrightarrow IP_B' > c_B. \quad (2)$$

Since, by assumption, $IP_B' < IP_B$, if $IP_B' > c_B$ it follows that also $IP_B > c_B$. As long as condition (2) is fulfilled, B's equilibrium strategy is *conflict* no matter what A decides to do. Whether *conflict* is always an equilibrium strategy therefore depends on IP_B' and c_B .

Likewise group A has to decide whether to discriminate group B or not. If B is assumed to always play *conflict*, then A's best response is discrimination if

$$U_A^I > U_A^{III} \Leftrightarrow IP_A - c_A > -c_A \Leftrightarrow IP_A > 0. \quad (3)$$

This condition is true since it was assumed that $\Delta I_A > 0$. If group B's strategy were always *no conflict*, A would decide for discrimination if

$$U_A^{II} > U_A^{IV} \Leftrightarrow IP_A > 0. \quad (4)$$

This is again true by assumption which means that no matter what B does A will always play *discrimination*.

Discrimination is A's equilibrium strategy, but is there a Nash-equilibrium to this game? This depends on B's decision. Since A decides first and will always play *discrimination*, only scenario I and II and condition (1) are decisive. As stated above, B will always decide for *conflict* if $IP_B > c_B$. If this condition is fulfilled, there is a Nash-equilibrium N^* in pure strategies, $N^* = \{discrimination, conflict\}$.

4.2.1.4 Conditions for an Equilibrium and Comparative Statics

How likely is it that $IP_B > c_B$? Is the utility gain from trying to enhance the group's status larger than the (psychological) costs incurred due to the conflict?

The costs of conflict, c_B , can be thought of as psychological costs which result from the instability and fears that a conflict creates. Although B is the one initiating conflict, it will nevertheless also be affected by the consequences. It could be the case

that economic activities cannot be carried out as usual. Due to the instability, shops may close, people may not be able to reach their workplace or go out at all. All this causes a feeling of insecurity. Not only is the immediate situation affected, but also the future well-being. These costs must be outweighed by the gain in utility, IP_B , for $N^* = \{discrimination, conflict\}$ to be an equilibrium.

What does the gain in utility result from? When is the identity premium likely to outweigh the costs of conflict? Identity is closely linked with the well-being of individuals. With increasing significance of identity, the utility gain from defending or trying to enhance the status of the own identity may also increase. Especially when identity-based discrimination occurs, identity becomes more salient for the well-being of group members. The group may then value the effort to improve the situation so much, that the psychological costs incurred by the conflict are even overcompensated.

As argued in part II and III, individuals are likely to feel trapped when discrimination is based on identity, since only an improvement of the group's situation can improve the personal situation. In the model, a group receives extra utility for making an effort to improve the status of the group. Group A wants to improve its cultural status, C_A , by discriminating group B. This increases G_A and thus I_A . The extra utility, IP_A , captures the value of this effort. It is the prospect of an improved situation rather than the improved situation itself that is a motivation for group members.

The discrimination causes anxiety on the side of B, though, since it is an attack on its identity. B may feel less recognized and respected. Due to the cooperative spirit, the well-being of the own group is of the greatest importance for B. The group is, therefore, motivated to challenge the discrimination and the resulting disadvantages and put effort into restoring the status. If group B decides to engage in conflict in order to contest the discrimination, it will gain extra utility, IP_B . Conflict is the only action that can be taken in order to improve the situation. The mere prospect of an enhanced situation may compensate the costs incurred. This relieves the anxiety caused by the discrimination. As long as B is altruistic towards the own group and values its own status more than the status of the other group, it is likely that the identity premium, IP_B , outweighs the costs of conflict, c_B , and $\{discrimination, conflict\}$ is an equilibrium.

The model emphasizes the importance of group identity for individual well-being. How would the equilibrium change if the status of the own group was less

important? When identification with the own identity is strong, the status of the group is important for individual well-being. But as mentioned before, the importance of specific elements of identity can change. Ethnicity, which is the element of identity that is of interest here, may become less important. This could be due to the development of the economy as a whole. Individuals may start viewing a different element of their identity as more important, class for example. But, they could also still identify with their ethnicity first, the status of their ethnic group may just be less important to them. Group utility could depend on αI_i , with $0 < \alpha < 1$. As a result, group A would not gain as much utility from enhancing the own relative status and group B would not lose as much from a lower relative status. The incentive to put effort into enhancing the group's status would, as a result, definitely be lower. But as long as A receives an identity premium larger than zero, it has an incentive to discriminate group B.

If individuals were not endowed with cooperative spirit and did not value their group's status at all, they would not gain any extra utility from putting effort into enhancing the group's situation. Assuming this is the case, none of the groups would receive an identity premium in any scenario. In scenario I, group A would receive $\tilde{U}_A^I = \bar{U}_A - c_A$ instead of $U_A^I = \bar{U}_A + IP_A - c_A$. Group B, in turn, would receive $\tilde{U}_B^I = \bar{U}_B - c_B - \Delta$ instead of $U_B^I = \bar{U}_B + IP_B - c_B - \Delta$. The groups' utilities resulting from the other three scenarios also do not contain any identity premium anymore, but remain the same apart from that. Starting with B's decision, if A chooses discrimination, B engages in conflict if $\tilde{U}_B^I > \tilde{U}_B^{II}$. This requires that $-c_B - \Delta > -\Delta \Leftrightarrow -c_B > 0$. Obviously, this condition can never be fulfilled. If A decides to discriminate, group B decides for conflict if $\tilde{U}_B^{III} > \tilde{U}_B^{IV}$ which also leads to the condition $-c_B > 0$. Again, this condition cannot be fulfilled. Therefore, B has no incentive to engage in conflict no matter what A does. How does A decide if B never engages in conflict? Only scenario II and IV are relevant therefore. A decides to discriminate if $\tilde{U}_A^{II} > \tilde{U}_A^{IV}$. Since A does not receive an identity premium in scenario II, $\tilde{U}_A^{II} = \tilde{U}_A^{IV} = \bar{U}_A$. Clearly, group A has no more incentive to discriminate against group B and is indifferent between the two scenarios. Overall, when neither group can earn an identity premium, B does never have an incentive to engage in conflict and A is indifferent between discrimination and no discrimination. In conclusion, this means that the more salient identity is for individual well-being, the more likely it is that a Nash-equilibrium exists in which there is both, discrimination and conflict.

4.2.2 Possible Long-Term Effects and Issues for Further Research

Although the model only considers the short-run, discrimination regarding the cultural status can also have long-term effects. If a group's language becomes the national language this will lead to various advantages. Individuals, who are able to speak the national language, are generally in a better position. This does not only concern education. Also in public life, speaking the national language is of advantage. Children, who are not able to speak that national language, will have difficulties in school. The same problem arises in secondary and tertiary education. Adults may not be able to work in governmental institutions or high positions if they are not able to speak the national language. But also in daily life there will be obstacles. Also in public institutions, such as a job agency or a registration office, the national language is used. Individuals may not be able to follow political changes, simply because they are not able to understand the language used in politics. This affects the understanding and knowledge of laws and regulations that are implemented.

When a particular language or religion becomes the national language or religion, this will impact the overall status of all groups in a society. Cultural status discrimination in the model introduced above is likely to lead to benefits for group A in the long run. If in public life and education A's language is used, its members definitely have an advantage. Members of B, in turn, will face difficulties and costs. They either have to learn the language or find someone who can translate it for them. Due to the official recognition of its language, the prestige of group A is enhanced. Being a member of group A may, thus, be viewed as more valuable and beneficial than being a member of any other group. Despite the fact, that members of B can and may decide to learn A's language, they will increasingly feel resentment against group A due to the lack of recognition of their group. Members of a group are proud of their identity and are assumed to be altruistic towards their own group. The cultural status discrimination may be seen as an offense.

The short-run equilibrium depends on condition (1), as mentioned before. It may be the case, that in the short-run the expected disadvantages do not suffice to motivate conflict. Assuming that the short-run equilibrium was *{discrimination, no conflict}*, would this change in the long-run? In the long-run, group B may increasingly have a greater incentive to engage in conflict due to the numerous disadvantages it faces. When

a new national language is implemented at first, the long-run effects may not be obvious. The changes that are connected with that decision cannot be made over night. It takes time until, for example, school curricula are developed in the new language, books are printed and also political documents are translated. Group B may feel resentment due to the discrimination, but the actual disadvantages will only become obvious with time. The cultural status discrimination not only leads to disadvantages in daily life, it also creates a feeling of being ‘second-class citizens’. The more salient the own identity is for group B, the greater will be the motivation to do something about the situation. This means, that even if conflict is not an equilibrium strategy for B in the short-run, it may be in the long-run. The increasingly disadvantageous situation of group B may lead to a radicalization in the members’ attitude and through that make conflict likely to occur in the long-run, even if it did not in the short-run. Identity-based discrimination may, thus, lead to conflict either directly in the short-run or in the long-run through the numerous disadvantages it creates.

Identity is at the core of the model introduced above. It is supposed to illustrate how the presence of identity-based discrimination – HIs – affects the risk of conflict, but it is definitely not exhaustive. There are several issues for further research which could improve to explain the link between HIs and ethnic conflict.

In the model it is assumed that both groups value the relative status of their groups equally. But groups could differ regarding the importance they attribute to the status of their identity. Therefore, one could introduce a parameter β capturing the different valuations of the different groups such that $U_i = U_i(\beta I_i)$. The parameter could either take values between zero and one or one could define that it can also take values larger than one. The effort to improve the group’s situation may also be valued differently. If identity was less important for group B, it is more likely that its response to *discrimination* is *no conflict*. Esteban and Ray (2006) let individuals differ in the *ethnic radicalism*¹⁶⁵. The identity premium received in the case of cultural discrimination is assumed to be larger than the premium received when the group is not discriminated and still decides to engage in conflict. From case studies it is evident that

¹⁶⁵ Ethnic radicalism varies across individuals and displays how strong an individual supports or opposes an ethnic policy depending on whether it favors the own or another group respectively.

especially changes in the cultural status or provocative actions like the desecration of cultural symbols of an opposing group often trigger conflict escalation. The salience of the cultural dimension could explain why the assumption that $0 < IP'_i < IP_i$ may be realistic.

Another question that could arise is whether the losses incurred due to discrimination, Δ in the model, are – in absolute terms – smaller than the utility gain the identity premium implies? Could they be equal? The variable Δ is used to leave this possibility open. If IP_B was subtracted from B's utility in scenario II, instead of Δ , conflict would occur if $2IP_B > c_B$. Conflict would become even more likely.

What if benefits in one dimension have negative effects on the other dimensions? Could it be the case that group A affects its political, social or economic status negatively by improving its cultural status? It is imaginable, for example, that a group X with a higher economic status may be discriminated against in the political and social dimension. Political power would put X in an even better position. The other group Y will try to prevent X from gaining power because it fears the loss of its own influence. There is no empirical evidence for this theory, though.

Also, it is assumed that all four dimensions of HIs affect the overall status of the group equally. This is an arbitrary assumption. As discussed in part III, from case studies it is evident that political and cultural status have a stronger impact than the other two. In addition, the importance of the different dimensions will differ from case to case. There is no empirical evidence yet, though. Once there is, it will be possible to explain the impact of the different dimensions of HIs on group utility more precisely. Until then, only arbitrary assumptions could be made regarding how much more important the cultural condition is compared to the economic, for example.

What if in scenario III, in which A decides not to discriminate and B decides to engage in conflict, A would also benefit from conflict? Group cohesion and the identification with the own group could be strengthened by a conflict, for example. Especially when A is big compared to B, this could be a realistic assumption. Depending on how much A would benefit from the conflict initiated by B, *discrimination* may not be A's best response to *conflict* anymore. If the benefits were sufficiently large, A could decide not to discriminate B – even if B always chose *conflict*.

The model only considers the decision whether or not a conflict is initiated. The probability of success is not taken into account. The focus is rather on how the importance of identity affects the motivation for conflict. Identity is at the core of the concept of HIs. It is, therefore, likely that in a conflict between identity groups the salience of identity is affected by HIs which, in turn, increase the motivation for conflict. Since the cultural status inequalities have the closest connection to the identity of a group, they are more likely to trigger a conflict.

One possible situation can also not be answered here. If the utilities of group B in scenario I and II were the equal, how likely is it that group B engages in conflict preemptively? To answer this question, one would have to model the utility functions more explicitly, also regarding the risk aversion of the groups. There is no information on whether ethnic groups are rather risk averse, risk neutral or willing to take risks. Each group will differ in their risk aversion. This could also change over time. Depending on the circumstances or even depending on whether or not the own identity is at stake, the risk preference could change.

V. Conclusion

‘The chief source of man’s inhumanity to man seems to be the tribal limits of his sense of obligation to other men.’ [Niebuhr¹⁶⁶ 1965]

The aim of this thesis was to find out, what motivates group conflict in ethnically diverse countries. There are numerous different approaches that aim at finding the underlying causes of ethnic conflicts. Several studies have focused on ethnic diversity itself as cause. Only a small fraction of all ethnically diverse countries faces ethnic conflict, though. This means, that there are some countries, in which differences between ethnic groups are not reconciled but rather used in order to discriminate between the groups. It was argued here, that it is more likely that ethnic conflicts appear because members of a particular group become aware of real or perceived injustice against themselves, that political power or access to services and resources is unequally shared, for example. There is evidence, that the ‘uneven distribution of economic and educational opportunities (...) is an important source of group tension.’¹⁶⁷ Ethnic diversity does not have negative implications per se. A society can greatly benefit from diversity if equal opportunities and respect are given to all groups.

Usually, when inequality is expected to be the cause of internal conflicts, only income inequality is considered. But income inequality only assesses inequality between individuals; it does not capture the whole incidence of inequality in a society. Internal conflicts are group conflicts. It is, thus, necessary to identify causes that are able to motivate groups to engage in conflict. When group conflict occurs, it means that, from a group’s point of view, engaging in conflict is more beneficial than remaining peaceful. The focus here was on conflicts between ethnic groups. Inequality between individuals does not suffice as motivation for ethnic groups to mobilize, though. If high income inequality leads to internal conflict, one should rather expect a class conflict to emerge, not an ethnic conflict. The importance of the four dimensions of group inequalities was discussed in part III. But discrimination can not only occur in different dimensions, the motivation behind it is also of importance. Only when discrimination is identity-based, it can be a motivation for identity groups to mobilize for conflict. When discrimination is gender-based, for example, it will cause resentment but is not likely to

¹⁶⁶ Reinold Niebuhr (1892 – 1971), American Theologian

¹⁶⁷ Horowitz (2000), p. 101

motivate a violent internal conflict between males and females in a society. In addition, the importance of group identity is increased by the presence of discrimination which leads individuals to be more self-conscious about their common interests.

Some drawbacks of the most common approaches have been discussed. Often in economic approaches to ethnic conflict, ethnicity – or identity in general – is thought of as instrument that helps to create group cohesion and to differentiate between members and non-members of a group. This is true for conflicts, in which leaders follow their private interests and use ethnicity in order to generate cohesion and support. The reason why ethnicity is often used by leaders is its importance for individuals' well-being. It enables the identification of an enemy and the creation of grievances that are necessary to justify mobilization. In psychological literature, identity is stressed as important aspect for the well-being of an individual. There is evidence that the status of the identity group one belongs to impacts the individual situation of group members severely. The worse the situation of the identity group, the more important that specific identity becomes in determining the individual's situation.

In the course of this work, the role of identity-based discrimination for the explanation of ethnic conflicts was emphasized. Identity-based discrimination leads to inequalities between groups. This can be captured best using the concept of *horizontal inequalities*. Commonly, approaches to the examination of the causes of ethnic conflict do not take into account the role of group identity. Here, arguments were brought forward to stress its importance not only for individual well-being but also for the stability in a country. Identity comprises several elements but not all are able to provoke conflict. There is evidence that internal conflicts often have ethnic or religious backgrounds. The reason could be the importance of ethnicity for group cohesion and mobilization. One should, therefore, expect that the causes that are able to provoke ethnic conflicts, must somehow be linked with ethnicity, such as the concept of HIs.

As argued in part III, the different dimensions of HIs may have different impacts. Especially the importance of the cultural status dimension was discussed. The close connection to the elements of identity could be the reason why cultural status inequalities are more likely to trigger conflicts than inequalities in the other dimensions. Still, there is evidence that the consistence and the persistence of inequality is the worst possible scenario for a group and its members. But, the presence of HIs does not inevitably lead to conflict. Rather, when there is ethnic conflict, one should expect

severe differences between the conflicting groups regarding one or more of the dimensions of HIs.¹⁶⁸ Still, HIs may be an explanation why group members are motivated to mobilize their group and engage in conflict. In order to prevent the occurrence of ethnic conflicts, it is therefore necessary to reduce HIs and create an environment, in which equal respect is shown to the various identity groups of a society. This will enable a country not only to create social stability, but also to reap the benefits of diversity.

The model introduced in this thesis is supposed to emphasize the importance of identity in explaining the occurrence of ethnic conflicts. It was shown, that when identity and the status of the own group is important, there will definitely be discrimination in the equilibrium. Whether or not the discriminated group responds with conflict, depends on how much the group values its identity and its status in the society. However, if identity is less important or not important at all, the group in power has no incentive to discriminate the other group which, in turn, has no incentive to mobilize for conflict. It was argued by Basu (2009) that altruism towards individuals of the same identity can explain behavior that does not seem rational. This is evident in the model as well. Only when individuals are endowed with *cooperative spirit* towards their group and favor it over the other group, discrimination and conflict appear in equilibrium. The effort to enhance the status of the own group is rewarded with extra utility. But this is only the case as long as individuals are proud of their identity and have a predisposition to favor their own group. This type of behavior is also stressed by Vanhanen (1999), who discusses whether *ethnic nepotism* – the propensity of humans to favor kin over non-kin – could be a reason for the occurrence of ethnic conflicts.

In conclusion, the results of the model and the arguments in the previous parts show that, when identity is important for the groups involved, identity-based discrimination can explain why ethnic groups are motivated to engage in conflict. HIs, which are a result of identity-based discrimination, therefore provide a better explanation for the occurrence of ethnic conflicts than income inequality or ethnic diversity itself.

¹⁶⁸ Compare Stewart (1998)

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