Power-sharing institutions and political and economic inequalities

Lars-Erik Cederman
Swiss Federal Institute of Technology in Zurich
Switzerland

Simon Hug
University of Geneva
Switzerland

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UNRISD • Palais des Nations • 1211 Geneva 10 • Switzerland
info.unrisd@un.org • www.unrisd.org

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Abstract

Power-sharing institutions are often invoked in order to reduce horizontal political inequalities. For instance, in the aftermath of ethnic civil wars, peace agreements typically contain specific provisions that are intended to reduce political and sometimes also economic inequalities. So far, however, few studies have addressed the question whether such formal institutional rules have their intended effect of reducing political inequalities. Similarly, the consequences of these institutional provisions for economic inequalities have not been evaluated systematically. Drawing on our current research, we hypothesize that formal institutional rules that aim at sharing power (either at the governmental and/or territorial level) do reduce ethno-political inequalities, but these political inequalities are also affected by other elements that are not related to formal institutions. Similarly, we expect that political inclusion induced through power-sharing institutions also reduces horizontal economic inequalities. To assess these hypothesized relationships we draw on two existing global datasets that provide information about formal power-sharing institutions since 1975 and the access to executive power of ethnic groups and estimates of their relative economic well-being since World War II. Our preliminary findings suggest that formal power-sharing institutions do contribute to reduce political and economic inequalities.

Keywords

Power sharing; horizontal inequality; political and economic inequality

Bio

*Lars-Erik Cederman* (PhD University of Michigan) is professor of international conflict research at ETH Zurich (Switzerland) and co-author of the forthcoming book Sharing power, securing peace? (Cambridge University Press).

*Simon Hug* (PhD University of Michigan) is professor of political science at the University of Geneva (Switzerland) and co-author of the forthcoming book Sharing power, securing peace? (Cambridge University Press).
**Introduction**

Power-sharing institutions\(^1\) are often touted as an important tool to address political and economic inequalities. Thus, a recent report entitled Pathways for Peace (United Nations and World Bank 2018) highlights the importance of inclusive institutions to foster peace, while a broader call for inclusiveness figures prominently in the UN’s Sustainable Development Goals (see https://www.un.org/sustainabledevelopment/peace-justice/). In their influential book, Acemoglu and Robinson (2012) made the persuasive argument that states that are inclusive both politically and economically are much more likely to remain stable and prosper economically. While these arguments make intuitive sense, power-sharing institutions are also often criticized for reinforcing cleavages and cementing divisions in societies (see for instance Rothchild and Roeder 2005). Especially in the literature on peace agreements, a series of studies assess the consequences of power-sharing provisions and come to very conflicting conclusions. These studies, however, focus mostly on outcomes like the duration of peace or the level of democracy (see for instance Hartzell and Hoddie 2015), while economic outcomes receive less attention. Drawing on our own work on the consequences of power-sharing institutions and practices (Bormann et al. 2018; Cederman et al. 2018),\(^2\) this paper explores how power-sharing institutions affect political and economic inequalities in a global sample of countries in the period of 1975 to 2009. Our focus will be on inequalities among ethnic groups since in conflict research, a series of authors have argued that horizontal inequalities are a considerable driver of violence, contrary to vertical (inter-individual) inequalities (i.e., inequalities among societal and/or ethnic groups)\(^3\).

Our preliminary analyses suggest that formal power-sharing institutions that aim at making the central government more inclusive increase the chances that ethnic groups acquire increased access to executive power, thus implying a reduction in political inequality. Through these effects, such inclusive institutions also increase the economic well-being of the targeted groups, which in turn reduces economic inequalities. When we consider power-sharing institutions that empower particular ethnic groups to rule over a specific region through territorial power-sharing we also find that these groups are more likely to exert power. The expected effect on their economic well-being fails, however, to materialize. In the remainder of the paper we first discuss in more detail how we conceptualize the notion of power sharing in the next section. As this conceptualization comes with specific empirical measures, we also discuss what these measures tell us about changes in power sharing over time and across world regions. In the following section we present our main results on the effects of power-sharing institutions on political and economic inequalities, before concluding by emphasizing the preliminary nature of our results and suggesting further avenues for research.

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\(^1\) This text draws heavily on arguments presented in the book manuscript “Sharing power, securing peace” by Cederman et al. 2018 and related work.

\(^2\) We will discuss these notions in more detail below.

\(^3\) Stewart 2000; Østby, 2008; Stewart 2008; Cederman et al. 2010.
How prevalent are power-sharing institutions and practices in the world?

The literature on power sharing in political science often refers back to Lijphart’s (1968, 1975, 1977) seminal work on “consociationalism.” Reacting to pluralist conceptions of democracy, which led many scholars to argue that in deeply-divided societies democracy was inconceivable (see Nordlinger 1972; Rabushka and Shepsle 1972), he argued that a “consociational” arrangement among elites representing different pillars of society allowed for peaceful and democratic governance in his native Netherlands. In his early approach to power sharing, Lijphart considered these “consociational” arrangements to consist of four elements, namely a grand coalition, a mutual veto, segmental autonomy and proportionality in the appointment of civil servants. These four elements were conceived of as emerging out of elite behavior and, especially in the Dutch context, not as being enshrined in any constitution or other legal document. In later work Lijphart (1999) abandoned the idea that peace and democracy depend on elite behaviors in deeply-divided societies and introduced the distinction between consensus and majoritarian democracies, which rely exclusively on formal institutions, like federalism, the electoral system, etc. In parallel, scholars interested in civil wars considered what institutional features might decrease the chances of wars breaking out (e.g., Cohen 1997) by relying broadly on Lijphart’s (1968, 1975, 1999) work and relatedly considering what power-sharing provisions were adopted in peace agreements and to what consequences (e.g., Hartzell and Rothchild 1997; Hoddie and Hartzell 2003). Lijphart’s (2002) contribution to this literature emphasized the importance of two “primary” elements of his original conception, namely the sharing of power in the central government (i.e., either a grand coalition and/or a mutual veto) and the territorial sharing of power by allowing subnational units to have final say over some policies.

In our book project, we argue that the conflicting empirical insights from this literature derive from the conceptual confusion that afflicts the literature, especially when it comes to the supposedly pacifying effects of power-sharing arrangements (Cederman et al. 2018). In our view, it is necessary to make a first distinction between formal power-sharing institutions and elite behaviors. This latter dimension harks back to the original formulation proposed by Lijphart (1968, 1977). Second, we argue that a conceptualization of power sharing returning to the original formulation by Lijphart (1968) and especially his primary elements which we label “governmental” and “territorial” power sharing is useful to ensure conceptual clarity. To take into account these two arguments we need information on whether there are formal institutions that aim at sharing power within the central government and territorially. We also need information on whether power is actually shared in practice, both at the central and regional levels. Luckily two recent datasets allow us to glean the relevant information for a global sample of countries over a long time period (1975-2009). In the next two subsections we present the information we retain from these two datasets and report what they can tell us about the evolution of power-sharing institutions and practices, and thus political inequality, over time and space.

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4 Other scholars working on Austria and Switzerland at the same time noted similar elite behaviors as underpinning the political stability of these countries (Lehmbruch 1967; Steiner 1974).

5 In this literature power-sharing provisions are often categorized as being of a political, economic, territorial or military nature.
Formal power-sharing institutions

While much of the recent literature on the effects of power sharing focuses on broad categories quite removed from Lijphart’s (1968, 2002) original conception, a recent comprehensive data collection by Strøm, Gates, Graham and Strand (2017) focuses on formal institutional provisions that closely mirror our view of the relevant power-sharing arrangements. These authors have analyzed constitutions and peace-agreements to assess what provisions are present and when they were introduced. For our measure of governmental power sharing we rely on the following three indicators from Strøm et al.’s (2015) “Inclusion, Dispersion, Constraint” (IDC) dataset:

- Mandated Grand Coalition
- Mutual Veto
- Reserved Executive Positions (Mandated)

In Table 1 we report the frequency of the presence of these three elements in constitutional texts in terms of country-years. As the table clearly shows, formal provisions for governmental power sharing are quite rare. In only between one and four percent of all country-years at least one of these arrangements is present. The least frequent is the provision for a grand coalition, while reserved seats and especially a mutual veto are much more prevalent.

Table 1: Frequency of formal governmental power sharing institutions

<table>
<thead>
<tr>
<th></th>
<th>Grand Coalition</th>
<th>Mutual Veto</th>
<th>Reserved Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>no</td>
<td>4,835</td>
<td>4,741</td>
<td>4,737</td>
</tr>
<tr>
<td>yes</td>
<td>48</td>
<td>173</td>
<td>159</td>
</tr>
</tbody>
</table>

Source: Cederman et al. 2018
Note: The entries correspond to the number of country-years between 1975 and 2009

The IDC dataset also contains information that we can use to measure formal power-sharing institutions of the territorial type. The following four indicators from Strøm et al.’s (2015) data will form the basis of our proposed measure:

- State/provincial governments locally elected
- Sub-national tax authority
- Sub-national education authority
- Sub-national police authority

These indicators reflect on the one hand the authority that subnational units obtain (the last three), and on the other whether the actors in charge of exercising these authorities are elected

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6 See for example Cohen 1997; Hoddie and Hartzell 2003; Norris 2008; Pospieszna and Schneider 2013; Hartzell and Hoddie 2015.
7 While this data is available both in a country-year format and a format with exact dates when specific provisions were introduced (Strøm et al. 2015), we use the former format for the analyses that follow.
8 In chapter four Cederman et al. 2018 we list the country-years with these provisions and also offer, based on data collected by Strøm et al. (2015), information on what provisions have been formally implemented.
or not. Table 2 shows that compared to the information depicted in Table 1, formal territorial power-sharing provisions are much more prevalent in constitutional texts. These provisions are present in almost a third of all country-years.

Table 2: Frequency of formal territorial power sharing institutions

<table>
<thead>
<tr>
<th></th>
<th>Local elections</th>
<th>Tax</th>
<th>Authority over Education</th>
<th>Police</th>
</tr>
</thead>
<tbody>
<tr>
<td>no</td>
<td>2,229</td>
<td>3,058</td>
<td>2,879</td>
<td>3,201</td>
</tr>
<tr>
<td>only legislature/yes</td>
<td>1,392</td>
<td>1,540</td>
<td>1,503</td>
<td>1,585</td>
</tr>
<tr>
<td>legislature and executive</td>
<td>1,034</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Cederman et al. 2018
Note: The entries correspond to the number of country-years between 1975 and 2009

While Tables 1 and 2 present the distribution of the various power-sharing provisions, ideally we would like to combine these indicators to form one measure for governmental and territorial power sharing. Relying on a so-called item-response theory (IRT, see Martin, Quinn and Park 2011) model we combine the information from the two sets of indicators to generate two measures, one for governmental and one for territorial power-sharing institutions.⁹ In Figures 1 and 2 we depict how the averages of these two measures evolve over time and how they differ across regions (with larger values indicating more provisions for power sharing) (a list of countries per region appears in Vogt et al. 2016).

For governmental power-sharing institutions the left panel in Figure 1 shows that up to the mid-1990s, the average measure of governmental power-sharing decreased, while after this period an almost continuous uptick is observable until the end of our period of observation. The right panel, which depicts the same evolution of the averages by region offers some explanations for the overall trend. The decrease up to the mid-1990s is mostly due to a drop in formal governmental power-sharing institutions in Eastern European countries, while the uptick is due in part to some recovery in Eastern Europe and a steady increase in Asia.

⁹ The appendix to chapter 4 in Cederman et al. 2018 offers a detailed discussion of this measurement model.
When considering formal territorial power-sharing institutions (Figure 2) it is apparent that such arrangements have gained an increasing foothold in constitutional texts throughout the observation period. Behind this general trend (panel on the left) are hidden, however, a series of diverging regional trends. On the one hand the panel on the right again shows a precipitous drop in the presence of territorial power-sharing institutions in Eastern Europe in the early 1990s. Following the trend in most of the other regions, however, these power-sharing institutions have become more frequent.

**Political inequalities and power-sharing practices**

While the analyses of formal institutions suggest that power sharing has become more prevalent around the world, we do not yet know whether these institutions also affect political inequalities (i.e., whether the sought-after practices are induced by the institutions in reality). As we discuss in detail elsewhere (Cederman et al. 2018) not all power-sharing provisions are actually implemented. In addition, as already Lijphart (1968) was aware, the sharing of power can also
come about in the absence of formal institutional provisions. To assess this, we need information on whether power is actually shared to reduce political inequality. For our perspective, which focuses on horizontal inequalities, Cederman et al. (2010) “Ethnic power relations” (EPR) dataset constitutes the ideal source of information. Relying on information sought from experts, these data classify all politically relevant ethnic groups annually based on their access to executive power (for detailed information, see Vogt et al. 2015). Thus, all these groups are assigned to one of the following categories:

• Monopoly
• Dominant
• Senior Partner
• Junior Partner
• Regional Autonomy
• Powerless
• Discriminated
• Self-exclusion

These categories can be divided into two main categories, namely included ethnic groups (top four categories) and excluded ones (the last four categories). Clearly, this information allows for a transparent way to measure power sharing among ethnic groups. The most obvious way is to consider any country-year where at least two ethnic groups were included in government as practicing governmental power sharing. Similarly, if at least one ethnic group had “regional autonomy,” we consider the corresponding country-year as being characterized by territorial power sharing.\(^\text{10}\) Using these categorizations we depict in Figure 3 the share of countries that satisfy these two criteria. As the figure shows, the two trends are quite distinct. On the one hand the share of countries that engage in governmental power-sharing practices along ethnic lines has increased steadily from World War II until today.\(^\text{11}\) Regarding territorial power sharing we find a slight decrease until the 1990s before these practices again become more frequent until the 2010s. Thus, this figure appears to show that horizontal political inequality has decreased over the last few decades.

\(^{10}\) It bears noting that in the context of the paper by Cederman et al. (2015) “regional autonomy” was also coded for “Senior Partners” and “Junior Partners,” so that the categorization is now two-dimensional (see also Vogt et al. 2015).

\(^{11}\) Note that we can cover a longer time period for these analyses, as the coverage of the EPR data starts after World War II.
One might argue, however, that under our measure of power sharing two demographically very small ethnic groups might control the executive, while a large swath of the population is excluded. Considering the share of the population that belongs to included ethnic groups addresses this point. Based on this modification we depict in Figures 4 and 5 the trends for these measures of power sharing by considering different world regions.

When we consider these regional differences in governmental power-sharing practices (Figure 4) it is striking to observe that in Sub-Saharan Africa, the share of the population belonging to ethnic groups that share power is high and has been increasing considerably over time. This evolution is most likely related to the fact that recent peace-agreements adopted in Africa almost all contained power-sharing provisions of at least some kind (Mehler 2009; Gates and Strøm, 2015). Much lower figures apply for Latin America and Eastern Europe, while the remaining regions appear to converge over time to a share of roughly 40 percent of the population being represented through power sharing.
Finally, in Figure 5 we depict the regional differences regarding the population share of ethnic groups that profit from “regional autonomy.” The most striking evolution concerns Eastern Europe where, with the fall of the Berlin wall, the share of the population profiting from “regional autonomy” has dropped precipitously. After the end of the Cold War, “regional autonomy” is mostly granted to ethnic groups in Western countries, while such arrangements are much less prevalent elsewhere.

Figure 5: Trends of inclusion, governmental and territorial power sharing as countries’ population share
Source: Cederman et al. 2018
It bears noting that again the Middle East and North Africa (MENA) region distinguishes itself by particularly low levels of “regional autonomy.”

How do power-sharing institutions affect political and economic inequalities?

Equipped with data both on formal power-sharing institutions and measures on political inequalities linked to power-sharing practices, we now turn to addressing our main research question. While many scholars are interested in the question of how power-sharing institutions, especially in the aftermath of a conflict, affect the likelihood of conflict recurrence, much less is known about how such institutions affect inequalities in the political and economic realms. We consider this relationship as depicted in Figure 6. More specifically, we presume that formal power-sharing institutions reduce political inequality, either by widening the access to executive power or by ensuring a more even distribution of territorial power. In addition, we also expect formal power-sharing institutions to reduce economic inequality by improving the economic well-being of groups. These two effects are depicted by the two arrows, forming one part of the triangle in the two panels. The remaining, vertical arrow depicts the direct effect of formal power-sharing institutions on the economic well-being of ethnic groups. Our expectation is that this effect will be negligible. Thus, our main argument is that formal power-sharing institutions may reduce economic inequalities by operating through power-sharing practices, which are akin to the reduction of political inequalities.

The panel on the right in Figure 6 depicts an additional claim. We also expect (based on arguments presented in Cederman et al. 2018) that power-sharing practices may come about independently of formal power-sharing institutions, and that these practices may also affect the economic well-being of ethnic groups. For our empirical analysis the economic well-being at the group-level is measured following Cederman et al.’s (2015) approach, which relies on several sources (amongst others Nordhaus, 2006) to infer GDP per capita figures for geographic units that are then aggregated to the level of ethnic groups. As Cederman et al. (2015), we use a transformation of these estimated GDP per capita figures, namely the relative economic well-being compared to the country average. Thus, we use the GDP per capita of an ethnic group divided by the country average as our indicator for economic well-being of a group.

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12 Both the studies by Bormann et al. 2018 and Cederman et al. 2018 adopt a similar perspective focus, however, on the effect of formal power-sharing institutions and practices on conflict onset.

13 In the current version of this paper we do not yet address this additional claim.
To have information on the political standing of ethnic groups (see Figure 6) we rely on the group-level information of the EPR data. More specifically, we assess whether the former shared executive power with another ethnic group for each politically relevant group and every year. Finally, while the IDC dataset offers information on provisions in constitutional texts, an additional coding effort by Cederman et al. (2018) assesses whether these provisions affected specific ethnic groups. Drawing on these additional data we can assess for each politically relevant ethnic group whether it was targeted by constitutional power-sharing provisions in a given year and how this affected its political standing and economic well-being (as depicted in Figure 6).

The most well-known arrangements of this type are the provisions in Lebanon (e.g., Lehmbruch 1974; Wantchekon 2000) and Bosnia-Herzegovina (e.g., McEvoy 2014), where specific executive positions are reserved for members of specific ethnic groups (Christian Maronites, etc., respectively Serbs, etc.).
Figure 7: Mediated effect of formal governmental power-sharing institutions on economic standing

Source: authors

Figure 7 depicts our findings regarding how governmental power-sharing institutions, through power-sharing practices (ACME: average of causally mediated effect), affect the economic well-being of ethnic groups. The graph clearly shows that power-sharing institutions targeting specific groups, by increasing their chances of having political access, increase their relative economic well-being. The uncertainty around this estimate, depicted as 95 percent confidence intervals around the point estimate, which excludes the value of zero, suggests that we can be quite confident that this effect is positive. The governmental power-sharing institutions by themselves, however, fail to affect the economic well-being of the targeted groups (ADE: average direct effect). The point estimate is much smaller and the confidence interval is quite large and includes the value of zero.

15 These results were obtained by carrying out a mediation analyses (Imai et al. 2011). As quite a few observations have missing values for some variables we proceeded to a multiple imputation (with 5 imputed datasets) before carrying out our analysis and combining the results. In the appendix we report in Tables 4 and 5 the regression results that underpin the mediation analyses whose results are depicted in Figures 7 and 8.

16 The total effect, i.e. the sum of the two other effects is sizable, but also estimated with considerable uncertainty, as the wide confidence intervals in Figure 7 show.
Finally, in Figure 8 we report the results from our analysis on territorial power sharing. While the formal provisions for such arrangements do increase the chances of a group profiting from “regional autonomy” (see Table 5 in the Appendix), the mediated effect of these institutions through increased political standing actually reduces the economic well-being of the targeted group. This effect is comparatively speaking small and pales next to the direct and positive effect of formal power-sharing institutions of the territorial type on the economic standing. This puzzling finding, which might be due to some omitted confounding factors, should be explored in future research.

Conclusion

Power-sharing institutions aim at ensuring inclusive governance and thus a reduction of inequalities. While a large part of the political science literature on power sharing focuses on the effects of these institutions on conflict, we argue that we also need to consider their effects on both economic and political inequalities. As recent scholarship has emphasized that horizontal inequalities among ethnic groups contribute significantly to the likelihood of conflict outbreaks, it is of considerable importance to understand how such inequalities can be reduced. Employing a global sample of countries and politically relevant ethnic groups residing in these countries, we proposed a tentative analysis of the relationship between formal power-sharing institutions and horizontal inequalities. Our findings suggest that formal power-sharing institutions, both of the governmental and territorial type, do reduce political inequalities. More
specifically, if a particular ethnic group benefits from a constitutional provision that increases its access to power at the central or regional level, the chances increase that it will be more influential. While this might seem a trivial result, it has to be put into the context of studies on peace-agreements that found that power-sharing provisions frequently fail to be implemented.17

Our analyses also show that formal governmental power-sharing institutions that target specific ethnic groups also increase their economic well-being. Thus, governmental power-sharing institutions also contribute to a reduction of economic inequalities by reducing political inequality. We fail to find, however, a similar mediating effect for territorial power sharing. The institutional provisions designed to offer influence to specific groups appear to increase their economic well-being through other means than through the fact that they are more likely to enjoy “regional autonomy.” Quite to the contrary, the increased autonomy induced by institutions appears to reduce the economic well-being of the targeted ethnic groups.

While offering interesting insights, the tentative analyses presented in this paper raise numerous questions, and thus, suggest future avenues for research. First, we have not yet explored whether political access of ethnic groups that is not induced by institutions has similar positive effects on the economic well-being of groups. Secondly, as several scholars have emphasized the importance of economic inequalities both between and within regions for territorial arrangements (e.g. Bakke and Wibbels 2006), exploring this avenue to account for our puzzling finding would be of great value as well. Despite these limitations, our study suggests that power-sharing institutions are a non-negligible factor affecting both political and economic inequalities.

Bibliography


