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Ethnic and Spatial Inequalities

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Ethnic and Spatial Inequalities

Introduction

Inequalities and poverty are complex and multi-dimensional, with causes and indicators including access to education, availability and standards of healthcare, opportunities for employment, accessibility of power structures, income levels and quality of infrastructure. As levels of inequality continue to grow around the world, variations in these dimensions of poverty are increasingly linked to its ethnic and spatial features.

This chapter focuses on ethnic and spatial inequalities arising from endeavours to generate growth, promote development, reduce poverty and ensure adequate welfare provisions for citizens. It explores the impact and efficacy of different policy instruments and development strategies adopted to redress ethnic and spatial inequalities in multi-ethnic countries. The themes of regime type and policy planning and implementation frame the analysis here.

Ethnic conflicts in the world

The causes and origins of the prevailing socio-economic inequalities between different ethnic groups and regions are related to such factors as ecological and climatological differences, the geographical distribution of natural resources and the differential impact of colonialism and of post-colonial economic and developmental policies. As for the rise of regional and ethnic inequalities, and the corresponding increase in the powerlessness felt by disaffected groups, this is the result of a number of cross-cutting factors, including differing paths of historical development, globalisation, development strategies, changes in migratory and settlement patterns and variations in the international political and economic environment.

Problems emerging from ethnic relations have led to conflict in both developed and developing countries, including Afghanistan, Lebanon, Sri Lanka, India, Fiji, Indonesia, Malaysia, Rwanda, Sudan, Ethiopia, Australia, Yugoslavia, France, Britain and the United States. The factors that have contributed to ethnic cleavages in these countries include form of political mobilization, nature of government policies and manner of economic development. Research has also indicated that society, specifically those in the developing world, is constantly subject to change due to rapid modernization arising from industrialization, technology development and globalization.¹ National, ethnic and class identities have been subject to transformations due to economic development. Existing inequalities can be further exacerbated through form of governance and government policies, including those implemented to reduce poverty.

Other studies argue that contact between different ethnic communities inevitably leads to an assertion of difference. Around this issue of difference centre the important themes of identity, belonging, migration, citizenship and nation building, issues contributing to strife in countries with developed as well as developing economies.²

¹ See Horowitz 1985; Gurr 1992; McGarry and O'Leary 1993; Pfaff-Czarnecka, Rajasingham-Senanayake, Nandy and Gomez 1999; Varshney 2002.

² See, for example, Christie 1998; Marx 1999; Gilroy 2000; Tong and Chan 2001.

While the number of violent conflicts and civil wars has been on the wane since the mid-1990s, there were still 31 ongoing intra-state violent conflicts around the world by the mid-2000s.³ Low income countries in the developing world have been particularly at risk of experiencing violent conflicts and civil wars. Studies of the determinants of civil war typically find GDP per capita to be the strongest explanatory variable. For example, Hegre and Sambanis' meta-analysis of the sensitivity of such studies finds GDP per capita to be the only predictive factor that holds strongly across all specifications.⁴

Violent conflicts in these developing countries usually result in a dramatic slowing down of the development of their economies. The World Bank has strikingly described the devastating consequences of violent conflicts as "development in reverse".⁵ Violent conflicts are, however, not confined to the developing world, evident in such incidents in Bosnia, Chechnya and Thailand. Moreover, since the end of the Cold War the identity basis of conflicts has become much more explicit, with the proportion of all conflicts that are coded as "ethnic" increasing from 15 per cent in 1953 to nearly 60 per cent by 2005.⁶

In a good number of analyses of economic and social development in the developing world, much attention is drawn to the historical impact of regime type and the imposition of neoliberal policies on spatial inequalities and wealth and income disparities.⁷ The economic development model that has been adopted by a country has similarly heavily influenced the extent of ethnic fractionalization and spatial inequalities. Other key factors that have a bearing on ethnic and spatial inequities include the existence of a welfare state, the extent of migration and the degree of the state's intervention in the market.

Ethnicity, institutions, welfare

One key lesson emerging from the country studies in this project is that institutions matter. Since institutions remain in place even with regime change, it is the types of incentives offered that vary when a new government comes to power. An issue of related importance is that of institutional capacity. In South Africa and Indonesia, a factor contributing to spatial inequality was the quality of institutional capacity at the local level to deliver policies. While decentralization has helped devolve power, inefficiencies in the policy delivery system have impaired implementation of development and redistribution policies.

The case of China raises the importance of historical context in terms of institutional framework. Institutions can remain unaltered even after regime change and can promote economic development if the necessary incentives are provided and resources are mobilized. These incentives include land reform and the award of property rights. Decentralization was crucial because, with the local level still having the power to respond to incentives, they were able to better craft deployment of such resources to suit the recipients.

³ Harborn et al. 2006.

⁴ Hegre and Sambanis 2006. See also Brown and Langer 2005; Collier and Hoeffler 2004; Elbadawi and Sambanis 2002; Fearon and Laitin 2003; Murdoch and Sandler 2002.

⁵ Collier et al. 2003.

⁶ Stewart and Brown 2007.

⁷ Harvey 2005; Hale 2005; Ferguson and Gupta 2002; Ong 2006.

The theme of institutions is central in debates about the impact of transnational migration, which leads to ethnic heterogeneity, on the welfare state. Banting argues that political institutions and their functioning are a more determinant factor for the development and survival of the welfare state than ethnic homogeneity.⁸ Countries with left-leaning parties and strong unions, particularly in Europe, have shown themselves to be supportive of a welfare state. In situations where unions are weak and left-based parties are out of power, variations have been noted such as a decline in welfare contributions. In the United States, the decline of welfare state has been attributed to the weak position of the left and the unions, though the racialization of society also appears to be a contributory factor.⁹

In Asia, the rise of the “welfare developmental state” is particularly strong in South Korea which still has a strong union base. A similar welfare developmental state has emerged in Taiwan, described as a “reluctant” welfare state, with the common factor being the rise of civil society and growing democratization which helped promote the institutionalization of welfare provisions.¹⁰ In Taiwan, since its social policy is strictly subordinate to the overriding policy objective of economic growth, its form of a welfare state can also be characterized as a “productivist social policy regime”, and its overarching concern is “workfare” rather than “welfare”.¹¹

Other Asian countries have adopted a different approach to welfare provisioning involving the participation of the state, capital and civil society, an issue which is worth considering at length. Since the longstanding government in Singapore has adopted a strong anti-welfarist stand, there has been no support for cash provisions for the needy. Instead, the government’s position on poverty alleviation is threefold: first, to subsidize items which will potentially make an individual more productive, i.e., human capital investment through better education, better health and better housing. Second, to eschew any social pooling of funds to provide a common standard of welfare entitlement, especially if it means higher taxation, as the latter is seen as a disincentive for strive. Third, instead of the “social risk pooling” practices of developed nations to meet welfare needs, promote a system of individual savings account for social security, the Central Provident Fund (CPF) for housing, health care, education and retirement.¹² The government strategy is one of generating self-sufficiency and wealth accumulation through employment where every wage earner is compelled to save a portion of his or her monthly income in an individualized CPF account, with proportional contribution from the employer. There is neither social insurance nor social risk sharing or redistributive elements in the CPF social security scheme. The regime views the CPF as a way “to avoid placing the burden of the present generation’s welfare costs onto the next generation” and for this reason the government actively tries to act as a “partner” to private initiatives in developing care programmes and agencies, including for the management of all forms of welfare needs, including poverty.¹³ For this so-called “many helping hands” strategy, the government provides co-funding and public donations, while services are rendered by volunteers and members of the community.¹⁴ Almost all the voluntary welfare organizations are significantly aided by government grants. Since inter-ethnic wealth and income inequalities have emerged, giving rise to

⁸ Banting 2000.

⁹ Stephens 1979; Banting 2000; Kymlicka and Banting 2006.

¹⁰ Such demands are also due to the emergence of a rapidly ageing population.

¹¹ Country report on Taiwan.

¹² Country report on Singapore.

¹³ Ibid.

¹⁴ Ibid.

criticisms and calls for the establishment of a bureaucracy that will treat all needy citizens equally, the government has instead promoted ethnic self-help organizations. Although poverty still occurs – and with greater frequency – as income inequality continues to expand, it only affects a minority segment of the society, allowing the government to argue that it sees no necessity to embark on policies that affect the entire population. The ad hoc manner in which the government provides additional financial assistance suggests that it is handing out cash to the needy very reluctantly.

This idea of a “multi-stakeholder participation” mechanism to resolve social inequities also prevails in Vietnam, which practices the government terms as “socialist-oriented market economy”, though the regime has introduced neoliberal-type policies.¹⁵

In Europe and the United States, both regions which, unlike countries in Asia and Africa, accept migrants in large numbers, the debate is whether ethnic heterogeneity and migration has slowed the growth of – or even eroded – the welfare state. Taylor-Gooby argues that the situation in Europe is different from that in the United States,¹⁶ claiming that while Alesina and Glaeser’s model confirms the contention that diversity has obstructed the growth of the welfare state in the United States,¹⁷ they have, however, overlooked the presence of left politics and the impact of political institutions on welfare spending in Europe. The latter prevent an erosion of the European welfare states as a consequence of an increasing diversity caused by migration. Consequently, Taylor-Gooby argues that Alesina and Glaeser’s findings cannot be generalised to Europe. A fairer conclusion is that increased diversity may have diminished the amount of social spending.

Another issue of importance here is the level of public support for the welfare state. Welfare states are dependent on public opinion of its inhabitants, though the type of welfare regime is also likely to influence public opinion. If a welfare state is established such that most people benefit from it, for instance through universal benefits and services without means-testing, it is more likely that broader segments of the population would support it and not oppose the idea that people of a different ethnic group also have access to it. The opposite is also possible in welfare states characterised by means-tested benefits targeted at the most needy groups, where it is more likely that the native population would be more reluctant to support social policies. In such a regime type, if most of the welfare state beneficiaries belong to another ethnic group, or a small group which is considered as non-deserving, it is probable that a backlash against the welfare state would occur or that there would be insufficient leverage for the welfare state to take root.

It is important to make a distinction between the impact of ethnicity on a developing welfare state and a welfare state that is well established. Most European countries experienced the largest influx of migrants after their welfare states and economies had been well developed. Since existing institutions change very slowly, it may take years before the influence of migration becomes visible. As Taylor-Gooby suggests, “when a left wing influence is established and has influenced political institutions, as is the case in Europe but not in the United States, different patterns of development and of path-dependency are set in train”.¹⁸ Such arguments suggest that regime types and

¹⁵ Country report on Vietnam.

¹⁶ Taylor-Gooby 2005.

¹⁷ Alesina and Glaeser 2004.

¹⁸ Taylor-Gooby 2005 (p. 671).

developmental strategies are key factors in determining whether growth processes are likely to generate – and sustain – ethnic and spatial inequalities.

Regime Types, developmental models and ethnic inequities

In industrialized East Asia, a defining characteristic of its development model is the high degree of government intervention in the economy, popularly known as the developmental state. One of the core concerns of the developmental state is state-business cooperation, with the government playing an important role in steering resources to private firms in order to attain its development and social goals, including reducing poverty by generating employment. In this model, social partnerships between the state, capital and labour have provided for a stability in policy planning and implementation and have served to control wage increases, creating the incentive for a greater volume of foreign direct investments (FDI). In this model, the importance of the small firm in terms of promoting innovation, generating employment and redressing spatial and ethnic inequities has been noted, particularly in studies of the industrial capacity of countries such as Japan, Taiwan and Singapore.¹⁹

Japan, more well-known for its cultivation of huge internationally-renowned firms, ranks alongside Italy as having the highest proportion of small firms among OECD countries. It is Japanese SMEs, and not the large enterprises, that employ a vast majority of the country's workers.²⁰ Taiwanese SMEs constitute a phenomenal 98 per cent of business organisations in the country's economy, while in Singapore the government began emphasising the need to support SMEs to foster domestic entrepreneurial capacity. In these three Asian countries where the governments' economic agenda was on pursuing structural transformation to help enhance accumulation, poverty has been reduced appreciably without any policy focus on this problem. The important role of small firms in redressing social and economic inequities is not unique to Asian countries.

In Britain, the Thatcher government recognized the importance of the small firm in terms of creating employment, as the economy began in 1979 to move into a deep recession that continued into the early 1980s. Atkinson and Storey also pointed out that during the 1980s, self-employment had grown significantly in many of the developed economies; quoting a 1992 OECD study, they showed that Britain had the fastest growth rate of self-employment among European countries between 1979 and 1990, rising from 7.5 per cent in 1979 to 12.2 per cent in 1990.²¹ From 1981, the Thatcher government also began to focus more attention on the interests of enterprises owned by ethnic minorities as civil unrest began to spread rapidly. Government investigations into the factors that precipitated civil unrest revealed that one reason was that the state had not focused enough attention on the interests of businesses owned by minorities, an issue the government began to address after 1986.²²

Boissevain, in his analysis of growing self-employment among ethnic minorities, argued that a number of other factors encouraged self-employment among ethnic minorities. First, the unemployment rate among migrants was particularly high, compelling a number of them to go into business. Second, growing discrimination at work had also

¹⁹ Johnson 1982; Amsden 1989; Wade 1990; Woo-Cumings 1999.

²⁰ Whittaker 1997.

²¹ Atkinson and Storey 1994 (pp. 12-13).

²² Waldinger et al. 1990 (p. 40).

encouraged ethnic minorities to consider alternative forms of employment.²³ For Boissevain, the fact that many of these migrants had begun establishing roots in the host country suggested that they no longer considered their stay as a temporary sojourn.²⁴

But most developing economies, including those in Asia, have been just as inspired by another model of development vastly different from the developmental state, that is neoliberalism with its strong emphasis on wealth accumulation and the promotion of the private sector as the primary engine of growth. The espoused economic doctrines of neoliberalism include limiting state intervention in the economy and the endorsement of privatization, liberalization and deregulation.²⁵ By subscribing to the main tenets of neoliberalism, governments actively encourage the aggressive participation of foreign companies in its economy, which were to become one of the key drivers of industrial growth.

In most nations, economies are reputed to have depended on one particular type of development model though, as the country studies in this project indicate, there is a great flexibility within ruling regimes about policy options they consider, adopt and apply. Botswana, for example, underwent three different stages of growth. Botswana's longstanding regime is said to have implemented a form of developmental state though it subsequently introduced neoliberal policies, an interesting consequence of which was an increase followed by a decrease in poverty. Malaysia similarly underwent three stages of economic growth, the second stage consisting of a mix between policies based on developmental state and neoliberal models of development. Malaysia, interestingly, has a good record of reducing poverty during the past three decades, though the impact of this mix of obviously contradictory policies on poverty reduction is unclear. Singapore, widely seen as a "pragmatic state", has had a similar mix of developmental state-type and neoliberal-type policies, a policy planning route that has also been adopted by China. In Singapore, selective privatization has been practiced, with key sectors kept under state control, such as the airline industry, and though poverty has been reduced substantially, a serious rise in income inequalities has occurred, while the poor have limited capacity to secure access to key provisions such as health services.

In other cases, the impact of neoliberalism on society is clearer. In Costa Rica, neoliberalism weakened the relationship between business, labour and social protection. There was growing emphasis on targeted-based initiatives to control social expenditure, leading to less social protection, though society has greatly opposed privatization. Such protests have contributed to a transition from top-down statecraft to more social dialogue, an indication of the growing importance of social movements. These transitions have also led to the decline of the influence of techno-bureaucratic elites. In India, from the 1980s, a similar mix between neoliberal policies and developmental state-type policies led to a growing nexus between state and capital, with increasing evidence of state capture by capital which influences policy-making, a factor contributing to growing class inequalities.

In South Africa, neoliberal policies were introduced but the state also expressed a commitment to the developmental state model. The outcomes of neoliberalism included a shift from pro-poor to pro-business policies with the growing influence of capital, both domestic and foreign, in terms of policy advice, though given the power of the state,

²³ Boissevain 1984.

²⁴ Ibid.

²⁵ See Harvey 2005 and 2006 (pp. 7-68) for an incisive discussion of the history of neoliberalism.

businesses do not have considerable policy-making influence. The state continues to maintain close links with trade unions in spite of the introduction of neoliberal policies. The South African case indicates that there is no simple divide between neoliberalism and the retreat of the state, as the latter can still be involved in the economy in different ways. And, in spite the promotion of a developmental state model, the state may not be able to dictate the pattern of development of capital.

In Ireland, social partnerships between employers, trade unions and the state were forged, though with the ensuing problem of “institutional capture” by capital of the state led to compromises by the union. The ascendancy of capital arose mainly with the introduction of neoliberalism, and its implementation in tandem with state-led industrialization contributed greatly to income and wealth inequalities with immense wealth concentration in the top 1 per cent. The particular importance of a “flexible developmental state”, involving this mix of neoliberalism and the developmental state, is closely linked to the concept of a “competition state”, one which prioritizes the goal of economic competitiveness over that of social cohesion and welfare. Put differently, social policy has been subordinated to the needs of the economy. Meanwhile, the rise of neoliberalism appears to have coincided with the shift from universalism to targeted based policies.

Policy regime and ethnic inequalities: Targeting horizontal inequalities

Scholars have argued that one reason for the persistence of racial strife in multi-ethnic societies is that policies have been viewed from a perspective that is vertical in orientation, that is one that addresses social inequities from a universal perspective. Vertically-based policies address the plight of individuals in need, regardless of their ethnic background. The counter argument is that ethnic conflict and inter-ethnic social and economic differences can be better resolved by adopting a horizontal perspective, that is by targeting ethnic groups that are in most need of help.

Horizontal inequalities are defined as inequalities between culturally defined groups, such as ethnic, religious, racial or caste-base groups.²⁶ The concept of horizontal inequality differs from the conventional definition of inequality, i.e. vertical inequality, because the latter type lines individuals or households up vertically and measures inequality over the range of individuals rather than groups. Horizontal inequalities are multi-dimensional and encompass economic, social, cultural status and political dimensions.

Socio-economic horizontal inequalities include inequalities in ownership of assets – financial, natural resource-based, human and social – and of incomes and employment opportunities that depend on these assets and the general conditions of the economy. They also include access to a range of services, such as education, health and housing, and inequalities in achievements in health and educational outcomes. Political horizontal inequalities consist in inequalities in the group distribution of political opportunities and power, including control over the presidency, the cabinet, parliamentary assemblies, the army, police and regional and local governments. Cultural status horizontal inequalities refer to differences in recognition and (de facto) hierarchical status of different groups’ cultural norms, customs and practices.²⁷

²⁶ Stewart 2002.

²⁷ Langer 2005.

Each of these dimensions is important in itself,²⁸ but most are also instrumental for achieving others. For example, political power is both an ends and a means; control of economic assets is primarily a means to secure income but it is also an end. While the measurement of a country's objective horizontal inequalities is a crucial element in the analysis of violent group mobilisation, it is important to bear in mind that "it is perceptions as much as reality that is relevant to outcomes, both with respect to what differences actually are, as well how much group members mind about the differences".²⁹

Although the presence of objective political and socio-economic horizontal inequalities and perceptions of inequality, injustice and unfairness are usually inter-dependent and closely related, they do not always coincide. If groups do not perceive the prevailing socio-economic and political inequalities as unfair or unjust, severe objective horizontal inequalities might not provoke conflict. The converse situation can also occur in which, for instance, political horizontal inequality is perceived to be severe, yet, objectively political exclusion appears to be relatively small or non-existent. In order to gain political support among their ethnic constituents, opportunistic politicians or "ethnic entrepreneurs" sometimes actively promote these misperceptions.

Identity and "groupism"

The state and progress of a country's economy is another important factor in the analysis of the emergence of violent group mobilisation. Empirical evidence suggests that the progress of a country's economy and the likelihood of violent conflict tend to be inversely related; the better the state of the economy, the lower the probability of violent group mobilisation.³⁰ Conversely, violent group mobilisation frequently occurs in situations characterised by a sharp economic decline or lower-than-expected economic progress. At the mass level, a sharp economic decline is likely to result in a decreasing standard of living and increasing levels of economic insecurity and general discontent. The increasing dissatisfaction of certain ethnic groups is not only likely to put more pressure on ethnic leaders and elites to address their group's plight, but it also means that these groups can be mobilised much more easily.

Even where ethnic elites are incorporated in the political system, a sharp economic decline frequently intensifies inter-ethnic elite competition for the declining national assets and resources, thereby possibly endangering the inter-ethnic elite alliances. While a sharp economic decline is likely to result in a decreasing standard of living and increasing levels of economic insecurity and general discontent, strong economic

²⁸ Stewart argues that while these broad categories are relevant to every society, "the elements that are relevant in a particular case depend on the nature of the society, its political system, its economy and its social structure. For example, land may be irrelevant in modern urban societies but is clearly of paramount importance in many developing rural economies, such as in Zimbabwe, while employment seems to be important in most countries. In natural-resource rich economies, control over such resources, either directly or through the state, is an important source of group competition. Access to housing is of critical importance in more developed economies, such as Northern Ireland, but is less important where people mostly construct their own housing (as in many African countries), where access to public sector employment is particularly important as a way out of poverty (Stewart 2008: p. 13).

²⁹ Stewart 2002 (p. 12).

³⁰ Nafziger and Auvinen 2000.

progress in contrast might not only mitigate the existing economic grievances, but would also provide the state with additional resources to help reduce the prevailing socio-economic horizontal inequalities.

The interaction between the different dimensions of horizontal inequality in the way that they predispose countries to large-scale, violent conflict means that it is not possible to isolate the economic dimension and treat this on its own. In analysing causes of conflict, it is necessary to consider the motives both of those who may be mobilized (the “supporters” or “masses”) and those who do the mobilising (or the “leaders” or “elites”).

A second critique, however, is more pertinent here – that such attempts to quantify ethnicity are fundamentally misguided and theoretically unsophisticated because they treat ethnicity as a set of “given”, or “primordial”, categories that are both exhaustive – all members of the population must fit into a category – and exclusive – members of the population cannot be members of two or more categories.³¹

Brubaker and Cooper have argued that much of the qualitative scholarship on ethnic conflict, and ethnicity more broadly, indulges in what they term as “clichéd constructivism”, that is a tendency to preface such studies with nominal concessions to the variable, tenuous and socially constructed nature of ethnic identities before proceeding to treat ethnicity in a “groupist” way that has little relationship to supposed constructivist underpinnings.³² Since the early-1980s, the “constructivist” perspective has probably become the most influential perspective in the study of ethnicity. Our intention here is to engage with this perspective and examine how the notion of horizontal inequalities intersects with a constructivist perspective on ethnicity.

Among the most important scholars who have advanced the constructivist view are Eric Hobsbawm, Terence Ranger and Benedict Anderson.³³ As Hobsbawm argues, “[t]raditions which appear or claim to be old are often quite recent in origin and sometimes invented”.³⁴ In the process of identity construction, a crucial role is played by so-called “cultural entrepreneurs who codify and standardize a language, equipping it with a written form, create an ethnos-centred historical narrative, populated with internal heroes and external villains, and build a literary tradition.”³⁵

In many countries, colonial regimes have also played an important historical role in the “promotion”, “systematisation” and in some cases the actual “invention” of ethnic groups and identities.³⁶ For instance, the Germans and particularly the Belgians played a crucial role in advancing and to a large extent creating the distinction between “Hutu” and “Tutsi” in both Rwanda and Burundi through systematically and extensively classifying and categorising – for example, someone’s ethnic group was explicitly stipulated in one’s passport – local people in either one of those ethnic groups.³⁷

³¹ Green 2004.

³² Brubaker and Cooper 2000.

³³ Anderson 1983; Hobsbawm and Ranger 1983; Ranger 1999.

³⁴ Hobsbawm 1983 (p. 1).

³⁵ Young 2003 (p. 14).

³⁶ Ranger 1983; Young 1985.

³⁷ Lemarchand 1994; Prunier 1995.

Although ethnic identities might be “invented” or “imagined”, they can, however, arouse deep attachments from the people involved.³⁸ Bates asserts that the constructivist view actually combines elements of both the primordialist and instrumentalist perspectives.³⁹ More particularly, “in keeping with the primordialists, constructivists view ethnic identities as a cultural endowment; but in keeping with instrumentalists, they view ethnic identities as malleable. Distinguishing their position is the belief that while identities can be reshaped, they can be altered only at significant cost.”⁴⁰

Brubaker has mounted a thorough critique of current literature on ethnicity, and ethnic conflict in particular, which relates essentially to the ontological status granted to “ethnicity” and ethnic “groups” as social phenomena, arguing that it depersonalizes individual identity and reifies communal identity.⁴¹ Brubaker draws specific attention to the concept of “everyday ethnicity” and notes that “ethnicity happens”, yet residents can remain unresponsive “to the appeals of ethnonational entrepreneurs”.⁴² For Brubaker, there is a need to see “ethnicity as cognition” and to analyze it in “relational, processual, dynamic, eventful, and disaggregated terms.”⁴³ This mode of analysis, Brubaker suggests, would provide better understanding of how ethnicity and nationalism have been abused, or constructed, to serve vested interests.

Brubaker and his co-authors argue for an analysis of “ethnicity without groups” in which social processes of ethnicization, social mobilization and organization and identification (rather than “identity”) are made central to the inquiry:

Rather than take “groups” as the basic units of analysis, cognitive perspectives shift analytical attention to “group-making” and “grouping” activities such as classification, categorization and identification... Race, ethnicity, and nationality exist only in and through our perceptions, interpretations, representations, classifications, categorizations, and identifications. They are not things *in* the world, but perspectives *on* the world.⁴⁴

The process of identity formation and boundary (re-)definition is therefore an ongoing process which can best be understood through a historical, transactional framework of analysis. Mustapha illustrates this point in the Nigerian context: “[R]ight through the colonial period, into the immediate post-colonial period, and now to the contemporary post-independence period, the processes of identity formation and boundary re-definition have continued, and an understanding of this process is just as important as comprehending the vicious ‘divide-and-rule’ machinations of British colonialism, or the political opportunism of the various fractions of the ruling classes of the post-colonial state. It is the totality of these pre-colonial, colonial, and post-colonial experiences and identities which form the substance of the ... ‘Ethnic Question’.”⁴⁵

³⁸ Anderson 1983.

³⁹ Bates 2004.

⁴⁰ Bates 2004 (p. 5).

⁴¹ Brubaker 2004.

⁴² Brubaker 2004 (p. 2).

⁴³ Ibid., p. 11.

⁴⁴ Brubaker 2004 (p. 79).

⁴⁵ Mustapha 1998 (p. 39).

From a horizontal inequalities perspective, this has two important implications. First, it draws attention to the fact that the “groups” between which such inequalities are measured, while often appearing “solid”, can be fluid and shifting, particularly over time. This is clearly a particularly important restraint on the interpretation of quantitative analyses of horizontal inequalities, which “categorize” individuals into a necessarily exhaustive and exclusive ethnic schema (i.e., every individual must “belong” to one and only one ethnicity). Second, and more promisingly, the intersection of a horizontal inequalities perspective and a constructivist theory of ethnicity raises interesting questions about the role that such inequalities might play in the tightening and increased salience (increased “groupness” in Brubaker’s terminology) of ethnic division.

Some examples support this contention. Talha’s innovative account of the emergence of the Pakistan movement in late colonial India takes to task the predominant historiography among Pakistani historians which postulates that “Indian Muslims were always a separate community right from the eighth century”.⁴⁶ Instead, Talha argues that a prime factor in the emergence of Muslim nationalism in the region and the concomitant demands for partition was the growing realization of the relative socio-economic backwardness of Muslims vis-à-vis Hindus, particularly in terms of education and appointments in the civil services.⁴⁷ Hence, she argues, the Indianization of the civil services from the 1920s onwards in fact exacerbated Muslim perceptions of neglect and a sense economic insecurity as the greater opportunities afforded for indigenous participation in governance were not equally distributed – a situation which they saw no hope for remedying “in the face of an economically superior Hindu community”.⁴⁸ In Talha’s reading, then, socio-economic backwardness and perceptions of economic insecurity intertwined with the ideological ambitions of the Muslim League to generate a powerful movement for partition.

In the case of Pakistan, then, horizontal inequalities combined with and reinforced existing cultural differences – in this case along religious lines – to feed into the emergence of an “ethnic” Muslim nationalism that promoted separation from Hindu-dominated India. In other cases, shared experiences of socio-economic or political marginalization have constituted a major factor in the emergence of “new” identities, radically opposed to the dominant (national) identity. Such a process can be identified, for instance, in the unification of diverse ethnic identities into a broader “Bangsamoro” identity in the mainly Muslim Mindanao region of the Southern Philippines, which has been the scene of a long-running secessionist movement since 1972. Proponents of Bangsamoro separatism postulate their current claims as a natural continuation of a centuries-long struggle to “regain” their “national” independence, curtailed first by the Spanish, then the Americans and now the Philippines government in Manila – a “nation under endless tyranny” in the evocative phrase of Salah Jubair.⁴⁹ While there is no doubt that the Mindanao region has indeed been home to long-running resistance to both Spanish and American colonialism, McKenna has persuasively argued that these earlier phases of resistance were not unified struggles around a common identity and that the narrative of Jubair and his colleagues is rather an atavistic re-interpretation developed to legitimize and mobilize separatist sentiments.⁵⁰ Indeed, the very term “Moro” which constitutes the root identity marker for separatist identities (Bangsamoro translates as “Moro Nation”) has its origins in an explicitly pejorative Spanish appellation for the

⁴⁶ Talha 2000 (p. 90).

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Jubair 1999.

⁵⁰ McKenna 1998, 2002.

southern Muslims (meaning “Moor”). The adoption of this terminology and its reversal into a positive form of self- and ‘national’-identification was largely premised precisely upon shared experiences of political and socio-economic marginalization in the post-1946 era.

From this perspective, then, horizontal inequalities constitute an important process in the formation and mobilization of ethnic identities, particularly where these identities emerge in “imagined”⁵¹ opposition to each other. This interpretation has the double advantage that it provides a more nuanced account of the interaction between inequality and ethnicity. And, it provides a causal explanation of why such inequalities may lead to violent conflict, given the formative role of categorical opposition in these processes of inequality-driven ethnicization.

Horizontal inequalities and conflict

Horizontal inequalities can contribute to the emergence of secessionist conflicts in which one or more parties seek independence for a particular region. Moreover, it is worth noting in this respect that recent years have seen a resurgence in economic interest in the dynamics of regional or spatial inequality in developing countries.⁵² The intersection of regional inequalities with ethnic diversity is intuitively likely to be particularly incendiary for a number of reasons. First, where ethnic groups are regionally concentrated, the visibility of relative deprivation is likely to be greater. Second, regionally concentrated ethnic groups often have differing (pre-colonial) historical experiences, which can be – and often are – drawn upon in mobilizing separatist movements. Finally, for disaffected regionally concentrated ethnic groups, secession could be seen as a viable option – although in fact it is very rarely entirely successful, largely because of the broad opposition of the international community to claims for separation except in the most brutal cases of state oppression.⁵³

Quantitative analysis suggests that there is indeed a systematic relationship between spatial-ethnic inequalities and the incidence of secessionist conflict. Østby’s quantitative cross-sectional analysis of the incidence of civil conflict in 55 developing countries tests a range of models of horizontal inequality and does indeed find the strongest explanatory power in a model that interacts levels of regional horizontal inequality with the degree of political exclusion practiced by the state, as Figure 1 indicates.⁵⁴ Within the specific institutional context of federal systems, Bakke and Wibbels’ quantitative analysis also finds that the level of ethnic contestation is conditionally linked to the interaction between regional inequalities and the ethnic diversity of sub-national regions.⁵⁵

⁵¹ Anderson 1991.

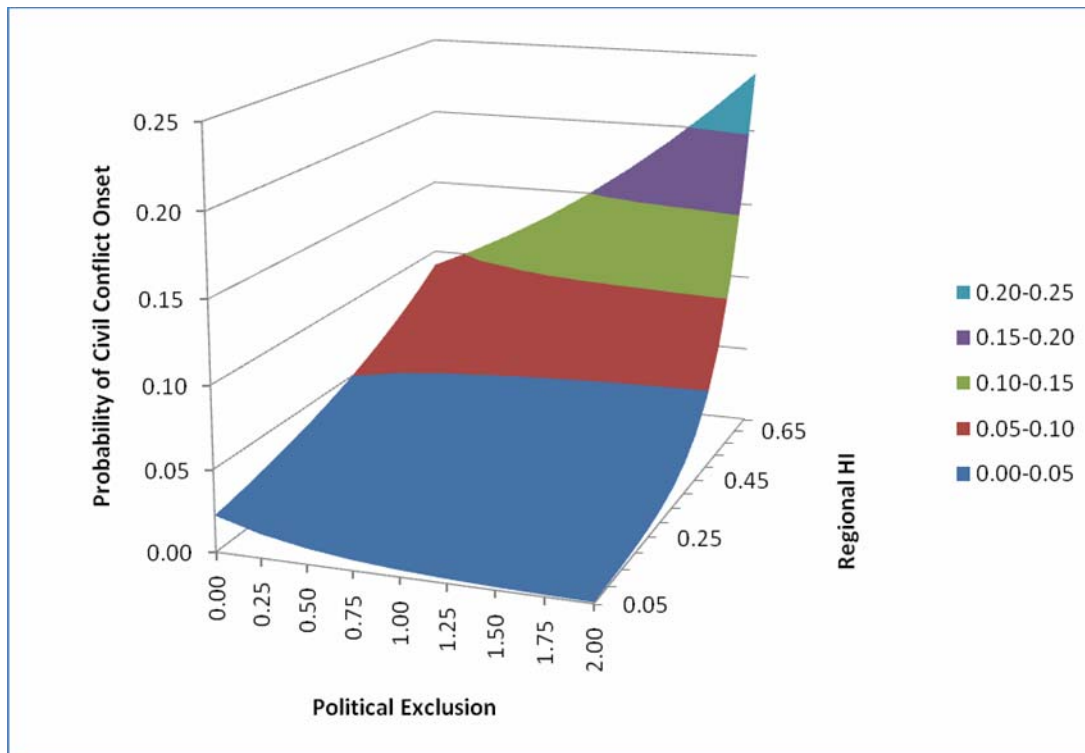
⁵² See, for example, Kanbur and Venables 2005.

⁵³ Fearon 2004.

⁵⁴ Østby 2008.

⁵⁵ Bakke and Wibbels 2006.

Figure 1
Interaction effect of regional asset inequality and political exclusion on probability of civil conflict



Source: Østby 2008.

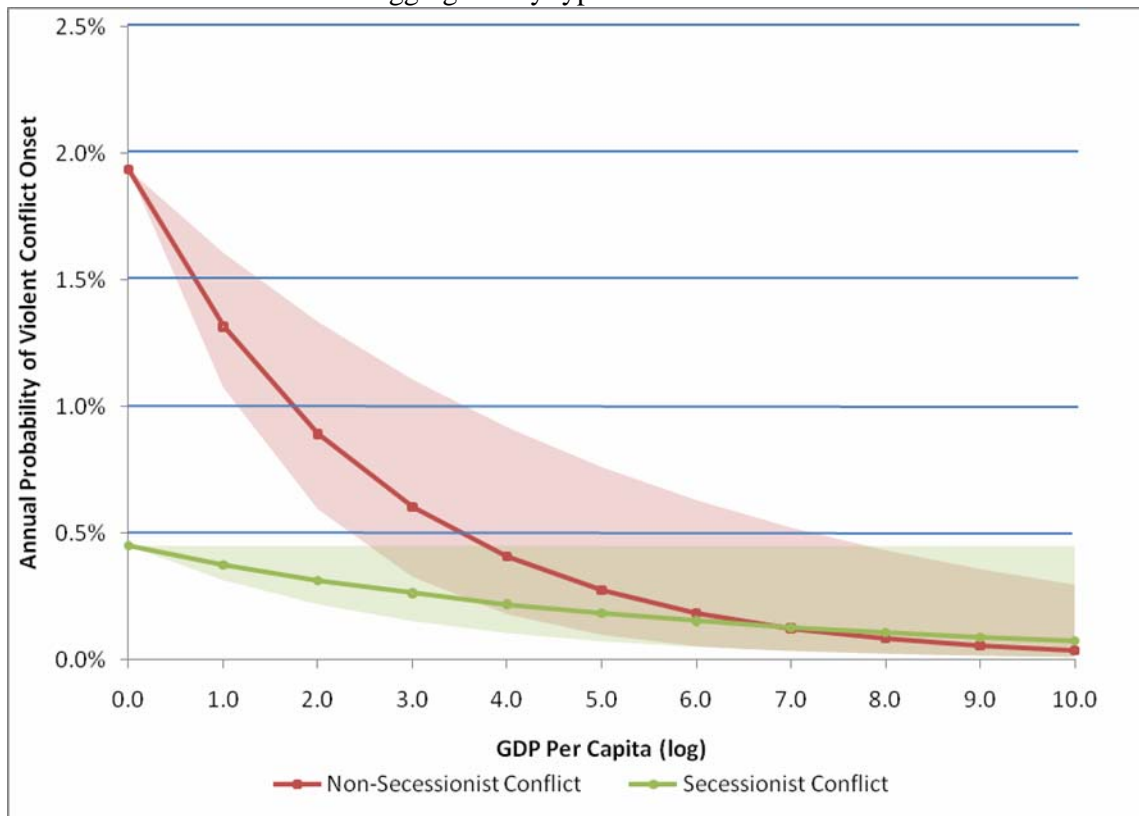
Spatial-ethnic conflicts, often although not exclusively in the form of secessionism, are notable in that they are more prevalent among developed countries than other forms of violent conflict. While the last Western European country to experience a full civil war was Greece in the immediate aftermath of the Second World War, for instance, some European countries have remained plagued by secessionist violence into the contemporary era, including the United Kingdom until relatively recently (Catholics in Northern Ireland), Spain (the Basque region) and France (the Basque region).

The collapse of communism in the late 1980s was associated with a host of secessionist movements, including the break-up of Yugoslavia, in which ethno-regional inequalities are argued to have played an important role. By the end of the 1990s, Slovenia, the first republic to break-away, had a gross social product almost double that of the Yugoslavian average.⁵⁶ Similarly, non-violent secessionist conflict has a notable presence in developed countries, including the United Kingdom (Scotland), Spain (Catalonia) and Canada (Quebec). Indeed, a disaggregation of the influential Fearon and Laitin “insurgency” model of conflict shows that the relationship between GDP per capita and secessionist conflict is much weaker than for other forms of conflict and, at the lower end of the confidence interval, possibly not correlated at all (see Figure 2).⁵⁷

⁵⁶ Ottolenghi and Steinherr 1993.

⁵⁷ Fearon and Laitin 2003.

Figure 2
Impact of GDP per capita on conflict incidence in Fearon and Laitin database,
disaggregated by type of conflict



Source: Fearon and Laitin 2003

A relatively extensive literature already exists examining the relationship between spatial inequalities and secessionist conflict. Broadly speaking, this can be construed as a debate over whether it is relatively rich regions that are more likely to seek secession⁵⁸ or relatively backward regions that are more conflict prone.⁵⁹ Brown's analysis of the separatist movement in Southeast Asia contends that the issue at stake is not so much the level of regional inequality as the intersection of inter-regional spatial inequalities and intra-regional ethnic inequalities.⁶⁰ Moreover, Brown suggests that the politicization of these inequalities is typically what leads to violent secessionist conflict, rather than the existence of such inequalities on their own.⁶¹ In Aceh, for instance, secessionism was driven by discontent that the enormous wealth-generating potential of the natural resources in the province was not fed back to the local population, while at the same time the local Acehnese population were subject to increasing marginalization in favour of the largely migrant Javanese population.

Similarly in Russia and the Soviet Union, the intersection of regional inequalities and ethnic difference, primarily along religious lines, has been drawn upon to explain attempts at secession. As in Indonesia, it has predominantly been the better-off regions

⁵⁸ Hale 2000; Hale 2002.

⁵⁹ Hechter 1992; Horowitz 1981.

⁶⁰ Brown 2005b; 2008.

⁶¹ Brown 2008.

that have sought secession; the same appears to hold in the former Soviet Union. Empirical testing suggests that a combination of high levels of regional wealth and “ethnic distinctiveness” are good predictors both the rapidity with which regions sought secession following the collapse of the Soviet Union and of the overall propensity of ethnic regions to seek secession in post-Soviet Russia.⁶²

Yet it is clearly not only relatively highly-developed ethnically-distinct regions that seek secession: East Pakistan (now Bangladesh), Eritrea and the Pattani region of Southern Thailand are all socio-economically deprived areas that have attempted secession. As Nafziger and Richter have pointed out in an early study of the political economy of secession, these apparently opposite dynamics – relatively rich regions and relatively impoverished regions seeking secession – can be seen as flip sides of the same coin: the perception by regionally concentrated ethnic groups and/or elites that they would be better off “going it alone”.⁶³

For relatively rich areas, particularly those with high natural resource endowments such as Aceh and Biafra, secession may be in part driven by the belief that these resources endowments are being unfairly “captured” by the national-level state. For relatively poor regions, secession can be legitimized or driven by perceptions of (deliberate) marginalization and hence a similar sense that “going it alone” would be economically advantageous. Thus, for instance, in the case of East Pakistan (now Bangladesh) investigated by Nafziger and Richter, “East Pakistan, poorer than West Pakistan at independence, became more disadvantaged over time... As Easterners became more conscious of the coalition of Western landlords, industrialists, and army officers in using the levers of the state to increase regional income disparities, they became more restive.”⁶⁴

Policy typologies – horizontal inequalities

Table 1 summarizes the proposed typology of policies towards horizontal inequalities, along with potential policy examples. It differentiates policies according to two criteria. First, policies are differentiated between those that are primarily targeted at the different dimensions of horizontal inequality, i.e., political, socio-economic and cultural status inequalities. These distinctions should not be taken as inflexible. Many specific policies have implications across multiple dimensions and, indeed, the boundaries between these different dimensions are necessarily fuzzy. Nonetheless, such a distinction is a heuristically useful device for understanding how different types of policy might interact.

⁶² Hale 2000; Hale 2002.

⁶³ Nafziger and Richter 1976.

⁶⁴ Nafziger and Richter 1976 (p. 105).

Table 1
Typology of policies towards horizontal inequalities

	<u>Policy approach</u>		
	Direct HI-reducing	Indirect HI-reducing	Integrationist
Political	Group quotas; seat reservations; consociational constitution; list proportional representation.	Design of voting system that incentivize power-sharing across groups (for example, two-thirds voting requirements in assembly); design of boundaries, and seat numbers to ensure adequate representation of all groups; human rights legislation and enforcement.	Geographical voting spread requirements; ban on ethnic/religious political parties (national party stipulations)
Socio-economic	Quotas for employment or education; special investment or credit programmes for particular groups.	Anti-discrimination legislation; progressive taxation; regional development programmes; sectoral support programmes	Incentives for cross-group economic activities; requirement that schools are multicultural; promotion of multicultural civic institutions.
Cultural status	Minority language recognition and education; symbolic recognition (for example, public holidays, attendance at state functions)	Freedom of religious observance; no state religion.	Civic citizenship education; promotion of an overarching national identity

Source: Stewart, Brown and Langer 2008 (p. 304)

Second, three different types of policy are differentiated, i.e., “direct” approaches, “indirect” approaches and “integrationist” approaches. Direct approaches involve targeting groups, positively (for the deprived) and negatively (for the privileged). Indirect approaches aim to achieve the same horizontal inequalities-reducing impact indirectly through general policies, but because of their design in relation to the circumstances of the various cultural groups, they reduce horizontal inequalities. Ethnic quotas for education or ethnic electoral rolls fall into the first category, while regional expenditure policies or the decentralization of power across the country fall into the second.

A third possible type of policy is explicitly directed at reducing the salience of group boundaries by increasing integration (and less concerned with horizontal inequalities reduction). Examples are incentives for shared economic or political activities across groups.

Some general observations can be drawn from these types of policy. First, it is clear that there are, at least in the short term, tensions between the two broad goals that can be discerned in the policies types outlined here: reducing “objective” horizontal inequalities in one or more dimension, and, reducing the salience of horizontal groups for political organization and mobilization. Policies that identify particular groups and bestow upon them preferential access to political or socio-economic resources may well increase the salience of group-based politics, at least in the short run. Intuitively, there is a plausible argument that such policies may nonetheless be useful in the long run because severe horizontal inequalities constitute such an impediment to inter-group relations that it is practically impossible to reduce the salience of ethnicity in the political process without first addressing horizontal inequalities more directly.

A second general observation is that while a differentiation can be made between political, socio-economic and cultural policy dimensions, all three dimensions are in a sense political in that they are predicated upon the political will to implement such policies. In as much as there is a possible argument to be made for affording logical priority to policies of political inclusivity, without political inclusivity, there is little chance of implementing effective remedial policies for disadvantaged minorities in the socio-economic realm. Such an argument would have the additional merit of complying both with a broadly Rawlsian concept of justice, whereby attainment of political rights are taken as “lexically prior” to socio-economic redistribution,⁶⁵ and with the human rights perspective on development that posits “progressive realization” of socio-economic rights.

There has been extensive discussion about the appropriateness of different forms of electoral arrangements for multicultural societies. Two dominant approaches are the consociationalist approach, associated primarily with Arend Lijphart,⁶⁶ and the integrationist approach, linked with Donald Horowitz.⁶⁷ These broadly correspond, respectively, to a direct approach to reducing political horizontal inequalities and more indirect approaches intended to reduce both political horizontal inequalities and the salience of group divisions. Lijphart prefers policies that explicitly identify ethnic groups and institutionalizes power-sharing arrangements between them. Horowitz broadly favours arrangements that create incentives for group power-sharing, such as delimitation of federal states that “cut through” ethno-regional settlement patterns, without always directly institutionalizing group representation. Consociationalists typically promote the institutionalization (formally or informally) of a “grand coalition” of groups as the basis of political office – in effect, ensuring all major groups are represented in government. In contrast, the integrationist approach is less concerned with achieving a “balance of power” between major groups than with devising mechanisms to reduce the incentives for group mobilization, which might or might not be associated with reduced political horizontal inequalities.

Turning to more specific measures, one set of political horizontal inequalities-reducing policies consists of electoral mechanisms designed to ensure balanced group representation in parliament, government, and the executive. Lijphart has suggested that the simplest way of ensuring ethnic representation is to create separate electoral rolls with seats allocated by group rather than by geographic boundary, as has been

⁶⁵ Rawls 1971.

⁶⁶ Lijphart 1977, 2004.

⁶⁷ Horowitz 1985.

implemented in Cyprus and in New Zealand.⁶⁸ An alternative mechanism is to create a single electoral roll but to reserve certain seats for certain groups. In India, around 15 per cent of parliament seats are reserved for Scheduled Castes, but registered electors from all groups in the constituency vote for them.

These mechanisms ensure a minimum balance of political representation at the expense, possibly, of entrenching identity politics as the basis of electoral mobilization. More indirect electoral mechanisms are also possible which may encourage group balance. For example, most forms of proportional representation are likely to achieve a greater degree of group balance than first-past-the-post systems, under which minorities “tend to be severely underrepresented or excluded”.⁶⁹ In general, it appears that proportional representation is an effective system to ensure that all groups are represented broadly in proportion to their population size, so long as the system has low thresholds for the minimum votes needed to justify election. Nonetheless, there may be a “fair” electoral system, but minorities may still be excluded from government, while exclusion can occur in the determination of who is entitled to the vote.

In multi-ethnic societies, there is a strong tendency for political parties to become “ethnic” as this seems to be an effective way of mobilizing votes.⁷⁰ More broad-based coalitional parties can be encouraged by the electoral system, again through systems of “list” proportional representation, or a single transferable vote in multi-member districts (adopted, for example, in Malta and Ireland). Without some such constraining influences, political parties can be highly divisive in multi-cultural societies, with elections sometimes leading to conflict.

Restrictions on political parties themselves are another integrationist policy. In countries such as Ghana, Indonesia and Nigeria, for example, political parties have to have representatives throughout the country and, given the geographic concentration of ethnic groups, this promotes multi-ethnic parties. Yet, such policies can also prove problematic where geographically-concentrated minorities perceive themselves as suffering specific grievances. In Indonesia, for instance, the major stumbling block in the negotiation of a post-tsunami settlement in Aceh was not the issue of division of natural gas revenues, which was resolved relatively quickly, but rather the Acehnese demands to be allowed local political organizations.

Moreover, in some cases, “national” political parties may well draw primarily or exclusively on particular ethnic groups, as appears to have been the case in the recent contested election in Kenya. Similarly, in Ghana, whereas political parties need to have a national character, the two main political parties, the New Patriotic Party (NPP) and the National Democratic Congress (NDC), are nonetheless largely perceived as Ashanti/Akan- and Ewe-based parties respectively. This perception is sustained and to some extent caused by the fact that the Ashanti and Volta (Ewe-dominated) regions have overwhelmingly voted for their perceived home-based parties in consecutive general elections since the introduction of Ghana’s Fourth Republic in January 1993.

In reviewing the experience of different countries with political power-sharing between groups, it is noteworthy how many cases of relatively successful management of

⁶⁸ Lijphart 1986.

⁶⁹ Lijphart 1986 (p. 113).

⁷⁰ Horowitz 1985.

political inequalities depend on the emergence of informal power-sharing norms, rather than explicit constitutional engineering. In Côte d'Ivoire, for instance, former president Houphouët-Boigny applied an informal policy of ethnic balancing such that all major ethnic groups were represented within the most important political institutions and positions, while in Ghana, a general expectation has evolved that the presidential and vice-presidential slates should include both a northerner and a southerner.⁷¹ Similarly in Bolivia, the increased representation and participation of indigenous groups in the political process, epitomized by the election of Evo Morales as president, was largely achieved through bottom-up mobilization by strong indigenous civil groups, rather than through explicit constitutional or electoral engineering. A key factor here was the "Popular Participation Reforms" of the 1990s, which "granted veto power to a civil society oversight committee at the municipal level".⁷² These measures in effect provided an additional stimulus to the indigenous and union mobilization, which ultimately brought Morales to power. Yet, while these measures have seen the virtual exclusion of indigenous from Bolivia's political scene effectively reversed, they have as yet made little in-road into resolving the entrenched socio-economic disadvantage of indigenous groups, suggesting the need to consider targeted-type policies such as affirmative action.

Reviewing affirmative action

Direct measures to combat socio-economic horizontal inequalities can be taken as roughly coterminous with the policy of affirmative action. Countries in the developed and developing world have employed affirmative action specifically to combat poverty. Unlike universal and group-neutral policies, affirmative action explicitly targets individuals and groups on the basis of ascriptive characteristics such as race, ethnicity and gender. Among the countries that have actively implemented affirmative action include the United States, India, Malaysia, Sri Lanka, South Africa, Zimbabwe and Brazil.⁷³

This group of cases reflects the range of affirmative action policies that have arisen across diverse historical, political and economic contexts. For example, India began experimenting with affirmative action policies in the early twentieth century, whereas Brazil has only recently introduced affirmative action after years of societal opposition to such programmes. Early policy efforts in the United States and India focused on social groups who comprised a minority of the total population and who had experienced discrimination, oppression and exclusion.⁷⁴ These policies were justified first and foremost in terms of compensation for past wrongs. Affirmative action was, however, subsequently expanded to include groups who are a majority of the population, and the rationale for the policies has extended beyond compensation to more diffuse social goals such as diversity of representation.

Affirmative action policies were initially developed to offer accelerated, guaranteed opportunities for members of ethnic groups who had endured discrimination and exclusion. When these groups formed a minority of the population, the preferences

⁷¹ Langer 2005.

⁷² Caumartin, Gray Molina et al. 2008 (p. 240).

⁷³ Bailey 2004; Bennell and Strachan 1992; Castle 1995; Gomez and Jomo 1997; Htun 2004; Lindsay 1998; Oberst 1986; Parikh 2001; Sowell 2004; Weisskopf 2004.

⁷⁴ Weisskopf 2004.

embedded in the policies were justified on the grounds that abolition of discrimination was insufficient to advance the community. When the groups comprised a majority of a society's population, the preferences were justified as providing a return to a more appropriate status quo. These arguments were made in the context of social relations that derived from colonial experiences or quasi-colonial dominance of the indigenous minority by a foreign majority.

In the case of all the countries under study, the programmes were intended to reduce poverty, increase political power and develop an educated and thriving elite that could assume leadership of their communities. Programmes were developed in three areas: electoral representation, in which targeted groups were guaranteed a proportion of legislative seats; access to positions in government employment and institutions of higher education; and enterprise development, in which targeted groups received preferences in capital accumulation, investment and ownership. In several cases, many of the stated goals were met. Malaysia, the United States and India have all experienced a reduction of poverty among the beneficiaries of affirmative action and members of targeted groups have become politically influential at the national and sub-national levels.⁷⁵ In each case, a prosperous middle class has emerged. South Africa's experience with affirmative action is of a shorter duration, but similar trajectories in economics and politics are obvious.

However, in spite of these positive outcomes, in the relatively successful cases, the goals of affirmative action have been achieved in part rather than in their entirety. Although inter-group measures of inequality have shown decreases, in every case intra-group inequality has increased even when overall poverty has fallen. And since affirmative action policies do not take into account spatial inequality, disparities between beneficiaries in different regions, or between urban and rural beneficiaries, have continued or increased.

These increases in intra-ethnic inequality can be attributed to the way affirmative action programmes are defined and implemented. In every case under consideration, access to and utilization of affirmative action incentives have been distributed unequally among members of eligible groups. When the beneficiaries are members of a numerical majority, a subset of the targeted group almost always has utilized preferential access and their large numbers to achieve political prominence and to enrich themselves through government-controlled economic opportunities. By contrast, where the targeted groups comprise a minority of the population, economic gains are not always matched by political gains. In the United States, African-Americans, American Indians and Latinos have experienced uneven economic and social improvements without gaining political dominance, as have minority social groups in India.⁷⁶ Such outcomes suggest the need for institutional reforms to ensure more transparency and equity in the way incentives created are deployed among targeted groups.

In most cases, the access of targeted groups to policy incentives comes at a late stage of human and financial capital accumulation. In India, for example, social groups have received both preferential access to universities and subsidies in tuition and housing. But many such group reservations go unclaimed because the beneficiaries have not received adequate primary and secondary schooling to meet the relaxed requirements.

⁷⁵ Gomez and Jomo 1997 (pp. 24-74); Weisskopf 2004.

⁷⁶ Weisskopf 2004; Sowell 2004.

Inadequate primary education and an over-emphasis on tertiary education benefited the middle class, exacerbating class inequalities in India. In Malaysia, where implementation of affirmative action is reputed to have had extremely favourable outcomes, one important lesson was that the young of the targeted group were plucked out of rural areas, sent to well-equipped residential schools and then provided preferential access to tertiary education. Beneficiaries privy to such quality education from an early stage of their life have now emerged as the new middle class with a growing presence as a community with entrepreneurial capacity.

The impact of affirmative action on enterprise development is especially noteworthy in so far as it raises the question whether the policy helped develop a new domestic entrepreneurial community, which encouraged inter-ethnic wealth distribution parity, or if it merely fostered rent-seeking thereby undermining economic growth as well as suppressing a dynamic domestic entrepreneurial base that could have helped generate growth. In countries where this dimension of affirmative action has been actively pursued, i.e. South Africa and Malaysia, redistribution of corporate equity has led to serious intra-ethnic class inequalities. In South Africa and Malaysia, the promotion of the Black Enterprise Empowerment (BEE) policy and the New Economic Policy (NEP) respectively has contributed to close ties between politics and business along ethnic lines, leading to the rise of a new elite signifying fresh class configurations. The BEE has contributed to the bypassing of entrepreneurial non-black capital, undermining economic development. The NEP's promotion of ethnic Malay capital has usually involved further intra-ethnic selective patronage, ostensibly in an attempt to identify, pick and groom "winners".⁷⁷ This non-transparent mechanism of "picking winners" has diminished the capacity of ethnic Chinese entrepreneurs to move up the technology ladder because of the latter's reluctance to invest in research and development for fear of losing ownership and control of their firms during equity redistribution exercises. This suggests that targeting to help develop a domestic industrial capital base requires review as the promotion of affirmative action in business would be to the detriment of entrepreneurial firms in a country. Moreover, in these two countries, where there is a concerted attempt by the state to promote ethnic capital as a redistributive mechanism, this has not led to the de-racialization of society. The policy has led to a merger of indigenous business and state elite with such capital still highly dependent on the regime for survival.

In addition to intra-group inequality, spatial inequities frequently persist or worsen after affirmative action policies are implemented. Preferences designed to encourage entrepreneurship and investment will be disproportionately utilized by members of targeted groups in urban and prosperous rural areas because they assume a level of infrastructural support that many regions do not have. Affirmative action in South Africa, Zimbabwe, Malaysia, Sri Lanka and India has not helped develop rural enterprises, even though this was one objective of the policy in some countries. And even programmes that recognize important differences at the sub-national level, affirmative action will be unevenly distributed unless disparities within regions are acknowledged and accounted for in the implementation process.

Spatial differences have also been exacerbated by the limited ability of the rural poor to take advantage of access to higher education, an issue conditioned on primary and secondary education success. If such inequities are not resolved, through improvements in affirmative action programmes at all levels, then even the most generous higher

⁷⁷ Gomez and Jomo 1997 (pp. 24-74).

education preferences would be ineffective. In India, when reserved seats were introduced at the prestigious and highly competitive Indian institutes of technology, many students from targeted social groups were unable to take advantage of a relaxation of the entrance requirements because their secondary school training had usually been gained at inferior public schools. Prosperous group members who can afford private schools and personalized tutoring are the predictable beneficiaries of these reservations.

A number of these anomalies in affirmative action can, however, be explained in terms of the issue of the persistence of policies across time as well as its inability to ensure equal access for targeted groups and its focus on ascriptive identity. Determining the length of affirmative action and abiding by this stipulation appears imperative as the short-term impact of the policy appears positive, while its long-term consequence has serious drawbacks, including serving to reinforce ethnic identity in a manner which hinders social cohesion. A major point that emerges from the country studies is that long-term implementation of affirmative action has led to the creation of claimed identities to secure the incentives that come with the policy. Importantly too, even in cases where policies have time limits or were implemented with the expectation that they would be temporary, few governments have been scaled back policies, much less abandoned them.

Two other related factors are common across all these cases. First, affirmative action policies have been challenged formally through legal and political channels and informally through social protest. While many of these challenges have come from non-targeted groups who argue they are unfairly disadvantaged by these programmes, opposition has also arisen from individuals and groups within the targeted population. These conflicts have repercussions for society as a whole and for political and social relations within groups, especially when affirmative action leads to increased heterogeneity of economic and political status among beneficiaries.

This increased heterogeneity is a consequence of the second common factor: most affirmative action policies treat targeted groups as homogeneous, but members' abilities to take advantage of these programmes are not equal. If incentives are extended without accompanying programmes that ensure all members similar chances, then the programme shifts the competition from one between members of different ethnic groups to one between members of a single ethnic group. Over time, moreover, class divisions among targeted groups become increasingly pronounced, and in most cases the best off within these communities utilize affirmative action while those with less resources are left behind. While intra-group solidarity may help mitigate the potential conflicts that arise from this inequality, policies that aggregate a variety of ethnic or other identities within one category can create or exacerbate tensions across subgroups.

In cases where affirmative action programmes have attracted substantial criticism due to new intra-group inequities, such as in Malaysia, or where the rise of a prosperous subgroup within the beneficiary population has undercut the initial compensation argument, such as in the United States, the policies have continued. In Malaysia, the policy was re-casted, though its primary objectives remained unchanged. In the United States, justification on the basis of compensation has been supplanted by arguments about the usefulness of affirmative action in expanding diversity in employment and education. And targeted group members' support for affirmative action is so widely assumed that if beneficiaries advocate major changes in policy or the complete abolition of affirmative action, they are seen as aberrations. Despite the conflict that affirmative

action engenders, it appears to be politically infeasible for elected actors to change the essential aspects of the policies.

The focus of affirmative action on ethnicity has critical ramifications in the political arena. First, for many targeted group voters, the support of politicians for affirmative action becomes a litmus test of support for the group itself, and candidates risk losing voters if they criticize the policies, let alone advocate their abolition.⁷⁸ Second, the existence of affirmative action affects how individuals and groups identify themselves in politics. If the policies are perceived to be a path to greater economic and social opportunity, then voters are more likely to consider their ethnicity salient and coalesce around affirmative action and other ethnically specific political issues.

In the cases analyzed here, programmes are targeted at the highest levels of education, adult employment and enterprise development. Beneficiaries are expected to have been provided with the human and financial capital that allows them to take advantage of affirmative action, but if they have not, there are no provisions within the programmes to overcome this deficiency. This is because affirmative action seldom includes programmes that build educational – and financial – capital before adulthood. As a result, poorer members of targeted groups are less likely to be able to take advantage of affirmative action, reflected in the rise in intra-ethnic inequality.

Despite these limitations, it is important to recognize that affirmative action programmes have succeeded on their own terms in different contexts. Previously under-represented groups have increased their representation in politics and the economy. The middle classes in these cases have been expanded. And in all cases, previously excluded minority and majority populations have been integrated into a wide range of positions in mainstream society. Policy modifications to exclude the most privileged members of targeted groups and to target members earlier so that access is more widely used are crucial to help deal with the limitations within affirmative action. This contention draws attention to the important need to make a distinction between preferential and developmental affirmative action.⁷⁹ Developmental affirmative action, involving the need to provide affirmative action incentives to recipients at an early age, based for example on education, to provide them with skills appears to increase the viability of this policy to overcome social inequities. In the long term, affirmative action programs might expand the range of targeted groups and individuals to include not only ethnicity, but also class position, in determining eligibility status. This change would enhance the ability of disadvantaged members of society to have access to programmes, since they would no longer have to compete with more privileged members of their ethnic group.

Conclusion

There is sufficient evidence that horizontal inequalities can play an incendiary role in the emergence of violent conflict. This is particularly so when horizontal inequalities are consistent across dimensions and are politicized, whether through “ethnic entrepreneurs” who promote politicized interpretations of such inequalities or through popular opposition to government policies perceived as discriminatory or exclusionary. Nonetheless, some countries have managed to reduce poverty through horizontal-type

⁷⁸ See, for example, Parikh 2001.

⁷⁹ Fryer and Loury 2005.

initiatives without provoking violent conflict, suggesting that careful design of context-specific policies can be effective.

Countries experiencing severe horizontal inequalities are therefore faced with a dilemma. Horizontal inequalities constitute a potential problem for peaceful development, but attempting to correct such inequalities can be the spark that transforms a “potential” problem into an “actual” problem. There are trade-offs as well during the implementation of a particular policy, due to leakages. For example, when beneficiaries from the targeted group are relatively well-off, this undermines the legitimacy of the policy among the entire population.

The pattern of policy planning and implementation involving the way policies target different sections of the intra-group distribution curve therefore require careful consideration. Policies that target the higher end of the distribution curve are likely to be less costly for the government, but are also probably much less effective in achieving reductions in horizontal inequalities.

This suggests that much consideration is required of the type of institutions that are created through which such policies are implemented. A democratic electoral system that allows for a change of government and encourages moderation as well as accommodates difference appears imperative. Federal arrangements that serve to accommodate a plurality of ethnic communities have proven important. In Asia, India’s federal system has given previously marginalised groups access to political power and regional elites the chance to influence policy making at the national level. Decentralization is necessary, though if such devolution of power is uneven or centred in institutions with limited capacity to deliver, it will lead to inefficiencies in policy implementation. Decentralization is also important because institutions with power at the local level can better respond to and craft incentives to suit the well-being of recipients. Local level civic institutions that transcend ethnic divisions as well as curb political practices and forms of mobilization fostering ideas that exclude communities from mainstream society have proven crucial to help curb ethnic – and religious – conflict.⁸⁰

Developmental-type affirmative action incentives appear to be the most persuasive mechanism to help alleviate horizontal inequalities, created and promoted within a viable and transparent institutional framework, but also instituted within a specific time limit. An emphasis on providing quality primary education to targeted groups is imperative, with incentives for the poor to keep their children in schools. Selective distribution of business incentives, on the other hand, should only be among recipients with the capacity to develop these concessions productively. Governments in Europe and Asia have selectively steered resources to companies to attain their development and social objectives, including redistributing wealth and reducing poverty, even through the conception of public-private compacts. Such compacts must, however, be one that is seen to be inclusive.

In industrialised East Asian and European countries, social compacts have comprised not just government and business, but also labour. Such compacts have provided for much-needed stability in policy planning and implementation. In Japan and the Nordic countries, for example, it was social partnerships between employers, trade unions and the government that helped them register significant economic progress, provide for

⁸⁰ See, for example, Varshney 2002 and Brubaker 2004.

social protection measures and reduce poverty appreciably. In these social compacts to help foster development equitably, the importance of the small firm in terms of promoting innovation, developing industrial capacity, generating employment and redressing spatial and ethnic inequities has been noteworthy.

However, such public-private arrangements can be problematic. One primary reason for this is that the state is an institution fraught with contradictions, undermining its capacity to serve as a neutral arbiter between competing forces within capital and society. The professed neutrality of the state has been known to be undermined by the phenomenon of institutional capture, a reason why a neoliberal model of development has led to serious inequities and has proven unsustainable. This suggests that the institutional framework within which incentives are created and distributed should allow under-privileged communities an avenue to participate in decisions that would affect their way of life as well as provide for effective and accountable oversight over the implementation of policies.

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