

# Beyond the Market: Economic Disparities and Conflict<sup>†</sup>

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Debraj Ray, NYU and Warwick

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<sup>†</sup>Thanks to [Joan Esteban](#), [Laura Mayoral](#) and [Anirban Mitra](#) for letting me freely draw on our joint work.

## Beyond the Market

“The total input capacity of a region may find an outlet in two directions, one leading to a larger global output of goods and services, another towards securing a larger share in the total.”

Trygve Haavelmo, *A Study in the Theory of Economic Evolution*, Amsterdam: North-Holland 1954 (p.92).

(See also discussion by Moene and Rødseth, *Journal of Economic Perspectives* 1991.)

- Everything in our talk today shares this basic insight.

# Beyond the Market

## Reactions to Uneven Economic Change:

- Occupational choice versus political economy

## Within-Country Conflict

- Sustained, organized violence across groups
  - or between some “group” and the State
- Precise definition (e.g., PRIO [25 battle deaths](#) p.a.) useful but not central
  - Low-level “simmering” violence just as important.

## Within-Country Violence

### **Low-level persistent violence**; e.g.,

- Hindu-Muslim
- Naxalite, ETA
- Racial unrest in the US
- Anti-immigrant sentiment

### **Open conflicts**, such as:

- Ethiopia, Syria, Myanmar, Yemen ...
- Historical conflicts: Rwanda, Bosnia, Wars of Religion

### ■ Outline:

- Three (mis?)-perceptions concerning conflict
- A simple but general structure that connects economics and conflict
- Some applications of that structure
- Some research questions

## Three (Mis)Perceptions

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# Three (Mis)Perceptions

## I. Aggregate Growth Will Take Care of Conflict

Collier-Hoeffler 1998, 2004; Fearon-Laitin 2003, Miguel-Satyanath-Sergent 2004

- Grabbing versus opportunity cost:

oil revenues (Dube-Vargas 2013); Hindu-Muslim violence (Mitra-Ray 2014)

- Frustrated aspirations

“The French found their position all the more intolerable as it became better.”

de Tocqueville 1856

The Indian General Elections of 2014.

- **Growth** could well be conflictual.

# Three (Mis)Perceptions

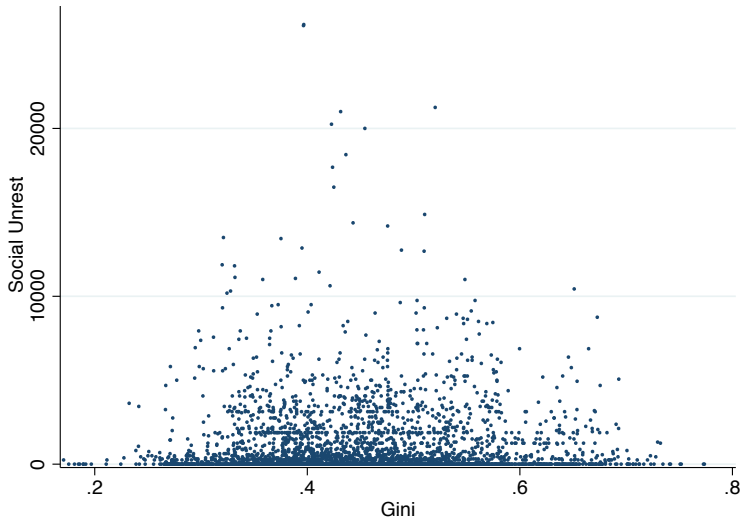
## II. Economic Inequality Provokes Open Conflict

- “The relation between inequality and rebellion is indeed a close one.” Sen (1973)
- Unclear. Lichbach 1989 survey:
  - “[T]ypical finding of a weak, barely significant relationship between inequality and political violence . . . rarely robust” Midlarsky 1988

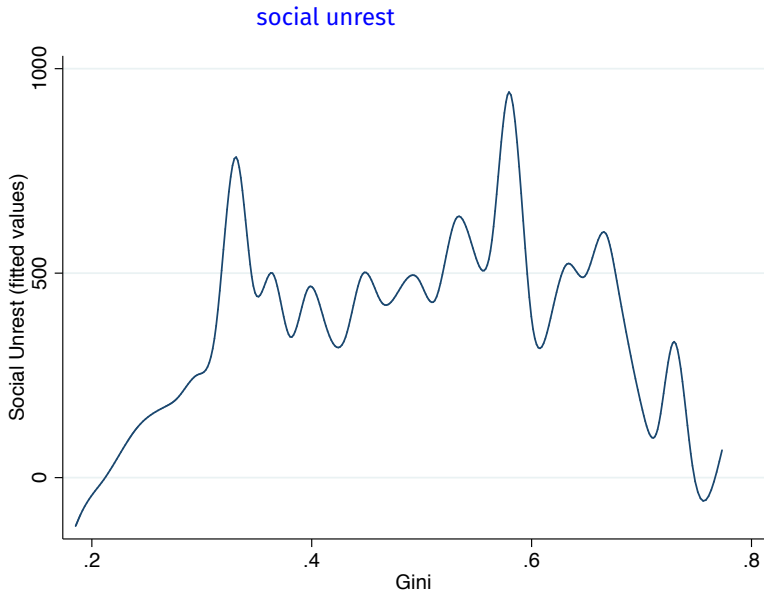


# Three (Mis)Perceptions

## II. Economic Inequality is Openly Conflictual (?) Banks CNTS dataset

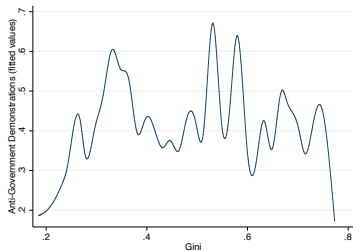


# Three (Mis)Perceptions

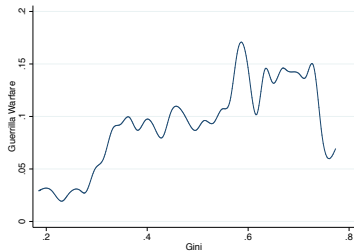


# Three (Mis)Perceptions

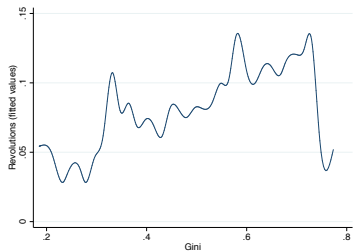
## demonstrations



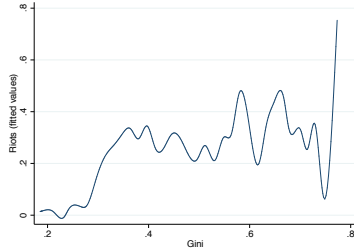
## guerrilla warfare



## revolutions



## riots



## Three (Mis)Perceptions

### Components of Social Unrest, 1960–2005

	[1]	[2]	[3]	[4]
	Guerrilla	Riots	Revolutions	Demos
GINI	**2.992 (0.022)	**8.602 (0.014)	1.456 (0.141)	*7.336 (0.093)
GINI <sup>2</sup>	**−3.759 (0.010)	**−8.234 (0.013)	*−1.822 (0.097)	*−7.971 (0.062)
GDP	−0.036 (0.543)	−0.012 (0.951)	−0.006 (0.904)	0.239 (0.292)
POP	−0.129 (0.360)	0.610 (0.125)	0.087 (0.387)	***1.114 (0.001)
DEMOC [POLITY2]	−0.004 (0.384)	−0.006 (0.515)	−0.002 (0.447)	***−0.043 (0.002)
Lag	✓	✓	✓	✓
C	1.618 (0.399)	−6.942 (0.279)	−1.275 (0.384)	**−9.647 (0.041)
Country FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
R <sup>2</sup>	0.296	0.405	0.341	0.365
Obs	3360	3360	3358	3274

# Three (Mis)Perceptions

## III. Conflict Occurs Along Class Lines

- 1945–1998, 100/700 ethnic groups active in rebellion Fearon 2006
- “[E]clipse of the left-right ideological axis.” Brubaker and Laitin (1998)

### One of the great questions of political economy:

- Similarity vs. difference.

### Conflict is often over directly contested resources:

- land, jobs, business resources, government quotas, religious space ...

### The implications of direct contestation:

- Ethnic markers.
- Instrumentalism v. primordialism (Huntington, Lewis)

## Theoretical Framework

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# Framework

- **A set of potential allocations**  $x \in X$  over individuals:
  - Could be market outcomes or constrained by horizontal equity
- **Allowable coalitions**  $S \in \mathcal{S}$ :
  - demarcated by class, geography, ethnicity, occupation, ...
  - with preferences over allocations
- **Costly conflict technology**:
  - could use labor or finances or both
  - opportunity cost, as in Haavelmo

# Framework

## ■ Peace

- Search for  $x \in X$
- **Constraints:** horizontal equity, market forces

## ■ Conflict

- $S$  forms  $\rightarrow$  conflict
- Stochastic allocation  $\{x'\}$ , conflict cost  $c_S$

## ■ Blocking

- $x \in X$  is **blocked** by  $S \in \mathcal{S}$  if

$$\{\{x'\}, c_S\} \succ_S x$$

- where  $\succ_S =$  **coalitional preferences**: e.g., group-utilitarian or group-Pareto



# Framework

## Good for understanding:

- What it takes to **avoid** conflict;
- Conflict patterns conditional on conflict taking place.

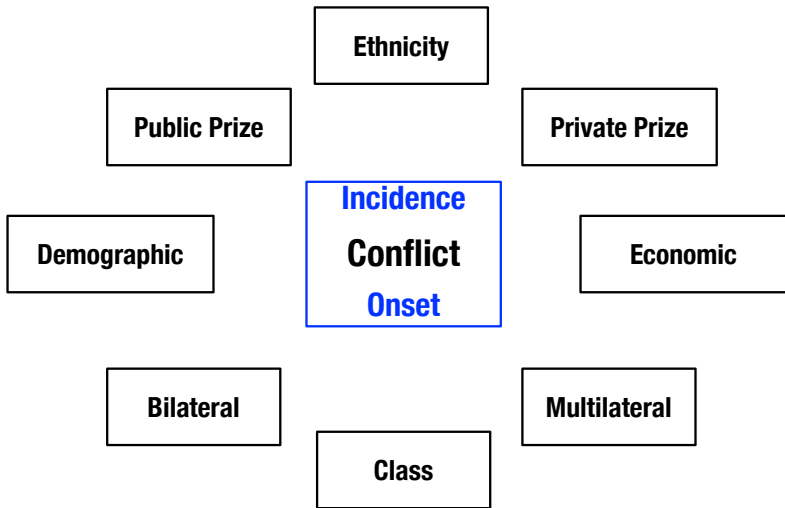
## Needs extra work to understand:

- **Which** conflicts will emerge if several are possible;
- We return to this more difficult theme later (if time).

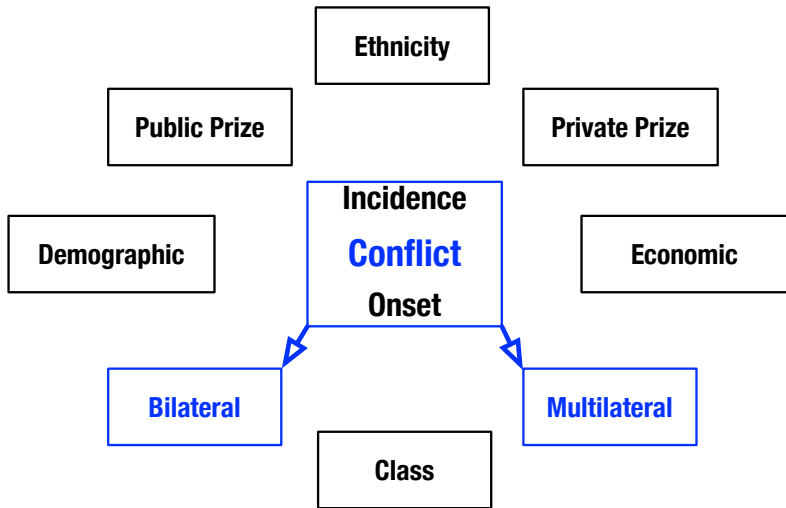
## Familiar extensions:

- Incomplete information, no-commitment, etc.
- Fearon (1995), Powell (2006), Esteban-Ray (2001), Baliga-Sjostrom (2012)

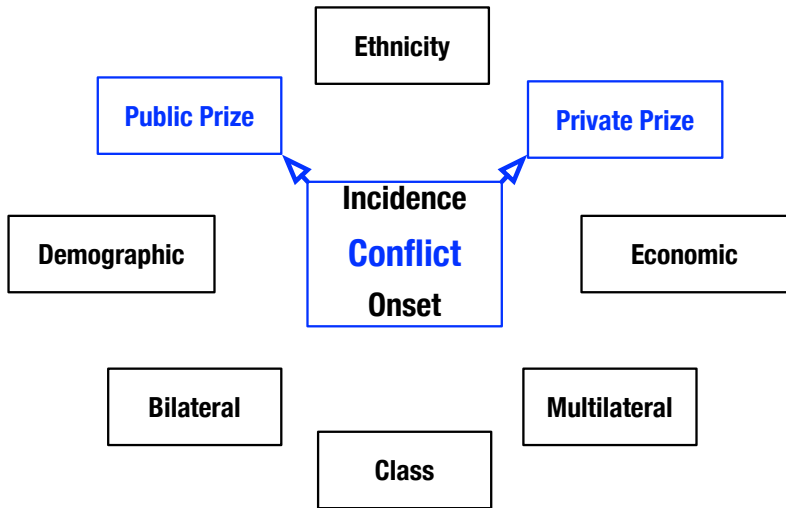
# Themes



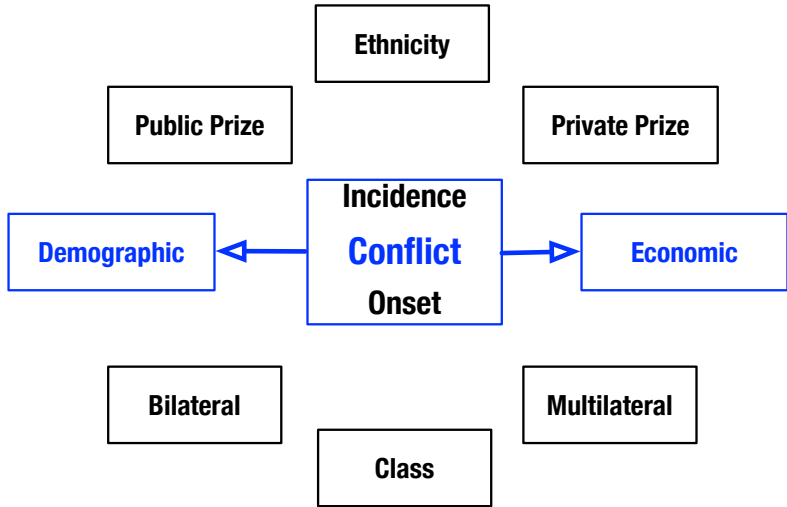
# Themes



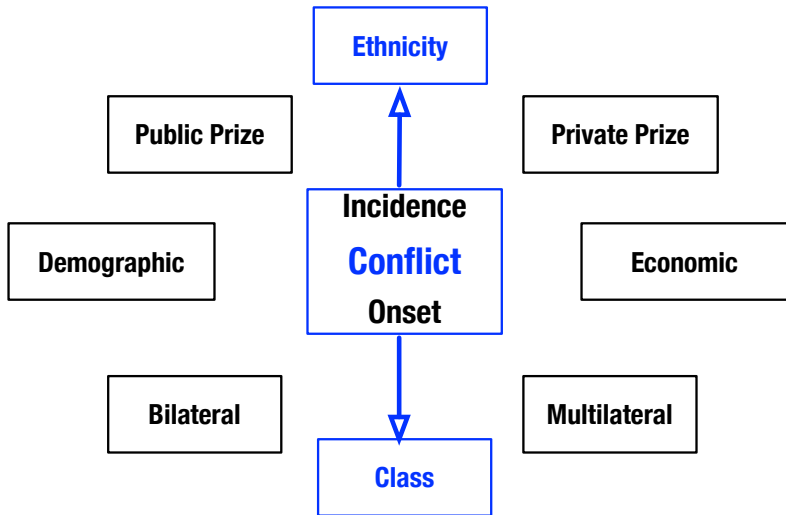
# Themes



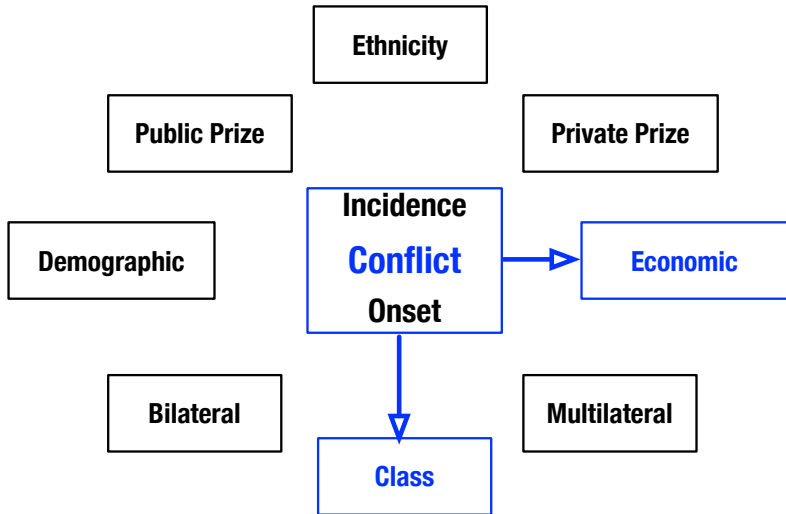
# Themes



# Themes



# Themes



## Illustration I: Income and Conflict

- **Blocking coalition**, population share  $n$ .
  - Per capita resources supplied to conflict =  $r$
  - Cost  $c(r)$ , total:  $nr$
  - Defending coalition:  $\bar{r}$  per capita, total:  $(1 - n)\bar{r}$
  - Winning probability for blocking coalition:  $p = \frac{nr}{nr + (1 - n)\bar{r}}$ .



## Illustration I: Income and Conflict

■ **Expected per-capita payoff**  $= p\pi - c(r) = \left[ \frac{nr}{nr + (1-n)\bar{r}} \right] \pi - c(r)$

■ likewise for Defender

■ **Maximize payoff** to get:

$$\pi p (1 - p) = r c'(r)$$

■ This is a balancing of gains and losses that recalls Haavelmo: “The total input capacity of a region may find an outlet in two directions, one leading to a larger global output of goods and services, another towards securing a larger share in the total.”

## Illustration I: Income and Conflict

### Grabbing v. Opportunity Cost

$$\pi p (1 - p) = r c'(r)$$

#### ■ An increase in income:

- increases  $\pi$  if related to rival wealth  $\Rightarrow$  conflict  $\uparrow$
- increases cost of violence if  $r$  in labor units  $\Rightarrow$  conflict  $\downarrow$
- decreases cost of violence if  $r$  is financial contributions  $\Rightarrow$  conflict  $\uparrow$

#### ■ For poor societies, in which labor is the main input into conflict:

- These two effects work in opposite directions
- Coffee vs oil in Dube-Vargas (2013)

# Illustration I: Income and Conflict: Application to Hindu-Muslim Violence

- **Religious violence in India** (Mitra and Ray 2014, 2019)
  - Partition era of the 1940s, and earlier
  - Continuing to the present day.
- Indian history + relative size of Hindu population ⇒
  - Religion highly salient, and
  - Hindu groups generally dominant
- The parallels to Trump's America and contemporary Europe are unsettling.

# Illustration I: Income and Conflict: Application to Hindu-Muslim Violence

## ■ A “clash of civilizations,” or instrumental?

- Bombay riots [[land](#)] (Thakore 1993)
- Calcutta riots [[land](#)] (Das 2000)
- Bhiwandi and Meerut riots [[textiles](#)] (Rajgopal 1987, Khan 1992)
- Jabbalpur, Kanpur, Moradabad riots [[bidis](#), [brassware](#)] (Engineer 1994, Khan 1991)
- Varanasi riots [[sari dealers](#)] (Upadhyaya 1992)
- Varanasi riots [[wholesale silk](#)] (Wilkinson 2004)
- Ahmedabad [[housing](#)] (Field et al 2009)

## Illustration I: Income and Conflict: Application to Hindu-Muslim Violence

- Engineer (1987) on [Meerut riots](#):

“If [religious zeal] is coupled with economic prosperity, as has happened in Meerut, it has a multiplying effect on the Hindu psyche. The ferocity with which business establishments have been destroyed in Meerut bears testimony to this observation. Entire rows of shops belonging to Muslims ...were reduced to ashes.”

- Das (2000) on [Calcutta riots](#):

“[I]t appears that that ‘promoters’ played a crucial role in inflaming the riot whose victims ...were slum-dwellers. Their obvious aim was to clear the *bustees* [or slums] for construction projects...What actually took place in 1992 was a land-grabbing riot under a communal garb.”

## Illustration I: Income and Conflict: Application to Hindu-Muslim Violence

- And yet...

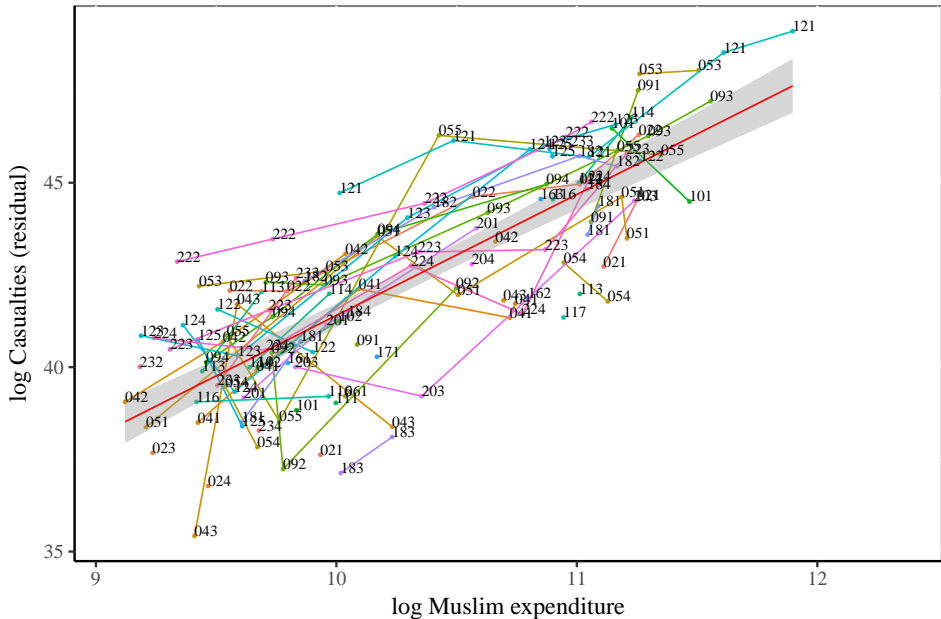
- Wilkinson (2004):

“Despite the disparate impact of riots on Hindus and Muslims, however, little hard evidence suggests that Hindu merchants and financial interests are fomenting anti-Muslim riots for economic gain...”

- Horowitz (2001, p. 211):

“The role that commercial competition is said to play is said to be a covert, behind-the-scenes role, which makes proof or disproof very difficult.”

# Illustration I: Income and Conflict: Application to Hindu-Muslim Violence







## Illustration II: Public and Private Prizes

### Public “Budget” $B$ :

- culture, religion, quotas ...
- Share  $s : 1 - s$
- per capita:  $sB, (1 - s)B$ .

**Conflict:**  $\pi = \bar{\pi} = B$ .

- $Bp(1 - p) = rc'(r) = \bar{r}c'(\bar{r})$
- Groups equally intense.
- Majority conflicts dominate.

### Private “Budget” $B$ :

- oil, land, transfers ...
- Share  $s : 1 - s$
- per capita  $sB/n, (1 - s)B/(1 - n)$ .

**Conflict:**  $\pi = B/n, \bar{\pi} = B/(1 - n)$ .

- $Bp(1 - p) = nrc'(r) = (1 - n)\bar{r}c'(\bar{r})$ .
- Smaller groups more intense.
- Minority conflicts dominate.

## Illustration II: Public and Private Prizes

### ■ Conflict onset:

- Conflict payoffs  $\pi [kp + (1 - k)p^2] >$  peace payoffs, where  $k = \frac{\epsilon - 1}{\epsilon}$  and  $\epsilon = \frac{rc'(r)}{c(r)}$ .
- 

- **Public prize:**  $p = n$ ,  $\pi = B$ , peace =  $B/2$ , so:

- $kn + (1 - k)n^2 > 1/2$  ( $n > \frac{1}{\sqrt{2}} \simeq 70\%$  is sufficient).

- **Large groups** block equitable peace when prize is public.

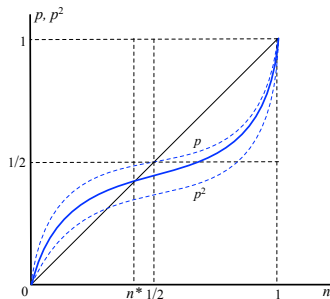
## Illustration II: Public and Private Prizes

### ■ Conflict onset:

- Conflict payoffs  $\pi [kp + (1 - k)p^2] >$  peace payoffs, where  $k = \frac{\epsilon - 1}{\epsilon}$  and  $\epsilon = \frac{rc'(r)}{c(r)}$ .

- Private prize:**  $p = \frac{n^k}{n^k + (1 - n)^k}$  &  $\pi = \frac{B}{n}$  & peace =  $B$ , so:

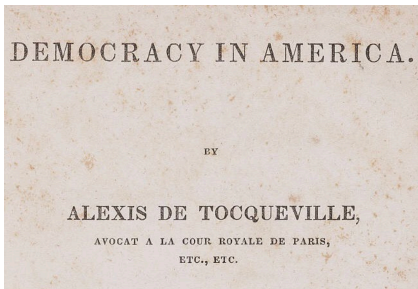
- $kp + (1 - k)p^2 > n$



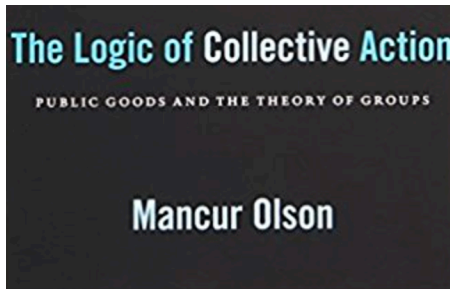
- Small groups** block equitable peace when prize is private.

## Illustration II: Public and Private Prizes

### Summary: Two Tyrannies



- **Tyranny of the majority** (Tocqueville 1835, Mill 1959) “Society ...practices a social tyranny more formidable than many kinds of political oppression ...[imposing] its own ideas and practices as rules of conduct on those who dissent from them ...” Mill 1859



- **Tyranny of the minority** (Pareto 1927, Olson 1965): “[A] protectionist measure provides large benefits to a small number of people, and causes a very great number of consumers a slight loss. This circumstance makes it easier to put a protection measure into practice.” Pareto 1927

## Illustration II: Public and Private Prizes

(Mayoral © Ray 2021)

- **Geo-referenced ethnic groups (GREG)**; Weidman, Rod and Cederman 2010.  
digitized version of [Atlas Narodov Mira 1964](#).
- 145 countries, 929 ethnic groups, 1475 country/ethnic groups 1955–2006
- **Group-level conflict data** from Cederman, Buhaug and Rod 2009.
  - PRIO25 definitions of incidence and onset.
- **Prizes:**
  - **Private:** oil, minerals, land ...
  - **Public:** lack of rights from Polity IV and Freedom House.

## Illustration II: Public and Private Prizes

Conflict Incidence Regressed on SIZE × PRIVATE						
	[1]	[2]	[3]	[4]	[5]	[6]
SIZE	0.028 (0.144)	0.060*** (0.001)	0.071*** (0.000)	0.054* (0.060)	0.132*** (0.009)	0.063*** (0.005)
OIL	0.659*** (0.007)	0.806*** (0.002)		0.564** (0.045)	0.404* (0.062)	
SIZE × OIL	-12.625*** (0.001)	-14.099*** (0.000)				
SIZE × OIL <sub>0–25</sub>			0.039 (0.628)			
SIZE × OIL <sub>25–50</sub>			-0.040 (0.387)			
SIZE × OIL <sub>50–75</sub>			-0.144*** (0.001)			
SIZE × OIL <sub>&gt;75</sub>			-0.115*** (0.000)			
SIZE × MINES				-0.015** (0.018)		
SIZE × HOME					-0.397*** (0.000)	
SIZE × PRIVINDEX						-0.052*** (0.000)
UN-INTERACTED VARIABLES			y	y	y	y
OTHER CONTROLS	n	y	y	y	y	y
COUNTRY-YEAR FE	y	y	y	y	y	y
R <sup>2</sup>	0.809	0.809	0.809	0.802	0.811	0.811
Obs	64414	64414	64414	37495	62336	62336

## Illustration II: Public and Private Prizes

	Conflict Incidence Regressed on SIZE×PUBLIC							
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
SIZE	-0.068** (0.014)	-0.044 (0.147)	-0.043 (0.169)	-0.042 (0.150)	-0.039 (0.169)	-0.022 (0.411)	-0.047* (0.096)	0.040 (0.172)
OIL	0.587 (0.108)	0.709* (0.065)	0.706* (0.067)	0.713* (0.064)	0.704** (0.045)	0.553** (0.028)	0.685* (0.056)	0.492 (0.207)
SIZE× LACK RIGHTS	0.091** (0.036)	0.100** (0.018)						
SIZE× LACK CIVIL			0.105** (0.026)					
SIZE× LACK POL.				0.090** (0.012)				
SIZE× AUTOC					0.116*** (0.007)			
SIZE× EXCLUDED						0.111*** (0.006)		
SIZE× PUBLIC INDEX								0.035** (0.026)
EXCLUDED						0.002 (0.506)		
PUBLIC INDEX								0.071 (0.566)
OTHER CONTROLS	n	y	y	y	y	y	y	y
COUNTRY-YEAR FE	y	y	y	y	y	y	y	y
R <sup>2</sup>	0.817	0.817	0.817	0.817	0.810	0.811	0.809	0.820
Obs	41255	41255	41255	41255	44149	51190	41065	34528





## Illustration III: Polarization, Fractionalization and Conflict

- Per-capita payoff to group  $i$  is

$$\Psi_i = \Psi \left[ \sum_{j=1}^m p_j u_{ij} \right] + (1 - \Psi) \left[ p_i \frac{1}{n_i} \right] - c(r_i)$$

- Conflict determined in **Nash equilibrium** across groups.

**Proposition.** Define  $d_{ij} \equiv u_{ii} - u_{ij}$ . Then

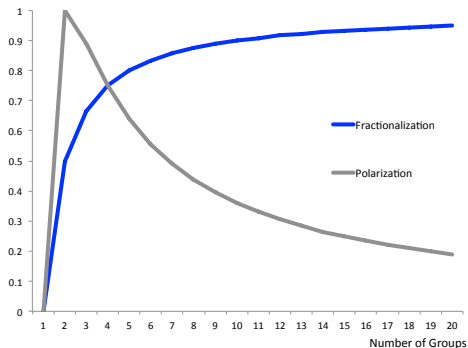
$$Rc'(R) \simeq \Psi P + (1 - \Psi) F, \text{ where:}$$

- $P = \sum_i \sum_j n_i^2 n_j d_{ij}$  is squared **polarization** (Esteban and Ray 1994)
- $F = \sum_i n_i(1 - n_i) = \sum_i \sum_{j \neq i} n_i n_j$  is **fractionalization** (ANM 1964)

## Illustration III: Polarization, Fractionalization and Conflict

**Polarization favors deep cleavages, fractionalization favors diversity.**

- **Example.**  $m$  groups with population share  $1/m$  in each group,  $d_{ij}$  binary.
- $P = \sum_i \sum_j n_i^2 n_j d_{ij}$  is maximal when  $m = 2$ , declines thereafter.
- $F = \sum_i n_i(1 - n_i)$  rises monotonically with  $m$ .



## Illustration III: Polarization, Fractionalization and Conflict

Esteban-Mayoral-Ray 2012a, b

- 138 countries over 1960–2008 (pooled cross-section).
- Fearon database on groups: “culturally distinct” groups in 160 countries.
- Linguistic distances on language trees.

## Illustration III: Polarization, Fractionalization and Conflict

### ■ prio25, Fearon groupings, max likelihood logit

Var	[1]	[2]	[3]	[4]	[5]	[6]
<i>P</i>	*** 6.07 (0.002)	*** 6.90 (0.000)	*** 6.96 (0.001)	*** 7.38 (0.001)	*** 7.39 (0.001)	*** 6.50 (0.004)
<i>F</i>	*** 1.86 (0.000)	** 1.13 (0.029)	** 1.09 (0.042)	** 1.30 (0.012)	** 1.30 (0.012)	** 1.25 (0.020)
Pop	** 0.19 (0.014)	** 0.23 (0.012)	** 0.22 (0.012)	0.13 (0.141)	0.13 (0.141)	0.14 (0.131)
gdppc	-	*** - 0.40 (0.001)	*** - 0.41 (0.002)	*** - 0.47 (0.001)	*** - 0.47 (0.001)	** - 0.38 (0.011)
oil/diam	-	-	0.06 (0.777)	0.04 (0.858)	0.04 (0.870)	- 0.10 (0.643)
Mount	-	-	-	0.01 (0.134)	0.01 (0.136)	0.01 (0.145)
Ncont	-	-	-	** 0.84 (0.019)	** 0.85 (0.018)	*** 0.90 (0.011)
Democ	-	-	-	-	- 0.02 (0.944)	0.02 (0.944)
Excons	-	-	-	-	-	- 0.13 (0.741)
Autocr	-	-	-	-	-	0.14 (0.609)
Rights	-	-	-	-	-	0.17 (0.614)
civlib	-	-	-	-	-	0.16 (0.666)
Lag	*** 2.91 (0.000)	*** 2.81 (0.000)	*** 2.80 (0.000)	*** 2.73 (0.000)	*** 2.73 (0.000)	*** 2.79 (0.000)

## Illustration III: Polarization, Fractionalization and Conflict

### ■ Coefficient Magnitude:

- $P(20 \rightarrow 80)$ ,  $prio25$  13%  $\rightarrow$  29%
- $F(20 \rightarrow 80)$ ,  $prio25$  12%  $\rightarrow$  25%

## Illustration IV: High Inequality and Latent Conflict

Variations on Esteban and Ray 2008, 2011

### ■ Political economy of equilibrium tax rates

- Classical model: voting. Here: the **threat of conflict**

### ■ Progressive taxation:

- Disposable income =  $\underbrace{(1 - \tau)y}_{\text{post-tax income}} + \underbrace{\tau\mu}_{\text{transfer}}$
- Everyone below mean income wants  $\tau = 1$ .
- Everyone above mean income wants  $\tau = 0$ .
- Under conflict, the prize is **control over the post-conflict tax rate**.
- What is the set of “unblocked” peacetime tax rates?

## Illustration IV: High Inequality and Latent Conflict

### The Technology of Conflict:

- Person asked to give contribute **money** or **time**.
- Money used for **non-labor resources**  $K$  or mercenaries.
- **Labor resources**  $L$  = contributed time + mercenaries.
- $R = f(K, L)$ ;  $f$  is the **technology of conflict**.

### Victory and Defeat

- **Probability of win** for  $i = \text{LEFT, RIGHT}$ :

$$p_i = \frac{R_i}{R_{\text{LEFT}} + R_{\text{RIGHT}}}$$

## Illustration IV: High Inequality and Latent Conflict

### Unblocked Tax Rates

- For any distribution of income  $F$ , define
- $\tau_{\text{LEFT}}(F)$  as the *smallest* tax rate that the Left will tolerate:

$$\text{Peacetime\_Payoff}_{\text{LEFT}}(F, \tau_{\text{LEFT}}(F)) \equiv \text{Conflict\_Payoff}_{\text{LEFT}}(F)$$

- $\tau_{\text{RIGHT}}(F)$  as the *largest* tax rate that the Right will tolerate.

$$\text{Peacetime\_Payoff}_{\text{RIGHT}}(F, \tau_{\text{RIGHT}}(F)) \equiv \text{Conflict\_Payoff}_{\text{RIGHT}}(F)$$

- Because **conflict is inefficient**,  $\tau_{\text{LEFT}}(F) < \tau_{\text{RIGHT}}(F)$ .



## Illustration IV: High Inequality and Latent Conflict

**Proposition.** Consider any sequence of distributions  $\{F^z\}$  with ever-increasing inequality in the sense of Lorenz-domination.

Then  $\tau_{\text{LEFT}}(F^z) \leq \tau_{\text{RIGHT}}(F^z) \rightarrow 0$  as  $z \rightarrow \infty$ .

- **Rising inequality**  $\Rightarrow$  one side gets the bodies; the other the money.
- But money can buy bodies at increasingly superior terms of trade as inequality worsens.
- “Actually, there’s been class warfare going on for the last 20 years, and my class has won.” Warren Buffett, CNN interview, September 30, 2011

## Illustration IV: High Inequality and Latent Conflict

### ■ Latent conflict

- Conflict battlestage is the market, not direct violence.
- Related to the “Coase theorem” (without uncertainty or incomplete information).
- Conflict suppressed by choice of  $\tau \in [\tau_{\text{RIGHT}}, \tau_{\text{LEFT}}]$ .
- Very high inequality makes it easier to suppress: so  $\tau \rightarrow 0$ .

## Illustration V: Inequality and the Shift to Ethnic Violence

- **What if other channels of conflict are potentially available?**
- “[T]he Marxian prophecy has had an ethnic fulfillment.” Horowitz 1985

## Illustration V: Inequality and the Shift to Ethnic Violence

- **Class:** income distribution.
  - Fight over tax rates  $\tau$  as before.
- **Religion:** a majority ( $H$ ) and a minority ( $M$ ) group.
  - Similar class characteristics
- **Religious budget:**
  - Shared  $s : 1 - s$  across majority and minority.

## Illustration V: Inequality and the Shift to Ethnic Violence

- **Four potential groups:**
  - Rich-H, Poor-H, Rich-M, Poor-M
  - **Leaders can propose group alliances ...**
    - e.g., [Rich-H + Poor-H], or [Poor-H + Poor-M] (**conflictual**)
    - or [Rich-H + Poor-H + Rich-M + Poor-M] (**non-conflictual**)
    - ...**as well as tax rates  $\tau$  and sharing rules  $s$ .**
    - If alliance agreed, it forms; otherwise proposals continue.



## Illustration V: Inequality and the Shift to Ethnic Violence

### ■ Single-dimensional appeasement:

- $s \in [s_*, s^*]$  avoids religious conflict,  $\tau \in [\tau_*, \tau^*]$  avoids class conflict.
- Acceptable to all, with possible exception of rich majoritarian group  $H$ .
- They can propose an ethnic alliance with Poor-H,
- **trading off percentage gains in tax rates for conflict funding.**

## Illustration V: Inequality and the Shift to Ethnic Violence

**Proposition.** If majority group is large enough, then for any sequence of distributions  $\{F^m\}$  with increasing inequality, the only equilibrium allocations involve active ethnic conflict for large  $m$ . In such cases,  $\tau^m$  is **even lower** than the **lowest appeasement tax** for the Left.

### ■ **Class and ethnic identities interact:**

- Ethnic salience for the poor triggered by difficulty of class conflict



- The organization and funding of ethnic conflict (by the rich)
- Can push tax rates down in exchange for funded ethnic conflict.

## Research Questions

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- What follows is a summary via research questions..
- Some of them mentioned in this talk.



# A Research Agenda for Conflict

## I. Which economic changes lead to greater conflict?

### ■ Negative shocks:

- Grosfeld-Sakalli-Zhuravskaya (2019): pogroms under negative shocks + political turmoil
- Miguel (2015) on rainfall shocks and “witch-killing.”

### ■ Positive shocks:

- Resources: Iraq, Syria, South Sudan, the Ukraine ...
- Dube-Vargas (2013) on positive oil shocks in Colombia
- Indian elections of 2014, the French Revolution ...
- **The economics of Hindu-Muslim violence** (Mitra and Ray 2014)

# A Research Agenda for Conflict

## II. Is similarity more conducive to conflict than difference?

- Minorities in same occupation become targets of violence (Bates 1974, Horowitz 1985)
- Racial violence in the United States (Spilerman 1976, Olzak and Shanahan 1996)
- German anti-semitism where Protestants entered moneylending (Becker-Pascali 2019)
- Complements vs substitutes in economic arrangements (Jha 2013)

## III. Can high economic inequality lead to cross-group violence?

- Aspirations failure → orthogonal spillovers (Genicot and Ray 2020)
- Land grab in Rwanda under seemingly primordial violence (André-Platteau 1998)
- Educated unemployment and Tamil-Sinhala violence (Tambiah 1986)

## IV. Is the presence of ethnic groupings conflictual?

- Fractionalization and conflict (Fearon-Laitin 2003, Collier-Hoffler 2004)
- **Polarization and conflict** (Montalvo and Reynal-Querol 2005, Esteban-Mayoral-Ray 2012)

## V. Is ethnic conflict primordial or instrumental?

- Samuel Huntington's Clash of Civilizations (Huntington 1996)
- Medieval origins of anti-Semitic outbreaks in Germany (Voth-Voigtlander 2012)
- Land grab in Rwanda under seemingly primordial violence (André-Platteau 1998)
- Educated unemployment and Tamil-Sinhala violence (Tambiah 1986)

# A Research Agenda for Conflict

## VI. To what extent is ethnic conflict *organized* conflict?

- Coordinated conflict (Esteban and Ray 2008)
- Alternative source of self-esteem or domination (Genicot and Ray 2020)
- Rise of populism (Funke, Schularick, and Trebesch 2016, Guriev and Papaioannou 2020)

## VII. Is within-group inequality conflictual across groups?

- Yes: strongly predicts [incidence](#), unlike cross-ethnic inequality (Huber-Mayoral 2019)
- See also Kuhn and Weidmann (2015) on within-group inequality and conflict onset.

## VIII. Do rich and poor collude in ethnic conflict?

- Dalit participation in 2002 Gujarat violence
- Low caste Hindu stance in recent West Bengal state elections

## **IX. Do post-colonial fiscal institutions promote ethnic violence?**

- Inherited fiscal institutions guard against class conflict; e.g., progressive taxation
- But door is left open to other forms of conflict

## **X. Do multiple overlapping identities promote peace?**

- Promotes tolerance and understanding across cultures (Sen 2006)
- Multiple overlapping threats make it harder to buy everyone off (Ray 2010)