

Exclusion by Elections:
Inequality, ethnic identity and democracy

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Acknowledgements

This book project grew from a narrow initial ambition, which was to develop an argument about how different identities emerge in electoral competition. But the project grew and developed in unanticipated directions, and ended with a rather sobering theme, which is that through its role in shaping identity politics, inequality itself often constrains the extent to which democracies can be expected to address inequality. I hope that by sketching the logic of how inequality can impede redistribution in democracies, we can think in new ways about how to address growing inequality in the world today.

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Chapter 1

Introduction

Over the past thirty years there has been a marked increase in inequality across most democratic countries around the world. The super-rich now earn a much greater proportion of income and hold a much greater proportion of wealth than they did in the 1970s. The well-known Gini coefficient has steadily increased. The wages of rich individuals have increased much more quickly than the wages of poorer individuals and the middle class has been hit hard, with the relative wage of the median earner steadily declining. Measured in any of a number of ways, the distribution of income across societies has become increasingly skewed toward the rich.

One might expect the competitive electoral process to create incentives for parties and candidates to adopt policies that redress economic inequalities: if economic advantage is concentrated in the hands of a few, the disadvantaged masses should elect parties committed to redistributive policies. This dynamic does occur in varying degrees across many democracies, but it is often striking how weak the democratic response is to inequality. As income and wealth have become increasingly concentrated among the very rich in the US, for example, so has the prominence of right-wing policies that call for a sharply limited role of government. Similar dynamics unfold in other countries, rich and poor. This frequently tepid response to the concentration of wealth presents a puzzle: Why do voters, faced with

rising income disparities, often elect parties that oppose policies that could address these disparities? Or, put differently, why does it often seem so challenging for “class politics” – where an important element of electoral politics concerns the role of government in aiding the non-rich – to emerge in democratic polities?

An important part of the answer to this question can be found by considering a second puzzle, one that is typically treated as unrelated to concerns about inequality. In many countries, an “ethnic identity” with which one is born – by which I mean not only ethnic identities, but also racial, religious, linguistic or tribal identities, depending on the context – becomes a salient element of electoral competition. When this happens, parties explicitly or implicitly try to win votes by competing for support from specific groups, and voters view their relevant electoral identity more in terms of their ethnicity than their class. In US elections, for example, there is considerable emphasis on the role of race. In Bangladesh there are electoral divisions between Hindus and Muslims. In India there are electoral divisions based on religion and caste. In Nigeria, Housa, Yoruba and Ibo often support different parties. At time, things can go badly awry when group identity becomes central to electoral politics. Iraq, for example, descended into chaos after the American invasion in large part due to sectarian divisions between Shias and Sunnis. And civil conflict in Ukraine has been centered on tensions between Russians and Ukrainians.

But there is substantial variation across countries in the extent to which ethnic identities become central to electoral politics. The salience of “Catholic” and “Protestant” identities, for example, is much different in Northern Ireland than in Germany. The salience of racial identity is much more central to electoral politics in the US than in Brazil. When Georgia has had democratic elections, “identity politics” has been much less salient than in Ukraine, even though these countries have similar levels of ethnic diversity. In Estonia, ethnic divisions are more apparent in voting than they are in Latvia, even though ethnic diversity is greater in Latvia. India and Indonesia have similar levels of ethnic diversity, but the salience of identity in elections is much greater in India. These examples suggest a second

puzzle: Why does ethnicity become more salient to electoral politics in some contexts than in others?

We can gain insights into these two puzzles by developing a theory of how various identities become salient in electoral competition. Individuals typically have multiple identities. One identity that is ubiquitous in all societies is economic “class” – a term used narrowly in this book to refer to an individual’s level of economic well-being. Individuals also have at least one “ethnic identity” that is inherited at birth. Ethnic and class identities frequently become salient in democratic politics because they create an efficient means for politicians to organize the quest for votes and for voters to understand the link between vote choice and access to government resources. But if people have multiple identities, how do particularly identities become salient in electoral politics?

The answer to this question is intrinsically important. Substantial levels of inequality are often regarded as unjust, and regardless of one’s normative position on distributive justice, high inequality can contribute to a range of other outcomes that most would agree are best to avoid. Similarly, when ethnic divisions becomes salient in politics, a variety of bad outcomes can follow. Thus, to the extent that class politics leads to policies that redress inequality and ethnic politics can lead to bad governance outcomes, it is important to understand conditions that encourage ethnic versus class identities by parties and voters.

This book has two related goals. The first is to offer a theory of electoral competition and voting behavior that describes how ethnic diversity and economic inequality can interact to influence the salience of class and ethnic identities in elections. The second is to consider how the role of different identities in electoral competition should influence expectations about the extent to which democracies should produce policies that redress inequality.

The central theme that emerges from the analysis is that inequality will often make it *more difficult* for electoral competition to elect parties committed to addressing economic disparities. Rather than encouraging redistributive class politics, inequality often fosters

the success of parties that focus on creating electoral coalitions based on non-economic identities, such as ethnicity. And when winning electoral coalitions are based on such non-economic identities, the democracy does less to redress inequality than would be the case if class politics could prevail. The remainder of this chapter describes in broad strokes this argument and its implications.

1.1 The argument

Electoral competition is shaped by myriad factors, including personalities of candidates, policy debates about economic and non-economic issues, patronage commitments, historic ties between various groups and political parties, and mobilization efforts, among other things. The argument in this book seeks to isolate and understand one such factor, which is distributive commitments by parties to voters. To this end, I make the stark assumption that voters care only about how their vote choice affects their economic well-being, and that they support the party that can *credibly* offer them the most material benefits. This focuses our attention on trying to understand what types of credible commitments parties can make to voters.

If parties compete for votes by making commitments to voters about how government resources should be distributed, how do parties make it clear which specific voters will benefit from a given party's victory, and how do they make these commitments credible, so voters will believe that parties will follow through on their commitments? One important strategy can be to make commitments to specific groups that have boundaries of membership that cannot be easily changed. Such commitments will be clear insofar as voters recognize the group boundaries, and they will be credible insofar as voters understand that if parties renege on promises to groups, they will lose the support of the entire group.

Ethnic and class identities are particularly useful in electoral politics in large part because they often define group boundaries that parties can exploit in efforts to win votes.

When a party makes a commitment to a particular class – say the non-rich – and this party wins, a rich voter cannot easily change his or her “class identity” in order to obtain policy benefits from the government. Similarly, when a party commits to providing benefits to a particular ethnic group, a voter in the losing ethnic group cannot decide after the election to change his or her ethnic identity to that of the winning group. For this reason, ethnic identity is also often salient as an exclusion device. Class and ethnic identities can thus be exploited by parties trying to win votes: class parties can form by making commitments to income groups, while ethnic parties can form by making commitments to ethnic groups.

But though ethnic and class identities make possible credible commitments by parties to groups, they also constrain the types of commitments that parties can make. Given that the boundaries between groups make commitments credible, when parties ignore these boundaries, for example by making commitments to random subsets of groups, their promises become less clear and credible. Thus, if we think about electoral competition from the perspective of group-based commitments, the size of groups will influence the types of commitments that parties can make, and in particular the amount that parties can promise to voters.

Consider a bare bones model of how this could work. Suppose there exists some government pie (π) and that parties compete for votes by making promises to groups about how the pie should be distributed in society. A class-based party can promise to distribute the pie to a particular income group and an ethnic-based party can promise to distribute the pie to a particular ethnic group. Voters have two identities, their class and ethnicity. The identity that becomes relevant to them at election time depends on the type of party they support. A voter emphasizes his or her “class identity” by supporting a class-based party and “class politics” prevails in society when the government pie is distributed to individuals based on their income. A voter emphasizes her “ethnic identity” in elections by supporting a party committed to his or her ethnic group, and “ethnic politics” prevails in society when the government pie is distributed to individuals based on their ethnic identity.

Since voters wish to receive as much as possible, the amount they can receive from a particular party will be constrained by the number of voters the party represents. It is easy to depict the logic in a simple framework where there are two class identities (rich and non-rich) and two ethnic identities (majority and minority), as in Figure 1.1. The columns depict the ethnic identity of individuals, with members of the majority group on the left and the minority group on the right. The rows depict the class identity of individuals, with rich individuals on the top and non-rich individuals, who represent a majority, on the bottom. The cells describe the number of individuals in a hypothetical 100 person society. Parties can represent a column (e.g., there can be a party of the majority group or a party of the minority group) or a row (e.g., there can be a party of the rich or a party of the non-rich). What is the most that any party could offer to voters?

Consider the electoral dynamic under plurality rule. Since the party representing the rich could always be defeated by a party representing the non-rich, a winning class party will represent the non-rich. Similarly a winning ethnic party will represent the majority ethnic group. Electoral competition therefore boils down to a contest between the party of the non-rich and the party of the majority ethnic group. In the top panel of the figure, the party of the non-rich represents 70 individuals and the party of the majority group represents 63 individuals. Thus, the most that the class-based party could offer to each of the non-rich is $\frac{\pi}{70}$. By contrast, the most that the ethnic party could offer to members of the majority ethnic group is $\frac{\pi}{63}$. The rich in the majority group obviously prefer the ethnic party (because they receive nothing if class politics prevails) and the non-rich in the minority group obviously prefer the class party (because they receive nothing if ethnic politics prevails). The non-rich in the majority group receive benefits regardless of whether class or ethnic politics prevails and in this example they prefer ethnic politics because $\frac{\pi}{63}$ is greater than $\frac{\pi}{70}$. Thus, the ethnic party could defeat the class party and government policy would distribute to individuals based on their ethnicity. In the bottom panel, the dynamic would be different. An ethnic party must spread the pie among 64 individuals and a class

	Ethnic group A ($n_A=63$)	Ethnic group B ($n_B=37$)
The Rich ($n_R=30$)	21	9
The Non-Rich ($n_{NR}=70$)	42	28

	Ethnic group A ($n_A=64$)	Ethnic group B ($n_B=36$)
The Rich ($n_R=40$)	28	12
The Non-Rich ($n_{NR}=60$)	36	24

Figure 1.1: The number of non-rich voters and incentives for class politics

party must spread the pie among 60 individuals. Thus, the class-party can offer more to voters than can the ethnic party, giving class politics an advantage.

The ideas developed in this book derive from this basic logic about group size and minimal winning electoral coalitions. If group identities make possible credible commitments, then parties representing larger majorities will be disadvantaged because they can offer less to their supporters than can parties representing smaller majorities. When the number of non-rich is “too large,” for example, it is more difficult for a class-based party to win. But what it means for a group to be “too large” depends on the size of alternative electoral coalitions. In the example above, if the majority ethnic group is very large, then class politics can prevail even if the number of non-rich voters is relatively large. As the size of the majority ethnic group becomes smaller, the definition of “too large” changes, and becomes smaller. Expectations about whether class politics or ethnic politics prevails in electoral competition should therefore be influenced by the interaction of two variables: the number of non-rich and the number in the majority ethnic group. As the number of non-rich grows smaller relative to the number in the majority ethnic group, class politics should be more likely to prevail. As the number in an ethnic majority grows smaller relative to the number of non-rich, ethnic politics should be more likely to prevail. I develop these ideas about the role of social structure, and address the possibility that parties could form to appeal to any subset of voters that can be defined by their multiple identities (such as voters on the diagonal in Figure 1.1) in Chapter 3.

Party competition and social structure. To understand the role of social structure in shaping party competition, we should not assume that group size will lead automatically to the election of particular types of parties. Party formation is costly and a theory of how social structure matters in electoral competition should describe why parties form and what types of platforms they offer given the social structure. In the distributive framework here, there is always an advantaged party (the one that represents the smallest majority), so we might ask why losing parties would ever form? And if losing parties have no incentive

to form, why do leaders of winning parties have incentives to distribute anything at all to voters? To answer such questions, we need to be explicit about how political parties emerge endogenously from social structure.

To this end, the argument rests on two assumptions about the motivations of party entrepreneurs. The first is that potential party entrepreneurs care about the rents from office; that is, about the private gain they can reap from keeping a slice of the government pie for themselves. Rents from winning create incentives for individuals to form parties that represent the advantaged (smaller) majority, but they also create incentives for such entrepreneurs to maximize their rents by distributing as little as possible to the group members they represent. The second assumption is that potential party entrepreneurs care about policy outcomes; that is, about how the government pie is distributed to voters, and in particular about the policy benefits that winning parties give to the group to which the entrepreneur belongs. Losing parties therefore form to ensure that the rent-seeking incentives of winning parties do not allow such parties to keep excessive rents. The entrepreneurs for the losing parties benefit from paying the cost of party formation because they benefit directly from the policies that their losing party forces the winning party to adopt. In the top panel of Figure 1.1, for example, a non-rich individual from group A would have an incentive to form a class based party that would lose because doing so can force the winning party representing group A to offer more to group A members, and the individual forming the losing class party is a member of group A.

These assumptions lead to clear predictions from the theoretical model about how many parties should form, about what types of policies they should offer to voters, and about which identities become salient to individuals when the vote. And group size remains central. When the number of non-rich is small relative to the number in the majority ethnic group, a class party representing this group will form and win the votes of the non-poor, who vote their class identity. The winning class-based party will distribute as much of the government pie to the non-rich as they need to in order to win against

the other party that forms, which represents the majority ethnic group. By contrast, when the number in the majority group is small relative to the number of non-rich, an ethnic party representing the majority group will form, and will win the votes of the members of this group, who vote their ethnic identity. The winning ethnic-based party will distribute to members of their group as much of the government pie as they need to in order to win against class-based party that forms to influence policy. This argument about social structure and party competition is developed in Chapter 4.

Empirical implications. To go from the abstract theory to specific empirical implication requires linking the key variables in the model – the number of non-rich and the number in the majority group – to substantive variables that can be measured. I take up this task in Chapter 5. Some might be concerned at the outset that it makes little sense to take the size of income groups as exogenously given. Instead, it may make more sense to assume that governments can determine who is “non-rich” through policy, for example by giving benefits only to those below the median income in society. Chapter 5 begins by considering this issue, pointing out limitations of such a median voter framework but also pointing out how the theoretical framework employed here could be integrated into a median voter model. The chapter then argues that income inequality – and specifically the Gini coefficient – is a good measure of the number of non-rich, one that emerges directly from the parameters of the model and also from the median-voter framework for thinking about the number of non-rich. The chapter also argues that ethnic diversity – and specifically, a measure of ethnic polarization – is a good measure of the number in the majority group. As ethnic polarization increases, the expected size of the ethnic majority decreases. Thus, the model suggests that inequality and ethnic polarization should interact to influence the nature of electoral politics in democratic systems.

The theoretical model has a number of empirical implications related to inequality, ethnic polarization and their interaction, which I take up in Part II. One empirical implication involves the salience of class versus ethnic identity in elections, which are the focus of

Chapters 7 and 8. When should a person's class versus ethnic identity be most strongly related to his or her voting behavior? If inequality is low relative to ethnic polarization, class parties can offer the most to non-rich voters, and thus we should see individuals' "class identities" – that is, voters' income – being more important to predicting vote choice than is the case when inequality is high relative to ethnic polarization. Thus, the role of class and ethnic identity in predicting voting behavior across different societies should depend on the interaction of ethnic polarization and inequality.

I present several tests of the argument. In Chapter 7, to test the relevance of class identity, I examine the relationship between individual income and vote choice, finding that this relationship is strongest in societies where the conditions for class politics are strongest – that is, where inequality is low relative to ethnic diversity. In Chapter 8, to test the relevance of ethnic identity, I examine a measure of ethnic voting that taps the degree to which the bases of support for parties are ethnically homogenous. I find that when the conditions for ethnic politics are strongest – that is, where inequality is high relative to ethnic diversity – political parties have a stronger ethnic bases of support. Thus, voting behavior is related empirically to social structure in the way that the theory predicts.

The second empirical implication concerns policy outcomes, and in particular the degree to which government policy reduces inequality. If class politics prevails in the theoretical model, the ensuing government policy targets only the non-rich. By contrast, if ethnic politics prevails, government policy targets some individuals who are rich (those in the winning group) and excludes some individuals who are not rich (those in the losing group). Thus, government policy should do the least to redress inequality when when inequality is *high* given the level of ethnic diversity. Chapter 9 provides evidence regarding this empirical implication of the argument.

Finally, the argument has implications for studies of transitions from autocratic to democratic rule. Scholars who examine the strategic incentives of autocratic elites to democratize emphasize the redistributive effects of democracy (e.g., Boix 2003 and Ace-

moglu and Robinson 2005). Autocratic elites are typically rich, democracy is a credible institutional commitment to redistribution, and thus autocratic elites will lose economically if they accept transitions to democracy. But how do autocratic elites form expectations about the economic cost of democracy? Existing studies typically invoke a class-based tax-and-transfer model to argue that democracy is most costly to elites when inequality is highest (because high inequality leads to more redistribution through its influence on the preferences of the median voter). The argument here is quite different. The redistributive effects of democracy will depend on whether class politics emerges as dominant in political competition, and inequality will make class politics less likely if there is sufficient ethnic polarization. Thus, if autocratic elites care about the effect of democracy on redistribution, their expectations about the cost of democracy should depend on the interaction of inequality and ethnic diversity. That is, inequality should discourage democratization only when ethnic polarization is low. Chapter 9 provides evidence for this implication of the mode by examining the conditions associated with democratic transitions themselves.

1.2 Some illustrative observations and examples.

African democracies are often notorious for the intensity of their ethnic politics. By contrast, if we look at Scandinavian countries, class politics rules and there is substantial redistribution from rich to poor. Why might this difference exist between Africa and Scandinavia?

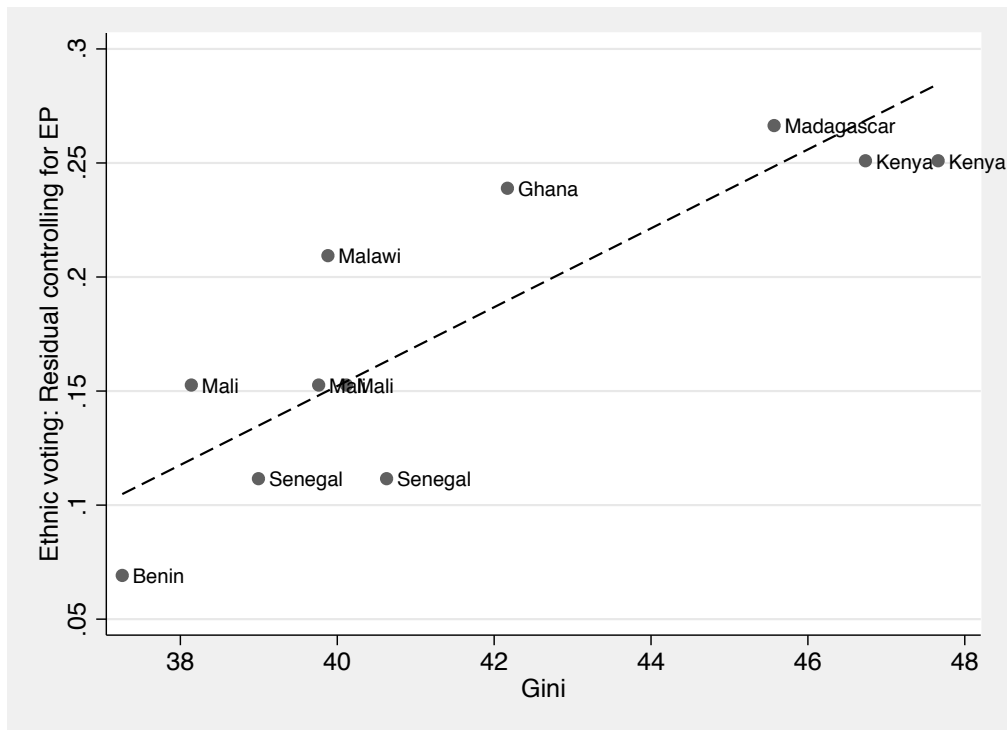
These countries are obviously different in many, many ways, which may make the comparison of Africa with Scandinavia seem strange. But the framework here would simply remind us to observe that in Africa, where inequality is typically high and the vast majority of people often have low incomes, it would be very challenging for a class party to form. If a party says “We’re the party of the poor,” they can be easily undercut because they can promise very little to individual voters given that such a large proportion are poor. This

opens the door to parties that can offer more to smaller coalitions, and given the presence of ethnic diversity in many African countries, ethnicity provides a pathway to supporting some poor voters at the expense of others. In most of Scandinavia by contrast, ethnic politics is virtually impossible. Ignoring some recent changes brought by immigration, it would be very difficult, for example, for a party in Norway and Sweden to stand up and say “We are the party of the white people!” This opens the door to class-based parties that redistribute income from the rich to the non-rich.

This comparison of Africa to Sweden illustrates how high inequality with high ethnic diversity can undermine the emergence of redistributive class-based parties. The central argument of this book, however, is not that inequality and ethnic diversity always undermine class politics, but rather that they can *interact* to influence the role of ethnicity and income in elections. Consider, then, several countries within Africa that have similar levels of ethnic diversity but quite different levels of ethnic politics. Are these differences related to the level of inequality? Figure 1.2 plots the level of ethnic voting in democratic African countries against the Gini coefficient (with relevant details of these variables given in Chapter 8 below) after removing the effect of ethnic polarization. That is, the figure plots the residuals of a regression of ethnic voting on ethnic polarization. The positive relationship between ethnic voting and inequality is clear and suggests that the relative salience of ethnic politics across African countries may indeed be related to underlying levels of economic inequality.

Voting and naturalization by immigrants in 19th century American cities. Consider the effect of group size on ethnic voting in a context where all groups are relatively poor. Shertzer (2013) provides a useful example from municipal elections in four large American cities at the turn of the 20th century. Local politicians in the wards of these cities had substantial power to influence the neighborhoods in which to make infrastructure investments (like those related to sanitation and transportation) and they could provide access to municipal jobs, protection from gangs, access to public works contracts, and even inside

Figure 1.2: Inequality and ethnic voting in Africa



Note: Ethnic voting on the y-axis is measured as the residual from regressing Party Voting Polarization (“PVP”) (see details in Chapter 7) on ethnic polarization.

tracks to jobs in the private sector. Whether a particular politician was responsive to the needs of particular immigrant groups depended on their electoral value, and for the new immigrants from places like Italy, Russia, Czechoslovakia, Hungary and Poland that were flooding into these cities at the time, they could become politically valuable to politicians only if they undertook a costly naturalization process. Thus, the propensity of immigrants to naturalize is an important indicator of political mobilization by politicians of ethnic groups at that time.

What determined whether immigrants from a particular group would in fact be willing to pay the price of naturalizing in a given political ward? Shertzer focuses on group size: immigrants who belonged to groups that could become pivotal to the Democratic Party's ability to form minimal winning electoral coalitions would have been the most likely to be the subject of mobilization efforts by a politician in a ward, and thus would have been the most likely to naturalize. Whether a group could be pivotal depended on the group's own size (was it large enough to facilitate a victory?), which had to be considered relative to the size of the Democratic Party's core level of support in the ward (something that Scherzer could measure by examining the number of Germans and Irish in a ward at the time).

Scherzer finds convincing support for the importance of group size. The number of naturalizations by a particular ethnic group increases substantially when the conditions suggest the group could be electorally pivotal. In addition, the effect is non-linear, with naturalizations diminishing once a group surpasses a particular size. This is consistent with the idea that when politicians can influence group size – as they can, for example, by mobilizing individuals to naturalize – they have incentives to create electoral coalitions that are as small as possible while winning. It also illustrates that individuals from particular groups see the benefits from group membership declining as group size becomes “too large.”

The Bumiputera in Malaysia. Malaysia has held regular elections since independence

in 1957, although it is not the kind of “democracy” from which one would typically want to generalize, with clear limitations on political and individual liberties.¹ Nonetheless, the dynamics of political competition and policymaking illustrate elements of the argument emphasized here. At the time of independence, there were myriad ethnic groups among indigenous Malaysians, with over 35 ethnic categories in the 1960 census. There was also a relatively large population from two immigrant communities: the rich, urban Chinese, who worked primarily in commerce, industry and services, and the Indians, who were less rich than the Chinese, and who often worked on public works projects or on rubber plantations. The indigenous Malaysians often lived in rural areas and worked cultivating rice and working on rubber plantations.

After independence in the 1960s a coalition of parties (“the Alliance”) created a consociational power-sharing arrangement that essentially preserved the economic status of Malaysia’s groups. During this time, there were strong efforts at creating radical class-based parties or movements which would have addressed the concerns of the many individuals who were poor. And while a large proportion of the individuals who would have benefited from such class-based politics were from indigenous groups, there were also a non-trivial number of less well-off Chinese and Indians. In 1970, for example, 58% of the population earned less than 1999 RM, and of these 28% were Chinese or Indian. Of the 84% of the population that earned less than 400 RN, 35% were Chinese or Indian. But these class-based movements were suppressed and gained no traction. Instead, following ethnic riots on May 13, 1969 in Kuala Lumpur, Malaysia entered a rather extreme form of ethnic politics when a coalition of parties endorsed the “New Economic Program” (NEP).

The NEP created a system that conferred government benefits on individuals who were members of the “Bumiputera,” an ethnic category that existed prior to this time and that referred to a wide range of indigenous ethnic groups, but excluded the Chinese and In-

¹The Polity2 score for Malaysia is typically between 1 and 4 since 1970, and Freedom House continues to identify strong limitations on freedom of expression and other political rights.

dians.² These benefits included financial assistance for buying housing, quotas for places in universities, quotas for jobs in the public sector, privileged access to government public works contracts and preferential treatment in the purchase of shares in companies. Importantly, all of the benefits were available to individuals from the Bumiputera, independent of their economic status, and many of the programs specifically benefited the wealthiest from among the indigenous groups. Since its creation, the NEP has been supported by the ruling Barisan National coalition (BN), a central member of which is the United Malays National Organization.

From the perspective of the argument here, it is not surprising to see the emergence of this ethnic policy. In 1970, the Bumiputera constituted 56% of the population, making it an attractive “group” on which to base an ethnic division of government spoils in a relatively poor country. But the effect of the NEP has been to change the ethnic composition of Malaysian society, with many ethnic Chinese leaving Malaysia, increasing the proportion of the population who are Bumiputera. In 2010, the Bumiputera share of the population rose to 67 percent.³ Thus, the argument developed here suggests that this should make the NEP quite fragile, as such a large group must divide the spoils of government thinly.⁴ Indeed, a 2008 survey found that 71% of Malaysians thought the NEP was “obsolete” and in that year, opposition parties vowing to roll back the NEP won control of Panang, an economic hub in Malaysia.⁵

²The Bumiputera included Malays, as well as Kadazan, Murut, and Bajau in Sabah, and Iban, Bidayuh, and Melenau in Sarawak, as well as assorted smaller groups.

³See Teik (2005) and http://www.statistics.gov.my/portal/index.php?option=com_content&id=1215.

⁴On the possible end of this sort of ethnic politics in Malaysia, see Pepinsky (2009).

⁵See <http://www.economist.com/news/briefing/21576654-elections-may-could-mark-turning-point-never-e> and <http://news.bbc.co.uk/2/hi/asia-pacific/7342052.stm>.

1.3 Organization of the book

The remainder of the book develops and tests the argument sketched in this chapter. The next chapter situates the argument in the existing literature. The chapter also underscores the importance of understanding the emergence of class and ethnic politics by describing many of the social problems that can result when ethnic politics prevails, and when inequality goes unaddressed.

The theoretical argument is developed in Part I, which consists of Chapters 3 through 5. Chapter 3 describes how social structure – and in particular the distribution of ethnic and class identities – should advantage and disadvantage particular types of parties. Chapter 4 describes the central theoretical argument about social structure and the distributive commitments of parties in a model where party competition emerges endogenously. In addition, the chapter takes up the question of “theoretical robustness.” Are the central intuitions about social structure robust to different assumptions about electoral law, the source of government revenues, and the number of groups? The Appendix to this chapter provides the game theoretic model that is the foundation for the theoretical argument. Chapter 5 describes how the abstract model of group size motivates testable arguments about the interaction of inequality and ethnic diversity.

I examine the empirical implications of the argument in Part II. Chapter 6 addresses the issue of causal identification. I argue that techniques that have been developed to address limitations with traditional approaches to observational data are ill-suited for testing the argument in this book. I also argue that carefully linking a clear theoretical framework to empirical research creates possibilities for learning about causality even when we are limited to traditional methods with observational data.

Chapters 7-9 present the empirical evidence based on cross-national comparisons. Chapters 7 and 8 focus on electoral behavior. Does the strength of the relationship between income and voting behavior vary across countries with the levels of inequality and ethnic polarization as predicted by the theory? Do the ethnic bases of support for parties become

stronger when the conditions for class politics become weaker? Do the answers to these questions differ in old and new democracies?

Chapter 9 tests the implications of the theory for macro political outcomes. The first concerns redistribution. Is redistribution highest when the conditions for class politics are strong? The second concerns democratization. Does the theory help us to understand the relationship between inequality and democratic transitions?

The implications of the theoretical argument and evidence are contrary to what is typically assumed about democracy and inequality, and they are discouraging for those concerned about the ill-effects of inequality. Given electoral incentives to exclude, inequality often makes class politics and the redistributive policies that go with it less viable. Thus, democracy might be expected to do the least to redress inequality when inequality is high. The book concludes with a brief summary of the argument and evidence, and discusses some pathways that might foster class-based policies that redress inequality and discourage ethnic politics.