

# Democracy and Ethnic Inequality: Examining a Two-Way Relationship



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Democracy and Ethnic Inequality:  
Examining a Two-Way Relationship

PhD Dissertation

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Lasse Egendal Leipziger  
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# Preface

This report summarizes the PhD dissertation *Democracy and Ethnic Inequality: Examining a Two-Way Relationship*. It consists of this summary report and the following self-contained, single-authored articles.

**Article 1:** Measuring Ethnic Inequality: An Assessment of Extant Cross-National Indices. *British Journal of Political Science*.

**Article 2:** Ethnic Inequality, Democratic Transitions, and Democratic Breakdowns: Investigating an Asymmetrical Relationship. *Accepted at Journal of Politics*.

**Article 3:** Does Democracy Reduce Ethnic Inequality? *Conditional accept at American Journal of Political Science*.

**Article 4:** Democracy and Ethnic Inequality: A Comparative Case Study. *Working paper*.

To help the reader keep track of the articles, I assign each a subscript based on its focus.

Article	Focus
1 <sub>cm</sub>	Conceptualization and measurement
2 <sub>eidem</sub>	Ethnic inequality → Democratic transitions & breakdowns
3 <sub>demei</sub>	Democratic transitions → Ethnic inequality
4 <sub>case</sub>	Case studies



# 1. Introduction

## Inequality and Democracy: An Old Puzzle

Economic inequality has increased within many countries, including the United States, Costa Rica, Sweden, Romania, China, Sri Lanka, Egypt, and Ghana (Solt 2020). At the same time, there is evidence that higher inequality has a range of negative effects on health, social mobility, life satisfaction, and political participation, among other things (see Jensen and van Kersbergen 2016, ch. 3). This has motivated a growing interest in economic inequality in academia, policy circles, and the media in the last few decades. The debate intensified after the financial crisis of 2008, when works like Thomas Piketty's *Capital in the Twenty-First Century* found strong resonance. Indeed, inequality is so high on the political agenda that in 2015 the UN dedicated an entire Sustainable Development Goal (SDG #10) to reducing it. This renewed focus on inequality is also captured by Pope Francis' statement that inequality is the "the root of all social evil" and President Obama's proclamation of inequality as "the defining challenge of our time."

Just as we have seen an increased focus on reducing inequality, the need to "deepen" and "protect" democratic institutions is receiving increased attention. The interest in the state of democracy follows from concerns among scholars, policymakers, and public media that democracy in numerous countries is either threatened (e.g., the United States, India, Brazil, India, and Poland) or has been effectively dismantled (e.g., Turkey, Bangladesh, Serbia, Mali, and Venezuela) (Alizada et al. 2021; Csaky 2021; NYT 2022). This occurs at a time when most people agree that democracy is a positive thing: Democracy is seen to have intrinsic value as it provides political freedom and equality for its citizens, and it is seen to have instrumental value insofar as it improves various social outcomes, such as peace and economic growth (Gerring, Knutsen, and Berge 2022).

The combination of democracy under pressure and rising inequality has sparked increased interest in the link between democracy and inequality (e.g., Lakoff 2015; Przeworski 2019; UN 2022). This question, however, is hardly new. Many thinkers, including Aristotle, Plato, Rousseau, de Tocqueville, and Marx, have considered the relationship between socioeconomic disparity and democracy. More contemporary contributions in the social sciences have further theorized and empirically explored this relationship.

A number of classic studies focused on the link between class conflicts and regime change in their analyses of democratic transitions in the Western

world (Lipset 1963; Marshall 1950; Moore 1967). These studies showed how, viewed in a long-term perspective, the emergence of democracy in the advanced industrial states was partly a product of changes in class structures. New social classes emerged—first the bourgeoisie and later the urban working classes—and made demands on the state, leading to constitutionalism and a gradual extension of the franchise. Later studies expanded the focus to developing countries and argued that conflicting interests of upper-class and lower-class groups, as well as class coalitions, constitute important driving forces behind processes of democratization and democratic breakdowns (Bermeo 2006; Collier 1999; O'Donnell 1973; Rueschemeyer, Stephens, and Stephens 1992).

In more recent years, the ideas behind class conflict theories have been formalized in influential models. These models are based on the different preferences of elites and the masses over the distribution of income as well as the political institutions that sustain or remedy this distribution (Acemoglu and Robinson 2005, 2001; Boix 2003, 2008; Przeworski 2009, 2005). The central claim of this “distributive conflict” literature is that high economic inequality *hinders democracy*, both blocking democratic transitions and increasing the risk of breakdowns.<sup>1</sup> Related arguments have considered the potentially harmful effects of the concentration of wealth and income on political participation, accountability, and polarization (Bartels 2016; Jacobs and Skocpol 2005; Mahler 2002; McCarty, Poole, and Rosenthal 2008; Piketty 2014; Solt 2008).

However, a substantial body of work does not find empirical support for the proposition that economic inequality is related to democratic transitions (Haggard and Kaufman 2016; Houle 2009; Knutsen 2015; Teorell 2010). And while some studies conclude that economic inequality increases the risk of democratic breakdown (Houle 2009; Przeworski et al. 2000), other studies conclude there is no robust link (Haggard and Kaufman 2016; Knutsen 2015; Slater, Smith, and Nair 2014). In short, there is limited empirical evidence that economically equal societies are more likely to democratize and sustain democratic rule.

An extensive literature has also looked at the reverse causal direction—that is, the effects of democracy on socioeconomic inequality. Democracy is typically assumed to *reduce economic inequality* as it empowers low-income

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<sup>1</sup> An influential competing account argues instead that *rising* income inequality is linked to democratization as it reflects socioeconomic transformation and the emergence of new elites who demand representative institutions to protect them from expropriation and establish legislative control over taxation (Ansell and Samuels 2014). In later work, Ansell and Samuels (2018) also challenged the conventional wisdom that inequality undermines the quality of democracy (see also review by Coppedge 2012, 298).

voters (Huber and Stephens 2012; Meltzer and Richard 1981). Indeed, the reason elites resist democratization in the distributive conflict models is the prospect of redistribution to low-income voters (e.g., Acemoglu and Robinson 2005; Boix 2003).

However, the empirical patterns are much more ambiguous than one would expect. Taiwan and South Korea, for instance, had relatively low levels of inequality before democratizing, whereas a range of former communist countries experienced increasing inequality after their democratizations (Carbone 2009: 132). Careful reviews of the empirical literature tend to agree that there is no clear evidence that democracy reduces inequality (Acemoglu et al. 2015; Gradstein and Milanovic 2004; Knutsen 2015; Scheve and Stasavage 2017). One exception is a recent study finding that democracy reduces income inequality if a country was previously relatively unequal, yet increases inequality if a country was previously relatively equal (Dorsch and Maarek 2019).

To summarize, there is mixed empirical support for the propositions that inequality hinders democratic development and that democracy reduces inequality. Common to the surveyed literature on the democracy-inequality nexus is its focus on stratification between individuals. Even when conceptualized as conflict between socioeconomic classes, the empirical analyses often use individual- or household-level measures, such as Gini coefficients based on disposable household income.

## Reinforcing Fault Lines: Economics and Identity

By definition, the inequality-democracy literature focuses on the control over resources, which is typical for class conflict. If economic disparities are politicized, mobilized, and organized, they can transform into cleavages (Merkel and Weiffen 2012, 389). In addition to “interest-based” cleavages, which center on conflict over economic resources, there are also “ideological” as well as “identity-based” cleavages (Offe 2003, 157). The latter relate to ethnic identity, where typical demands include cultural recognition, group rights, and models of power sharing (Horowitz 2000; Lijphart 2004).

Prominent scholars have argued that diversity poses a problem for democracy, and that it is more difficult to establish and maintain democracy in divided than in homogenous countries (e.g., Dahl 1989; Horowitz 2000; Lijphart 2004, 96-97). For instance, Robert Dahl argued that democracy is “significantly less frequent in countries with marked subcultural pluralism,” though also noted that “cultural homogeneity is [. . .] not strictly necessary to polyarchy” (Dahl 1989: 255). Such skepticism reaches as far back as Plato and Aristotle in ancient Greek philosophy, where a heterogeneous demos was seen as a challenge to good political order (Merkel and Weiffen 2012, 394-96).

Likewise, liberal philosopher John Stuart Mill argued that democracy had better odds in more homogenous societies (Mill 1961, 289). While the arguments that a coherent homogenous community is a precondition for stable democracy are intuitive, closer inspection reveals that the general relationship between ethnic diversity and democracy is not robust (Fish and Brooks 2004; see review by Merkel and Weiffen 2012, 397).

Although theoretically distinct, different cleavages can overlap. Identity-based conflict can go beyond group recognition to encompass conflict about the distribution of resources. This line of thinking is related to classic theories of democratic stability that emphasize the structure of social cleavages (e.g., Dahl 1971; Diamond 1988; Lipset 1963; Lipset and Rokkan 1967). These authors argue that reinforcing cleavages destabilize democracies, whereas cross-cutting cleavages—for example, when members of different ethnic groups find themselves in the same social class—promote the stability of democracy.

The idea of reinforcing cleavages continues to offer important insights when considering the relationship between democracy and ethnic inequality. Combining the two perspectives—conflict over identity and resources—constitutes a promising avenue. For instance, it seems plausible that ethnic categories coinciding with socioeconomic inequality are particularly destabilizing for democracy, compared to socioeconomic inequality or ethnic heterogeneity in themselves. Haggard and Kaufman (2016, 343) emphasize the role of such cleavages in Kenya and Sri Lanka. However, they also note that research on the ethnic dimensions of inequality and regime change is still in its infancy.

Country-specific events strongly indicate that conflicts revolving around both ethnicity and economic inequality play a central role. For example, Fiji has long been haunted by political instability, with coups in 1987 and 1999. In both coup years, parts of the indigenous Fijian community considered elected governments with a significant Indo-Fijian participation to pose a redistributive challenge to existing privileges (Haggard, Kaufman, and Teo 2012, 77-78; Lawson 1991, 201; McCarthy 2011, 563). Likewise, the background for democratic instability in Kenya in 2007-08 was long-standing socio-economic inequalities between groups, where relatively disadvantaged groups feared political exclusion (Stewart 2010). Likewise, looking at the consequences of democratization processes, there are also indications that increased political freedom in Ecuador enabled political leaders to mobilize disadvantaged groups around ethnic identities in the 1990s and 2000s and to push for policy changes (Madrid 2012, 175-78). In all the mentioned examples, there are good reasons to believe that socioeconomic disparity and ethnic identities reinforced each other to influence democratic development and distributive politics.



## Inequality between Whom?

Further studies of individual-level or class inequality are still important. However, the brief survey of the evidence on reinforcing cleavages and the case examples indicate that it is also crucial to consider how socioeconomic inequality lines up with other social divisions, not least salient ethnic identities.

A considerable body of research suggests that socioeconomic inequality between ethnic groups has major negative implications for peace, economic development, and public goods provision (e.g., Alesina, Michalopoulos, and Papaioannou 2016; Baldwin and Huber 2010; Canelas and Gisselquist 2019). In particular, an influential literature has emerged that finds that civil wars erupt due to economic and political inequality between ethnic groups (“horizontal inequalities”), rather than inequality at the individual level (“vertical inequality”) (Cederman, Gleditsch, and Buhaug 2013; Hillesund et al. 2018; Stewart 2008; Østby 2008). In other words, inequality is particularly likely to produce conflict and other negative outcomes when it coincides with ethnic divisions. The growing academic interest in ethnic inequalities is clear from the large increase in the number of related academic publications.<sup>2</sup> Beyond academia, group-level inequalities have also received more attention in policy circles: The reduction of group-level inequalities was included in Sustainable Development Goal 10 (UN 2020), and the issue was emphasized in a recent OECD report (Deere et al. 2018).

Although measures of individual inequality and ethnic inequality co-vary, they are far from identical (Stewart, Brown, and Mancini 2010, 28). The average correlation from a comparison of the dissertation’s three main ethnic inequality measures with the net income inequality Gini from the SWIID (Solt 2020) is 0.3. This shows that ethnic inequality captures something distinct from conventional concepts of economic inequality (see also Alesina, Michalopoulos, and Papaioannou 2016, 482).

Expanding the analytic focus to ethnic inequality could significantly improve our understanding of the link between democracy and socioeconomic inequality. First, ethnic identity markers are more likely than socioeconomic class to create the shared identity needed to articulate grievances strong enough to sustain collective action (Cederman, Gleditsch, and Buhaug 2013; Stewart 2008). Among other things, ethnic identities have been argued to be “stickier” than class identities, which are more fluid (Horowitz 1985; Houle 2015, 475). Ethnic identities that coincide with a certain socioeconomic position thus provide a strong basis for collective action.

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<sup>2</sup> A keyword search on Google Scholar for “ethnic inequality” returns 241 publications for the year 2000, 543 for 2010, and nearly doubling to 1,060 in 2020. The corresponding numbers for “horizontal inequality” are 27 in 2000, 231 in 2010, and 408 in 2020.

Second, ethnic entrepreneurs can frame ethnic inequalities as the result of political decisions by powerful actors rather than the result of individual skill, talent, or hard work. Such framings are often plausible, as many ethnic inequalities have historical roots in conquest, slavery, or other differential treatment, sometimes persisting to the present day. Ethnic group membership is normally inherited and therefore not within the control of the individual, and thus not a fair reason for someone to enjoy a lower socioeconomic status. By comparison, individual economic inequality can more easily be framed and conceived of as the result of ability or effort (Alesina, Michalopoulos, and Papaioannou 2016, 431; Deere, Kanbur, and Stewart 2018, 89). In short, ethnic inequality provides particularly strong grounds for formulating collective grievances that could later translate into collective action.

Third, during the third wave of democratization (1974-), many democratic transitions occurred in much more ethnically heterogeneous countries compared to the European cases that are the basis of much of the influential literature on class conflict and regime change. When studying diverse countries in Latin America, Africa, and Asia, we may thus miss important dynamics if we apply the analytical perspective of social classes. This further underscores the need to consider how economic disparities line up with ethnic identities when we consider their relationship with democracy.

Taken together, inequality is likely to entail different and more consistent political dynamics when considered as an ethnic-group-level rather than an individual-level characteristic. When economic inequality and ethnic categories coincide, inequality should be particularly likely to lead to collective grievances, mobilization around ethnic identities, and social instability, which may affect the prospects for democratic development. Looking at the opposite relationship, the consequences of democracy for inequality may also differ when considered at the ethnic group level. Economic inequalities afflicting entire ethnic groups, rather than individuals or households, are particularly likely to fuel resentment and justify attempts to mobilize against perceived injustice (see Cederman, Gleditsch, and Buhaug 2013). Democratization processes may thus have different effects on inequality between ethnic groups compared with overall inequality between individuals, including particularly intense pressures to remove differential treatment between groups.

Given these observations, the relevance of investigating the connection between democracy and ethnic inequality might seem obvious. Nonetheless, it has remained surprisingly underexplored. Only two comparative studies have examined the link between ethnic inequality and democratic breakdowns (Houle 2015; Stewart 2021). Based on case studies of nine primarily African countries, Stewart finds that ethnic inequalities tend to destabilize democracy. Using time-series, cross-national data, Houle concludes that between-group

ethnic inequality increases the likelihood of democratic breakdown if within-group inequality is low.<sup>3</sup>

However, many questions about the democracy-ethnic inequality nexus remain unanswered or deserve further scrutiny. First, studies have yet to examine whether ethnic inequality also affects a country's prospects of becoming democratic to begin with. Moreover, we still do not know whether democratic institutions also affect levels of ethnic inequality. These questions—whether ethnic inequality affects democratic development, and, conversely, whether democracy affects ethnic inequality—are closely linked and should therefore be considered jointly within the same theoretical framework. Relatedly, there is also a need to better understand the mechanisms, that is, the actors, processes, and policies, that link ethnic inequality with democratic development and vice versa. Finally, new cross-national datasets on ethnic inequality—as well as significant advances in quantitative methods—also hold the potential to further our understanding of the relationship.

Against this backdrop, I theorize and empirically analyze the relationship between democracy and ethnic inequality. More specifically, I seek to answer the following research questions:

**RQ 1:** To what extent—and how—does ethnic inequality affect democratic development?

**RQ 2:** Conversely, to what extent—and how—does democratic development influence ethnic inequality?

By democracy, I mean a political regime where leaders are selected in inclusive, competitive elections (Skaaning, Bartusevicius, and Gerring 2015, 1495). Ethnic socioeconomic inequality (henceforth: ethnic inequality) refers to disparities between ethnic groups in terms of standards of living, such as income, wealth, and access to basic public goods such as education and health (Stewart 2008).

To answer these research questions, I first consider the challenges involved in conceptualizing and measuring ethnic inequality (Article 1<sub>cm</sub>). Second, I examine whether ethnic inequality affects democratic development. Since existing work only looks at democratic breakdowns, I expand the focus to also include democratic transitions. Moreover, my analysis uses new datasets, providing a more wide-ranging assessment that includes a quantitative examination of the mechanisms (Article 2<sub>eidem</sub>). Third, I investigate whether

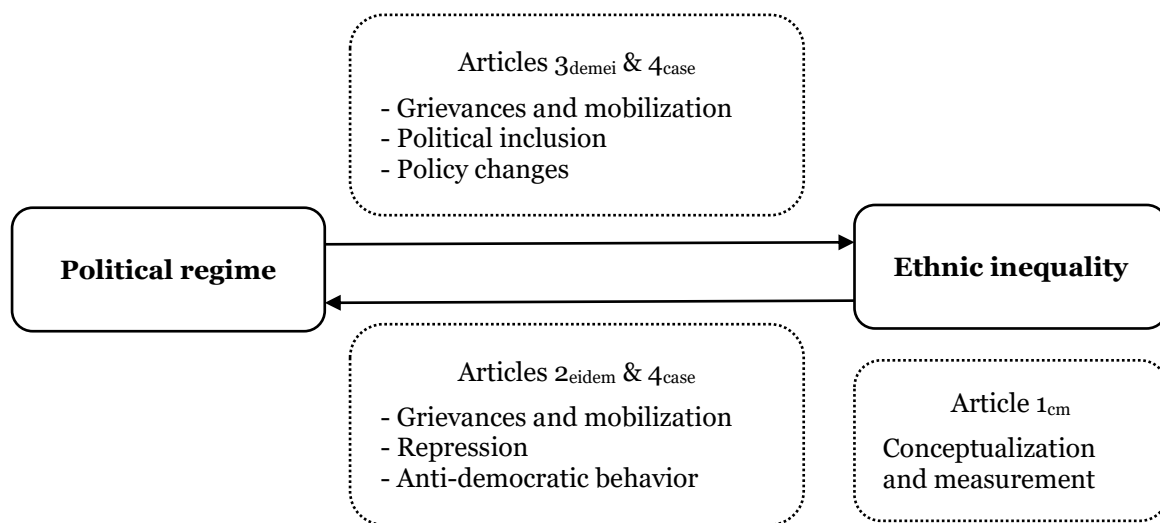
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<sup>3</sup> Related work includes a study by Ye and Han (2019), who link ethnic inequality to state repression, as well as Houle and Bodea (2017), who find a link between ethnic inequality and coups in sub-Saharan Africa. Kyriacou (2019) discusses the link between inequality and “governance,” including ethnic inequality.

democratic transitions affect ethnic inequality (Article 3<sub>demei</sub>). Finally, I conduct case studies to examine the mechanisms explaining how democratic transitions can reduce ethnic inequality, but also consider how ethnic inequality may simultaneously destabilize democracy (Article 4<sub>case</sub>).

The research problem is visualized in Figure 1.1, which shows how democracy and ethnic inequality engage in a two-way relationship. The political regime in place—democracy or autocracy—should affect disadvantaged ethnic groups’ chances of successful mobilization and political inclusion, which may translate into policy changes. This is indicated by the upper arrow and examined in Articles 3<sub>demei</sub> and 4<sub>case</sub>. At the same time, ethnic inequality may also affect the prospects for a stable regime. For instance, ethnic disparities in democracies may translate into collective grievances, increasingly polarized politics, and anti-democratic behavior, such as coups or anti-system mass movements. This is indicated by the bottom arrow and examined in Article 2<sub>eidem</sub> and, to a lesser extent, in Article 4<sub>case</sub>. The conceptualization and measurement of ethnic inequality is considered in Article 1<sub>cm</sub>.

**Figure 1.1:** Research Problem and Contribution of Each Article



## Theoretical Framework

The first research question I seek to answer is whether socioeconomic disparities between ethnic groups influence the likelihood of a country democratizing and remaining democratic. In Article 2<sub>eidem</sub>, I argue that ethnic inequality is not associated with democratic transitions in a clear-cut way. On the one hand, politically excluded and disadvantaged ethnic groups could benefit from democracy and potentially gain from redistribution. Moreover, the shared ethnic identity of disadvantaged individuals allows them to formulate grievances, which can sustain collective action and demands for regime change (e.g., Stewart 2008).

On the other hand, ruling elites primarily composed of co-ethnics from a dominant and wealthy group may be reluctant to give up their privileges. Under conditions of high ethnic inequality, the advantaged group has much to lose from democratization and will be inclined to repress challenges to the regime. It is unclear, *a priori*, which mechanism is stronger. This yields indeterminate theoretical predictions regarding the consequences of ethnic inequality on democratic transitions.

When shifting the focus to democratic breakdowns, the theoretical predictions are more clear-cut. Ethnic inequality is likely to increase the salience of ethnic identities and give rise to collective grievances and distributional conflict, paving the way for polarized politics and anti-democratic behavior at both the mass (e.g., anti-democratic movements) and elite levels (e.g., executive power concentration). In short, I expect ethnic inequality to increase the risk of democratic breakdown.

Reversing the direction of the relationship, I also ask to what extent and under what conditions democratic institutions reduce socioeconomic ethnic inequality. In Articles 3<sub>demei</sub> and 4<sub>case</sub>, I argue that democracy allows previously excluded groups to participate in the political process, which includes freely voting for preferred parties and organizing in civil society movements. If parties that represent disadvantaged groups are successful in securing seats in the legislature or executive, they can enact or influence legislation as well as monitor its implementation. Such policies can include universal social policies, targeted social policies (“affirmative action”), and anti-discrimination policies, which together can reduce socioeconomic disparities. Even if they fail to become large parliamentary actors, parties representing disadvantaged groups may pressure dominant parties to become more inclusive. For instance, dominant parties may start to include representatives of disadvantaged groups or align their agendas more closely with the policy goals of the disadvantaged group (Vogt 2019, 71).

Inspired by Dorsch and Maarek (2019), I also propose that the equalizing influence of democracy is conditional on the pre-democratic level of ethnic inequality. Autocracies that have high levels of ethnic inequality are more likely to see a reduction in inequality after democratization. In contrast, autocracies with lower levels of ethnic inequality are less likely to experience a significant change in inequality after democratization. If salient groups have relatively similar standards of living, citizens are less likely to perceive the distribution of resources as unfair. Under these circumstances, we are unlikely to see citizens experience grievances on behalf of their group and mobilize around demands for more equality. Conversely, members of impoverished groups in highly unequal countries are likely to experience collective grievances. Democratic institutions give them the opportunity to mobilize on the

basis of these collective grievances and seek to rectify what they perceive as historical injustices.

## Conceptualization and Measurement

There are many potential ways to conceptualize and measure democracy, and it is therefore important to specify and justify one's choices in this regard. My electoral conceptualization of democracy presented above has the advantage of focusing on the most important theoretical attribute, which is the ability of citizens to hold their governments accountable through competitive elections. An additional advantage of this approach is that scholars generally agree that competitive elections make up the core of modern democracy, understood as a political method that enables a peaceful change of legislative and executive power. Once we add additional attributes, such as the rule of law, social equality, and deliberation, scholars are much less in agreement (Coppedge et al. 2011; Przeworski et al. 2000). Moreover, focusing on the electoral core clearly separates democracy from its causes and consequences, including socioeconomic equality, which are sometimes included in more elaborate definitions.

I also emphasize inclusionary suffrage as part of my conceptualization. Without suffrage requirements, competitive elections are compatible with a high level of exclusion of certain ethnic groups. We should not expect democratic transitions to change policy significantly if disadvantaged groups are effectively excluded from the political process. Indeed, political mobilization and participation by disadvantaged groups are core parts of the theoretical argument, which predicts democratization to lead to reductions of ethnic inequality (Article 3<sub>demei</sub> and 4<sub>case</sub>). I therefore underscore that elections must be both competitive and inclusive.

Another question is whether to consider democracy a continuous or binary concept. One could certainly study the relationship between ethnic inequality and democratic quality. However, for the research questions at hand—which distinguish between democratic transitions and breakdowns—binary measures that establish clear thresholds based on significant events are more suitable (see Collier and Adcock 1999, 551). Moreover, for the purpose of causal analysis, employing a binary measure enables a more transparent comparison between democratic and nondemocratic groups of countries. This enables me to work with newer statistical approaches, such as event studies.

My primary democracy measure is from the Lexical Index of Electoral Democracy (LIED) by Skaaning, Bartusevicius, and Gerring (2015). It reflects my definition of democracy and offers up-to-date categorical data on political regime types with unmatched coverage for all independent polities back to 1789. The dataset contains a series of ordered, crisp regime categories, which allows

me to set the democracy threshold without resorting to arbitrary cutoffs. Specifically, I create a binary variable using Level 5 on the index as the cutoff, which refers to genuinely competitive elections combined with, at least, universal male suffrage, to distinguish between democracies (1) and autocracies (0). From a normative point of view, female suffrage is clearly important. However, to examine historical variation in democracy throughout the 20<sup>th</sup> century, this cutoff is the most appropriate analytically (cf. Boix, Miller, and Rosato 2013, 1532). Based on this variable, I also construct variables capturing democratic transition and breakdown events, analyzed in Article 2<sub>eidem</sub> and Article 3<sub>demei</sub>. To ensure the robustness of the results, I conduct tests with an alternative operationalization of democracy by Boix, Miller, and Rosato (2013) that offers a fairly similar binary measure. I also use binary measures with alternative cutoffs on the Lexical Index (L6: competitive elections and universal suffrage; and L4: competitive elections without inclusive suffrage).

Whereas many evaluations of democracy indices provide a good basis from which to choose an appropriate measure (e.g., Munck and Verkuilen 2002; Møller and Skaaning 2021), much less work exists that considers the conceptualization and measurement of ethnic inequality. Inspired by evaluations of democracy measures, Article 1<sub>cm</sub> (summarized in Chapter 2) therefore sets out to evaluate six different cross-national ethnic inequality measures. The lessons from Article 1<sub>cm</sub> have informed my conceptualization and operationalization in Article 2<sub>eidem</sub> and Article 3<sub>demei</sub>.

By ethnic inequality, I refer to disparities between ethnic groups in standards of living, which can include the sub-dimensions of income, wealth, and access to basic services such as primary education and health (Stewart 2008). Ethnicity is understood in an encompassing fashion as a subjectively experienced sense of commonality based on a belief in common ancestry (Weber 1976 [1922], 389), and may refer to any set of ascriptive attributes that distinguish groups within a state, including language, religion, race, or customs. The presence of ethnic inequality requires the existence of relatively well-defined groups, which individuals cannot simply opt out of by choice. In this sense, an important property of ethnic identities is constrained change with boundaries that exhibit continuity over time (Chandra 2006, 419). In comparison to other social identities, such as class, ethnicity tends to be stickier and more visible (Chandra 2006; Horowitz 1985; Houle 2015, 475).

The findings in Article 1<sub>cm</sub> show how each of the six examined indicators has certain strengths and weaknesses. Given each measure's shortcoming, I consider it important to check the results with multiple different measures to avoid having idiosyncrasies of any particular measure drive the results. In Articles 2<sub>eidem</sub> and 3<sub>demei</sub>, I mainly work with three different time-variant indicators that reflect differences in standards of living between average members

of different groups, aggregated to the country level, and which cover both democratic and autocratic states.

First, Varieties of Democracy (V-Dem) offers an expert-coded indicator of inequality in access to basic services, such as primary education, clean water, and health care, depending on “social group.” This group’s definition corresponds well to the encompassing definition of ethnicity employed by the other measures (Coppedge et al. 2021: 209). This measure covers most sovereign states in the world since 1900. Second, Alesina, Michalopoulos, and Papaioannou (2016) combine nighttime luminosity images with maps of ethnic settlement patterns to calculate an ethnic Gini. This measure reflects group inequality in “mean income” and covers 173 countries in the years 1992, 2000, and 2012. Third, Omoeva, Moussa, and Hatch (2018) provide a measure of inequality in educational attainment between ethnic/religious groups, relying on public household survey data. Their dataset covers 86 countries between 1946 and 2013, most of which are developing countries.

Following the recommendations in Article 1<sub>cm</sub>, I supplement the country-level analyses in Articles 2<sub>eidem</sub> and 3<sub>demei</sub> with analyses of group-level data on ethnic inequality. As I show in more detail in the articles, this disaggregated approach allows me to study how a country-level variable (regime type) interacts with a group-level variable (relative group income). Specifically, Article 3<sub>dem</sub> employs data from Bormann et al. (2021), who estimate the socioeconomic status of a global sample of groups (1992-2012) by combining nighttime light emission with data on ethnic settlement patterns. In both Articles 2<sub>eidem</sub> and 3<sub>demei</sub>, I also employ an expert-coded group-level indicator of “economic discrimination” from the All Minorities at Risk project (Birnir et al. 2017), which serves as a rough proxy for socioeconomic disadvantage.

## Research Design

Studying the relationship between democracy and ethnic inequality poses a number of challenges, not least as they are hypothesized to affect each other. The findings of Article 1<sub>cm</sub>, which I alluded to above, serve as a healthy reminder of the more general point that there will be biases with any single data source. Moreover, there is always the risk of spurious findings with any single research design. In this light, my approach has been to draw on many types of data and formulate multiple tests of the main propositions, which are examined with different analytical perspectives. Table 1.1 provides an overview of the different articles’ research questions, empirical approaches, and employed data sources.



**Table 1.1:** Research Questions, Empirical Approach, and Data Sources by Article

Research question	Empirical approach	Data sources
<b>Article 1<sub>cm</sub>:</b> What do existing measures of socioeconomic ethnic inequality capture? Are they valid, reliable, and interchangeable?	Comparative descriptives Correlational analyses Replication of large-N research Combination of existing indices	Six country-level indicators of socioeconomic ethnic inequality
<b>Article 2<sub>idem</sub>:</b> Does ethnic inequality influence the likelihood of a country to democratize and remain democratic?	Fixed-effects panel regressions Quantitative assessment of implications (mechanism) Placebo tests	Multiple country-level indicators of ethnic inequality and democracy Multiple country-level indicators capturing theorized processes Group-level data on discrimination
<b>Article 3<sub>demei</sub>:</b> To what extent and under what conditions do democratic transitions reduce ethnic inequality?	Fixed-effects panel regressions IV analysis Event studies Placebo tests Quantitative assessment of implications (mechanism)	Multiple country-level indicators of ethnic inequality and democracy Multiple country-level indicators capturing theorized processes One group-level indicator of ethnic inequality
<b>Article 4<sub>case</sub>:</b> How and under what conditions do democratic transitions reduce ethnic inequality? Is there a two-way relationship?	In-depth investigation of five cases (within-case analysis) Formulation of empirically observable implications	Country-specific literature, reports, and statistics Cross-national indicators that proxy causal chain

The dissertation engages in three analytical steps to answer the theoretical questions. First, I examine six ethnic inequality measures at the country level (Article 1<sub>cm</sub>). This exercise provides an overview of the strengths and weaknesses of different measures, and it underscores the need to check the robustness of the results using different datasets and, if possible, to include both country- and group-level measures.

Second, I study the consequences of ethnic inequality for democracy (Article 2<sub>idem</sub>) and vice versa (Article 3<sub>demei</sub>) using time-series cross-national data, which allows me to identify global patterns. From an econometric point of view, my explicit focus on a reciprocal relationship clearly begs the question of how to deal with endogeneity. To address this as well as possible, I use state-of-the-art tools, such as two-way fixed effects, event studies, instrumental variable (IV) analysis, and placebo tests that help to give the results a causal interpretation.

To understand a relationship, we should go beyond investigating whether an initial condition is linked statistically to an outcome, and examine whether it also works through the suggested causal chain. As a third step, I therefore conduct a number of case studies that allow me to investigate the proposed mechanism and further explore the conditions under which the relationships play out (Article 4<sub>cm</sub>). Specifically, I examine the political and social dynamics related to five democratic transitions, three of which led to reduced socioeconomic inequality across ethnic groups (Bolivia 1982-, South Africa 1994-, and Nepal's second democratic spell 2006-), while the other two did not (Guatemala 1986- and Nepal's first democratic spell 1991-2002). The within-case analysis has value in its own right, but to the extent that the suggested causal mechanism can be identified, the statistical analysis also becomes more convincing (Goertz 2017; Goertz and Mahoney 2012). Beyond investigating the theorized mechanism and scope conditions, the case studies also help to get a better grasp of the two-way relationship.

## Findings

Article 1<sub>cm</sub> shows that the six examined measures differ in important ways regarding empirical scope, conceptualization, measurement, and aggregation. All measures have limitations, such as restricted and biased coverage as well as measurement error from the underlying data sources. Moreover, the correlation between conceptually similar measures is unexpectedly low. In four replication studies, the results are sensitive to the included ethnic inequality measure. In the article, I offer several suggestions for improving existing measures and developing new ones. The findings also have clear implications for the remainder of the dissertation: I am careful to take the various features highlighted in this evaluation into account before employing them, and I check the robustness of the results with multiple theoretically relevant measures at both the country and group levels.

In Article 2<sub>eidem</sub>, I find that ethnic inequality is not associated with transitions to democracy. I also present evidence that this null finding is the product of the two competing mechanisms: In autocracies, ethnic inequality is associated with increased pressure for democratization (bottom-up) but also increased levels of repression (top-down). At the same time, there is a relatively strong and robust association between ethnic inequality and the risk of democratic breakdown. I find support for the theorized mechanism, showing that ethnic inequality is associated with political polarization and anti-democratic behavior at both the mass level (e.g., anti-system movements) and the elite level (i.e., executive power concentration and coup attempts). Finally, I show

that ethnic inequality is particularly destabilizing for democracy compared with conventional concepts of inequality.

In Article 3<sub>demei</sub>, I demonstrate that democratization substantively reduces ethnic inequality, but mainly for countries with high pre-democratic levels of inequality. Event studies reveal that some of the effects are already visible after five years, but strongest after 15–20 years. In line with the country-level findings, an analysis of group-level data shows that democratic transitions lead to convergence in average group income between socioeconomically disadvantaged and advantaged groups. Employing additional group-level data, I also find support for a key aspect of the mechanism, as democratic transitions are typically followed by reduced political and economic discrimination against groups.

Article 4<sub>case</sub> reveals how in three “positive” cases (Bolivia, South Africa, and Nepal after 2006) political empowerment of previously excluded ethnic groups and subsequent policy changes constituted an important driver of reduced ethnic inequalities. Meanwhile, the “negative” cases (Guatemala and Nepal 1991–2002) reveal that democracy only leads to reduced ethnic inequality if the previously excluded groups are able to mobilize coherently and when elites from previously dominant groups are not well-entrenched and able to resist reform.

## Making Sense of a Two-Way Relationship

Endogeneity is a clear theoretical and methodological challenge for the study of many relationships. This is clearly also the case when studying the association between democracy and inequality (see Figure 1.1). In this dissertation, I have tried to take such issues seriously from a causal inference perspective, employing the best possible tools to deal with observational data (see Table 1.1). However, more than just considering it a research design problem when attempting to estimate unbiased causal effects, I have also tried to turn the bidirectional nature of the relationship into a theoretical and empirical puzzle, deserving to be studied in its own right.

Without drawing definitive conclusions, my findings point to some possible interpretations of the two-way relationship. To recap the findings, ethnic inequality does not affect the likelihood of transitioning to democracy, which is better explained by other factors (Article 2<sub>eidem</sub>). However, the democratization process paves the way for reductions in ethnic inequality—at least in the previously most unequal countries (Article 3<sub>demei</sub>). Meanwhile, democracies that experience increasing and high ethnic inequality risk reverting to autocracy (Article 2<sub>eidem</sub>). Such patterns were also visible in the case studies, in which democratic transitions did lead to reductions in ethnic inequality, yet

ethnic inequality also indirectly destabilized democracy in Nepal (1990s) and Bolivia (2010s).

The two-way relationship may be approached through the analytical perspective of feedback, whereby I mean processes that reproduce a condition through their effect on one another. This phenomenon is well-known in institutional analysis (e.g., Pierson 1993). Specifically, democratization processes that lead to political inclusion of disadvantaged groups are self-reinforcing: By reducing disparities they remove the basis of collective grievances, polarization, and political violence, further stabilizing democracy. Put differently, democracy makes it harder for any single group to monopolize government power, which in turn tends to spread socioeconomic benefits more broadly, thereby stabilizing democracy over time, due to a lower level of grievances. The implication is that once a country is a consolidated democracy, it should be more likely to accommodate demands for ethnic equality and provide adequate policies, reducing grievances in the long term. In contrast, democracies that are not politically responsive to large parts of the population and do not offer channels whereby disadvantaged groups can rectify ethnic inequalities are more prone to breakdown, as was visible in Nepal in the 1990s (see Article 4<sub>case</sub>).

Another plausible feedback process finds limited support: The allocation of political authority in an autocracy to a particular group is a plausible source of positive feedback. This is because the politically dominant group may gradually entrench its privileges, making it resist steps in a democratic direction. However, Article 2<sub>idem</sub> suggested that resistance to democratization was matched by collective grievances, and therefore higher levels of ethnic inequality did not lower the likelihood of democratization. To the extent that autocracy and ethnic inequality are self-reinforcing, they are also counterbalanced by pressures from excluded and disadvantaged parts of society.

However, some caveats to this interpretation are worth noting. As the case of Bolivia shows (Article 4<sub>case</sub>), successful reductions in ethnic inequality may be inadequate to insulate against democratic breakdowns, such as the one that the country experienced in 2019. It is hard to say whether more or less aggressive policies of redistribution and cultural recognition could have affected this outcome. Moreover, for democracy and ethnic equality to reinforce each other, some sort of balancing act is probably necessary, as there may be a risk of backlash against democracy if previously dominant groups see their privileges threatened too abruptly.

## Summary Outline

The rest of this summary is structured as follows. In Chapter 2, I summarize Article 1<sub>cm</sub>, which evaluates six cross-national measures of ethnic inequality, and which offers important lessons for my operationalization in the other articles. Chapter 3 summarizes Article 2<sub>eidem</sub>, which uses global time-series cross-national data to investigate the impact of ethnic inequality on both democratic transitions and democratic breakdowns. Chapter 4 recaps Article 3<sub>de-me</sub>, which considers the reverse causal direction, and examines the impact of democratic transitions on ethnic inequality, also using global time-series cross-national data.

In Chapter 5, I summarize Article 4<sub>case</sub>, which examines when and how democracy reduces ethnic inequality through case studies. It develops a causal pathway that connects democratic transitions to lower ethnic inequality and examines both positive (successful reduction of inequality) and negative cases (unsuccessful reduction of inequality). Throughout, the analysis considers reverse causality; that is, how ethnic inequality may also affect democracy. In Chapter 6, I discuss the main findings and their implications before I point to some avenues for future research.



## 2. Measuring Ethnic Inequality

While the field of measuring inequality among individuals (“vertical inequality”) is relatively well-developed and sophisticated, much less attention has been paid to measuring inequalities between groups in a society (“horizontal inequality”), defined for instance by ethnicity (Stewart, Brown, and Mancini 2010). Despite a number of significant challenges—which include finding reliable socioeconomic data, combining it with comparable group classifications, and aggregating it appropriately—data creators have been able to develop several different measures of ethnic inequality. These have enabled a new line of research to track developments and study the causes and consequences of ethnic disparity.

How have researchers conceptualized and measured ethnic inequality, and what strengths and weaknesses do the different measures have? In this chapter, I summarize Article 1<sub>cm</sub> (“Measuring Ethnic Inequality: An Assessment of Extant Cross-National Indices”), which offers a first systematic comparison and evaluation of six cross-national measures of ethnic socio-economic inequality: Alesina, Michalopoulos, and Papaioannou (2016), Cederman, Gleditsch, and Buhaug (2013), Houle (2015), Baldwin and Huber (2010), Omoeva, Moussa, and Hatch (2018), and V-Dem (Coppedge et al. 2021). The chapter ends with a discussion of how I use the lessons from Article 1<sub>cm</sub> in my operationalizations in Articles 2<sub>eidem</sub> and 3<sub>demei</sub>.

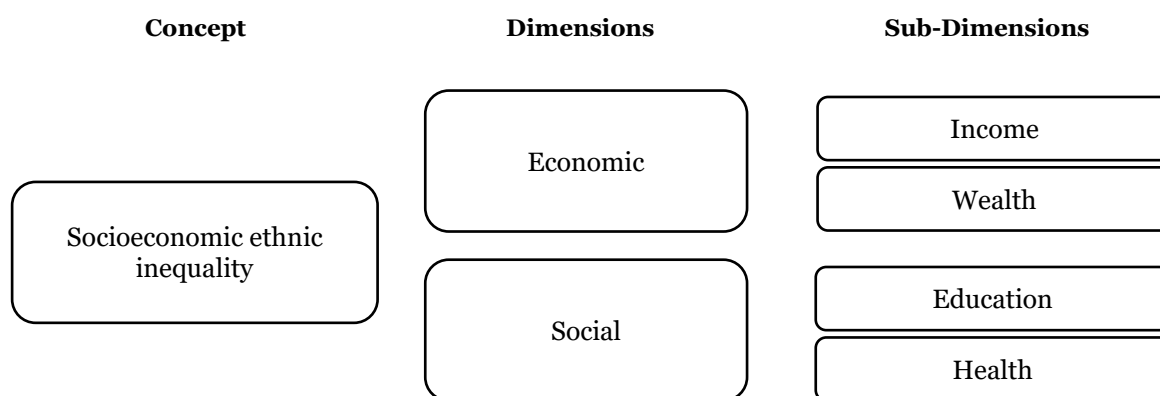
### Conceptualization

Ethnic inequality can be measured at the aggregate country level, which offers a single figure that captures the entire distribution in a country. Alternatively, it can be measured at the group level, which provides a figure for each individual group relative to the country’s mean or to other groups within that country (i.e., a ratio). In Article 1<sub>cm</sub>, I focus on six aggregate, country-level measures, yet also briefly discuss group-level measures.

Consistent with the recent literature on ethnic politics, the surveyed work understands ethnicity in an encompassing manner as a group identification based on descent-based attributes, such as language (e.g., Belgium), religion (e.g., Bosnia and Herzegovina), tribe (e.g., Kenya), caste (e.g., India), phenotypical features (e.g., the United States), or some combination of these (Canelas and Gisselquist 2018a, 306-07; Chandra 2006, 398; Horowitz 1985, 41-54; Varshney 2009, 364).

Without using the exact same terminology, the six measures agree on a conceptual core that emphasizes disparities in socioeconomic conditions between ethnic groups.<sup>4</sup> Some are based on purely economic dimensions, such as income and wealth (i.e., Alesina et al., Baldwin and Huber, Cederman et al., and Houle), while others are premised on access to basic services, such as healthcare and education (i.e., Coppedge et al. and Omoeva et al.). Figure 2.1 shows the conceptual structure of the concept. Note that these dimensions and sub-dimensions do not simply share a conceptual core, but should be highly correlated due to common causes and because they affect each other.<sup>5</sup> For instance, access to basic education clearly affects income (Stewart, Brown, and Mancini 2010).

**Figure 2.1:** Illustration of Conceptual Structure



## Overview of Extant Measures

The different sub-dimensions have been operationalized using different indicators, which I have summarized in Table 2.1. The Ethnic Gini by Alesina, Michalopoulos, and Papaioannou (2016) is based on nighttime luminosity images combined with maps of ethnic settlement patterns. Cederman, Gleditsch, and Buhaug (2013) combine subnational economic data with maps of homelands of ethnic groups. Houle (2015) draws on information from a range of surveys to construct an asset-based wealth indicator for ethnic inequality.

<sup>4</sup> Ethnic inequality is sometimes also referred to under the more encompassing terms “horizontal inequality” or “between-group inequality.” The concept is also related to Horowitz’s (2000) concept of “ranked” societies —i.e. where socioeconomic class and ethnicity correlate—and the idea of reinforcing cleavages (e.g., Lipset and Rokkan 1967) discussed in Chapter 1.

<sup>5</sup> Causes of ethnic inequality include colonialism and slavery (Piketty 2020, 653; Williams 2003, 59), repression and overt discrimination of some groups (Gurr 2000, xvi), ethnic favoritism (e.g., De Luca et al. 2018; Franck and Rainer 2012; Nathan 2016), geographic endowments (Alesina, Michalopoulos, and Papaioannou 2016), and processes relating to globalization and technological innovation (Canelas and Gisselquist 2018a; Olzak 2011).



Baldwin and Huber (2010) also use surveys to construct an inequality measure for 46 countries from all regions of the world.

**Table 2.1:** Scope, Sources, and Operationalization of Extant Measures

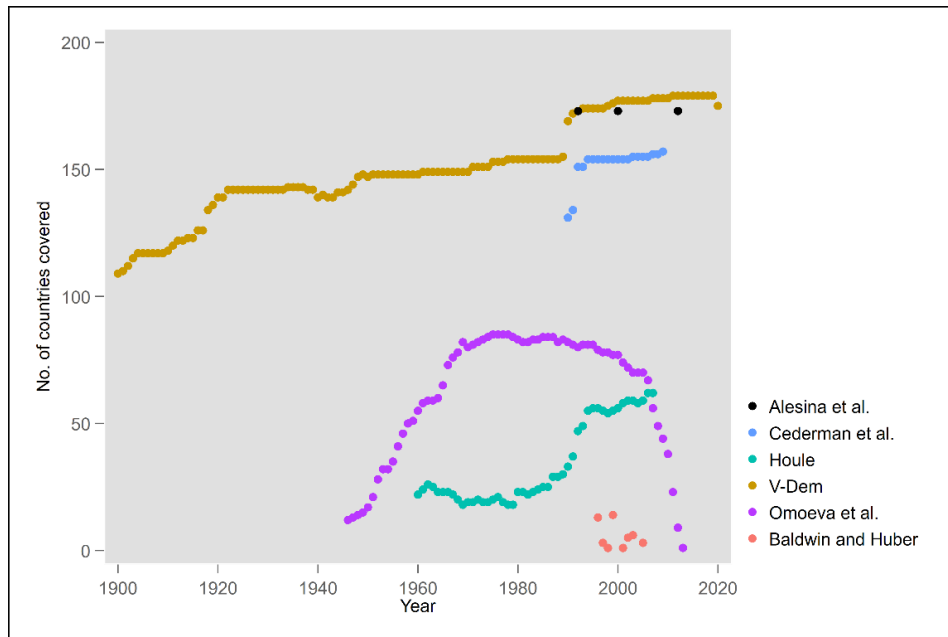
Data provider and Index	Countries	Years	Country-year observations	Sources	Operationalization
Alesina et al. (2016): Ethnic Gini	173	1992, 2000, 2012	519	Nightlights/ethnic homelands	Group Gini (0–1)
Cederman et al. (2013): G-Econ/Ethnic homeland	163	1990	163*	Local econ. data/ethnic homelands	Ratio (poorest/richest group relative to country mean)
Houle (2015): Between-group inequality (BGI)	75	1960–2007 (unbalanced)	1,641	Mass Survey	BGI indicator (0–6)
Baldwin & Huber (2010): Between-group inequality (BGI)	46	1996–2006 (unbalanced)	46	Mass Survey	BGI indicator (0–1; stat. standardized scores available)
V-Dem Coppedge et al. (2021): Access to public services by group	179	1900–2020	18,157	Expert survey	Point estimate and confidence bounds based on IRT model (original scale: 0–4)
Omoeva et al. (2018): Educational Group Gini	86	1946–2013 (unbalanced)	4,254	Mass Survey	Group Gini (+ Theil, Coefficient of Variation and Parity Index)

Notes: The topmost four measures reflect the economic dimension, whereas the bottom two reflect the social dimensions. This distinction may not be clear-cut, as nightlights may also proxy for access to public services. \*Cederman et al.’s ethnic settlement data (Geo-EPR) is dynamic, yet the subnational economic data (G-Econ) is only available for 1990, which means that the temporal scope is limited to the year 1990. Nevertheless, the authors employ the data as time-series cross-section data for the period 1990–2009.

Whereas the first four measures reflect the economic dimensions, the remaining two focus on the social dimension, that is, the access to services that strongly affect standards of living and life chances (see Stewart 2002). V-Dem offers an expert-coded indicator of group inequality in access to basic services, such as primary education, clean water, and health care. Finally, Omoeva, Moussa, and Hatch (2018) provide a measure of inequality in educational attainment between ethnic/religious groups, relying on public household survey data.

As can be seen in Table 2.1 and Figure 2.2, there are important differences in scope. For empirical studies that seek to investigate the causes and consequences of ethnic inequality over time, some measures are clearly more useful than others. I also identify clear non-random patterns, showing that a majority of datasets are not representative regarding GDP/cap, democracy, and state capacity—most notably there are two measures that only cover democracies (Baldwin and Huber 2010, Houle 2015).

**Figure 2.2:** Country Coverage over Time by Measure



Notes: Each point indicates how many countries are covered in a given year by the dataset in question. V-Dem covers many colonies, which explains its high country coverage prior to decolonization. See also Figure 2.3 below for a global mapping of three of the datasets in one year.

## Data Sources and Aggregation

The measurement of ethnic inequalities raises questions about which comparative group classifications to adopt, which is far from trivial as ethnic identities are not completely static over time and people hold multiple identities (Bochsler et al. 2021). The majority of measures (Alesina, Michalopoulos, and Papaioannou 2016; Baldwin and Huber 2010; Cederman, Gleditsch, and Buhaug 2013; Houle 2015) use ethnic group classifications as coded by existing datasets, such as Fearon (2003) or by the Ethnic Power Relations (EPR) dataset (Vogt et al. 2015). Omoeva, Moussa, and Hatch (2018) use the ethnic categories that were predefined by the teams that also developed the socio-economic surveys. Finally, V-Dem relies on experts' knowledge of local conditions to assess ethnic groups based on a predefined group definition.

In terms of socioeconomic data, Baldwin and Huber (2010), Houle (2015), and Omoeva et al. (2018) use household surveys that include information on both group affiliation and socioeconomic well-being. While this datatype provides a relatively direct measure of well-being, its drawbacks include the difficulty of obtaining representative surveys, the potentially sensitive nature of surveys asking about ethnicity (Canelas and Gisselquist 2019: 165), and the undersampling of some countries and regions.

Partly in response to weaknesses with coverage for survey-based measures, Cederman, Gleditsch, and Buhaug (2013) use data on local economic activity, and Alesina, Michalopoulos, and Papaioannou (2016) use nightlight data as a proxy for economic activity. These measures provide high cross-national coverage and—at least in the case of the nightlights—are relatively free from political biases. Nevertheless, there are important weaknesses, including the indirectness of the measures, the quality of local economic data, and the inability to account for overlapping settlement patterns.

Finally, V-Dem is based on codings by multiple country experts, who assess to what extent there are inequalities in access to basic services between different groups. The benefit of this measure is that it utilizes experts' in-depth knowledge of specific countries to identify a latent phenomenon, which is subsequently standardized using advanced techniques. Additionally, it offers the the most comprehensive coverage. However, drawbacks include the risk of personal biases among coders, lack of consistency in how coding criteria are applied, and the inability to review the reasoning behind the coding decisions.

The strengths and weaknesses of survey data and the other data types are summarized in Table 2.2. There is no fundamentally superior data source from among the available data, and one's choice should therefore be guided by the research question. If one is interested in a particular country or region, surveys may be superior. However, to explain global patterns across time and space, spatial or expert-coded data may be more useful. There may thus be a tradeoff between the geographical and temporal coverage of the data versus its quality (see Baghat et al. 2017, 82).

**Table 2.2:** Strengths and Weaknesses of Different Data Types

	Surveys	Spatial data	Expert coding
Strengths	Most direct measure of relative well-being	Country coverage Absence of political biases (for nightlights)	Country coverage Expertise to capture latent phenomena
Weaknesses	Unrepresentative of ethnic composition Answers affected by politically sensitive nature Unstable countries/regions undersampled	Indirect measure Data quality of official sources (for local economic data) Inability to account for overlapping settlement patterns	Indirect measure Risk of personal biases Limited access to relevant information Inconsistent application of coding criteria Inability to revisit data-sources

Information on ethnicity and socioeconomic well-being is aggregated into country-level measures in three different ways. First, there are measures that reflect the entire distribution of groups, such as a Group Gini (Alesina et al.; Baldwin and Huber; Houle; Omoeva et al.). Second, ratio measures focus on the poorest—or richest—groups in society relative to the country mean (Cederman et al. 2013). Third, V-Dem summarizes different experts’ codings, which provides a single interpretable number (Coppedge et al. 2021). Researchers interested in cross-national differences that take into account the full distribution of groups should choose the first or third category. Meanwhile, the second, ratio-based approach can be appropriate if researchers are particularly interested in the conditions of small disadvantaged groups, which may be discounted in measures based on summed features.

## Empirical Comparison

To examine the implications of different measurement choices and whether they tap into the same phenomena, I have examined their statistical association. Table 2.3 shows the results of bivariate correlations between the ethnic inequality indicators. As all measures reflect the same background concept, share causes, and affect each other, one would expect them to correlate at least moderately. However, their correlations are strikingly low, with only 2 out of 14 being higher than 0.4. As a point of comparison, measures of democracy—which also differ in terms of conceptualization and measurement—are typically correlated at 0.8 or higher (Marquez 2016, 11-16). A series of additional tests in the article’s appendix ensure that these findings are not simply a product of sample differences. Important differences between the measures are also established through other assessment tools, including comparisons of

individual countries, factor analysis, and tests of discriminant validation (i.e., statistical association with neighboring concepts).

**Table 2.3:** Correlations between Measures

	Alesina et al.	Cederman et al.	Houle	Baldwin & Huber	Coppedge et al.	Omeova et al.
Cederman et al. (2013)	0.16 (295)					
Houle (2015)	-0.19 (102)	0.12 (970)				
Baldwin & Huber (2010)	n/a	0.04 (46)	0.01 (30)			
V-Dem (2021)	<b>0.47</b> (484)	0.05 (3042)	0.31 (1641)	<b>0.64</b> (46)		
Omeova et al. (2018)	0.31 (160)	-0.07 (1380)	0.30 (750)	0.05 (21)	0.17 (3983)	

Note: Results refer to bivariate Pearson's  $r$  correlations ( $n$  in parentheses); values over 0.4 in bold. "n/a" indicates no country-year overlap. The topmost measures reflect the economic dimension, whereas the lower two (in grey) reflect the social dimension. Cederman et al. (2013) refers to the ratio of the poorest group relative to the mean. This table slightly deviates from the corresponding table in Article 1<sub>cm</sub> by presenting results from the Alesina et al. measure based on ethnic homeland data from Geo-Referencing Ethnic Groups (GRG) rather than the one based on the Ethnologue (the two measures are correlated at 0.73). I have replaced the measure in this table to ensure consistency with Article 3<sub>dem</sub>, where I employ the measure based on the more widely used GRG. The findings in this table are very similar to the ones in Article 1<sub>cm</sub>.

To check whether the reported differences affect the findings of empirical analyses, I conduct replication analyses of four studies: Alesina, Michalopoulos, and Papaioannou (2016) link ethnic inequality with lower GDP per capita; Houle (2015) finds that ethnic inequality increases the risk of democratic breakdown; Cederman, Gleditsch, and Buhaug (2013) show that ethnic inequality increases the risk of civil war; Baldwin and Huber (2010) find that economic differences between groups are negatively associated with public goods provision. Using the original datasets and statistical specifications, I have only substituted the measure of ethnic inequality. The findings suggest that the choice of measure matters for the empirical results as the results were generally sensitive to the employed measure.

## Discussion and Next Steps

As indicated by Table 2.4, all measures have weaknesses when it comes to coverage, conceptualization, measurement, or aggregation. Which measure is most appropriate thus ultimately depends on the research question at hand.

**Table 2.4:** Summary of Strengths and Weaknesses of Extant Datasets

Data provider and Index	Strengths	Weaknesses
<b>Alesina et al.:</b> Ethnic Gini	Comprehensive spatial scope Clear, detailed description of measurement and aggregation	Somewhat restricted temporal scope Builds on indirect economic proxy
<b>Cederman et al.:</b> G-Econ/Ethnic homeland	Comprehensive spatial scope Detailed conceptual discussion Clear, detailed description of measurement and aggregation	Restricted temporal scope (time-invariant) Builds on crude economic measure
<b>Houle:</b> Between-group income inequality	Clear, detailed description of measurement Face validation of measure	Restricted + biased empirical scope: only covers democracies Restricted temporal variation Aggregation procedure is not justified Potential survey biases
<b>Baldwin &amp; Huber:</b> Between-group income inequality	Thorough validation procedures; Face validity of scores Clear, detailed measurement discussion	Severely restricted + biased spatial and temporal scope: only covers 46 democracies Potential survey biases
<b>Omoeva et al.:</b> Educational Group Gini	Relatively comprehensive empirical scope Multiple, plausible aggregation techniques	Underrepresentation of developed countries Exclusive focus on education Limited conceptual discussion
<b>V-Dem</b> <b>Coppedge et al.:</b> Access to public services by social group	Comprehensive empirical scope Sophisticated aggregation procedure, incl. reliability test Uncertainty estimates	Difficult to assess basis of coding decisions Potential biases in expert coding Limited conceptual discussion

In Article 1<sub>cm</sub>, I make the case for supplementing highly aggregated measures with more disaggregated, group-level measures. In addition to an extra level of analysis that may increase the confidence in a finding, such an approach also offers transparency as is it possible to examine socioeconomic status estimates for individual groups. Good examples of this approach are Cederman et al. (2013) and Houle (2015), which present their country-level analyses together with group-level analyses. Article 1<sub>cm</sub> also offers various other suggestions for the way forward, including composite indices, which could help deal with measurement error.

To recap the main findings, Article 1<sub>cm</sub> identifies clear measurement differences, despite all measures agreeing on a background concept. This is most visible in the fact that several of the indicators do not correlate highly with each

other (or are even negatively correlated). Moreover, replication analyses suggested that the choice of indicator affects empirical results, as they depend on the employed indicator. Future research can benefit from this assessment in a number of ways, such as helping data users to make conscious choices about what measures to use, and informing the development of new measures that either rely on new data or combine existing data in new ways.

## Lessons for the Dissertation

As mentioned in the introductory chapter, I have used the lessons from Article 1<sub>cm</sub> to select three main measures for my analyses in Article 2<sub>eidem</sub> and Article 3<sub>demei</sub> and for my case selection in Article 4<sub>case</sub>. The measures from V-Dem, Alesina et al., and Omoeva et al. provide time-variant data for both democratic and autocratic states, and they reflect differences in standards of living between average members of different ethnic groups, aggregated to the country level. Figure 2.3 provides an impression of the data in the year 2000, showing differences in coverage and individual country scores. I have not relied on the three other measures assessed in Article 1<sub>cm</sub> because they are either time-invariant with a low empirical scope (Baldwin and Huber), only cover democratic countries (Houle), or rely on a ratio-based measurement approach, which does not take into account the entire group distribution and is time-invariant (Cederman et al.), making them unsuitable for the research question at hand.<sup>6</sup>

Note that the Alesina et al. measure is only employed in Article 3<sub>demei</sub>, but not in Article 2<sub>eidem</sub>. With only three data points per country, this measure is not well suited for time-series, cross-national studies where the outcome variables reflect rare events, such as regime change. To elaborate, in Article 2<sub>eidem</sub>, a regression would only be able to draw on information from regime change events in the years 1992, 2002, and 2012, which is far from ideal. Meanwhile, in Article 3<sub>demei</sub>, the regression can pick up changes in ethnic inequality that follow changes in the binary democracy measure occurring *in and between* the years 1992, 2000, and 2012, offering much more variation.

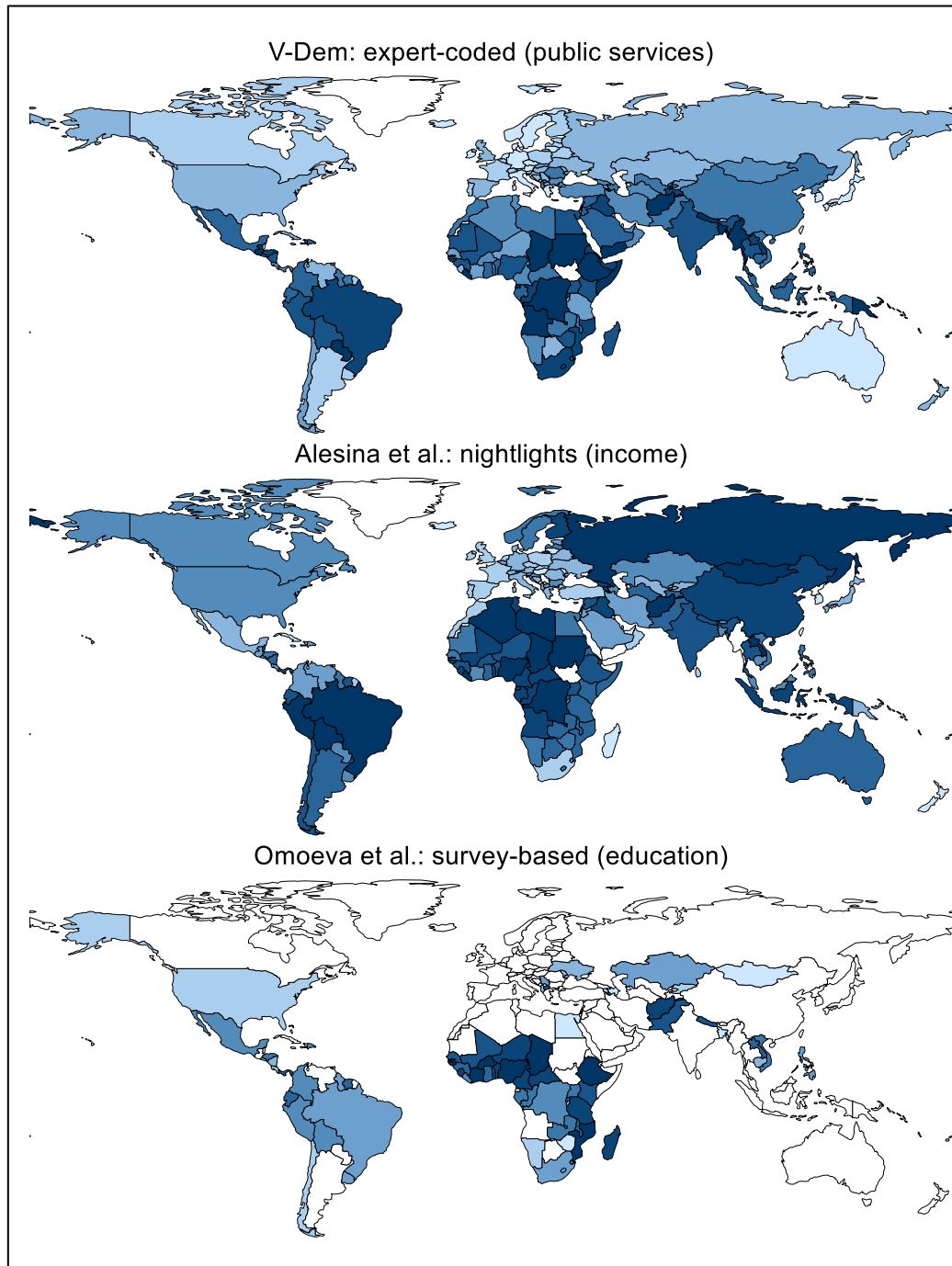
The three measures together should provide an accurate picture of the temporal dynamics within each country. The fact that they rely on different data sources (nightlights, expert coding, and surveys) and represent different sub-dimensions of ethnic inequality (public services, income, and education) ensures a more comprehensive and accurate picture of the dynamics within a given state. This way, I can be more confident that characteristics from one

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<sup>6</sup> The only exception is Article 2<sub>eidem</sub>, where I use the Cederman et al. measure for a robustness test when examining whether ethnic inequality predicts democratic breakdowns.

measure are not driving the results. Moreover, I have supplemented these analyses with group-level measures, which provide an additional, more disaggregated way to examine the arguments' empirical implications. In the following two chapters, I summarize the two large-N articles (Articles 2<sub>eidem</sub> and 3<sub>demei</sub>) that build on this measurement strategy.

**Figure 2.3:** Values for the Three Main Measures of Ethnic Inequality in 2000



Note: The values are grouped by deciles. Darker shades indicate higher inequality and white spaces indicate missing values.



### 3. Does Ethnic Inequality Affect Democratic Development?

Recent work often refers to economic inequality as harmful to democracy as it leads to frustration, polarization, and populism (see e.g., Lakoff 2015; Przeworski 2019). This is in line with the distributive conflict models, which claim that economic inequality hinders democracy, both blocking democratic transitions and increasing the risk of breakdowns (Acemoglu and Robinson 2005; Boix 2003). Despite these arguments' intuitive appeal, closer inspection reveals surprisingly weak evidence that economic inequality affects democratic transitions and democratic breakdowns (e.g., Haggard and Kaufman 2016; Knutsen 2015; Slater, Smith, and Nair 2014). These studies, however, use individual- or household-level measures of disparity, making it relevant to reexamine the inequality-democracy nexus with a focus on inequality between ethnic groups.

This chapter summarizes the theoretical argument, empirical strategy, and findings from Article 2<sub>eidem</sub> ("Ethnic Inequality, Democratic Transitions, and Democratic Breakdowns: Investigating an Asymmetrical Relationship"). The article seeks to answer the question of whether socioeconomic disparities between ethnic groups influence the likelihood of a country to democratize and remain democratic.<sup>7</sup> This shift to focusing on inequality between ethnic groups is motivated by the idea that ethnic inequality entails different social and political dynamics. Ethnic inequality should be particularly likely to lead to collective grievances and social instability, which may affect the prospects for democratic development.

#### The Argument

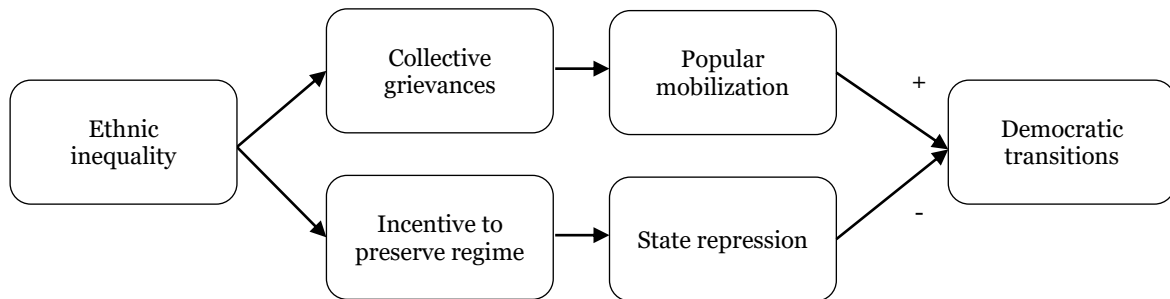
I argue that ethnic inequality ultimately does not have a net effect on the probability of democratic transitions due to two competing mechanisms. An autocratic ruling coalition made up of members of the dominant ethnic group will be opposed to democratization. They will be worried that disadvantaged

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<sup>7</sup> As mentioned in the introduction and the article, only two studies have looked at the question of ethnic inequality and democratic instability (Houle 2015; Stewart 2021). This article expands the focus to democratic transitions, conducts quantitative mechanism studies, leverages a series of new measures, and compares the results with conventional inequality and diversity measures.

groups will challenge their political and economic privileges through democratic means and will therefore repress any potential threats. The higher the level of ethnic inequality, the more is at stake for the ethnic group in power.

**Figure 3.1:** Ethnic Inequality and Democratic Transitions



When there is significant socioeconomic disparity between ethnic groups, members of disadvantaged groups tend to harbor resentment toward the state, which they see as a cause of these disparities. To formulate collective grievances, political leaders representing disadvantaged groups can build on common ethnic identities, invoking cultural symbols and a shared language (Stewart 2021). Moreover, political leaders can frame the government as engaging in ethnic favoritism, which is particularly likely to politicize ethnicity (Wimmer 2018, 79, 82). Collective grievances provide the basis for mass mobilization demanding democratization, which would enable the disadvantaged group to gain more political influence and a larger share of the economic pie.

Ethnic inequality in autocracies thus sets in motion two competing mechanisms (see Figure 3.1). To the extent that the two mechanisms are of roughly equal strength, they will cancel each other out, and we should not expect a clear relationship between ethnic inequality and democratic transitions. These expectations are summarized in Hypothesis 1:

**H1:** Ethnic inequality does not show a robust positive or negative relationship with the likelihood of democratization because of two competing dynamics: increased pro-democratic mobilization (bottom-up) as well as increased state repression (top-down).

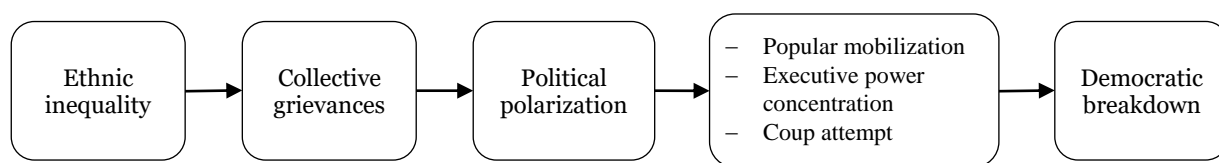
In contrast, I expect ethnic inequality to play a significant role for democratic breakdowns. When ethnicity determines people's well-being, it is likely to become a salient part of their identities (Gurr 2000, 7, 67; Higashijima and Houle 2017; Wimmer 2018, 88). This makes people more likely to cast their ballots based on their ethnic affiliations (Houle, Kenny, and Park 2019; Huber and Suryanarayan 2016). Political entrepreneurs can turn ethnic inequality

into collective grievances by employing identity markers and pointing to exploitation of their group.

Ethnic parties that emphasize economic issues will be motivated to more extreme positions, because their positions on economic and ethnic issues appeal to the same ethnically defined constituency (Horowitz 1985 ch. 8; McGauvran and Stewart 2021, 2). Moreover, as ethnic identities become more fixed, the democratic game can create permanent winners and losers, and therefore the latter group comes to lack the incentive to comply with democratic rules (Horowitz 1985, 342-49). These dynamics pave the way for political polarization and radicalization. In a highly polarized political climate, it can be challenging for the government to alleviate tensions by addressing the concerns of the aggrieved party, as this risks inciting backlash from the opposing side. This lack of action or ineffective response may further radicalize political parties and ethnic groups (Andersen 2017, 108; Linz 1978).

When there are significant disparities between groups and a high degree of polarization, the incentive for any group to overthrow the democratic regime and implement their preferred policies increases (cf. Houle 2015, 474). This may develop into mass-based and/or elite-based political challenges to the democratic regime. On the one hand, elites from wealthy groups may plan and carry out coups to overthrow governments that are supported by less well-off groups. On the other hand, elites from disadvantaged groups may also try to overthrow governments that are preventing redistributive policies. If elite representatives of a group are already in power, they may gradually erode democratic competition in order to weaken opposing political coalitions. Finally, political instability and violence may be used as a justification by the military to intervene and establish a dictatorship.

**Figure 3.2:** Ethnic Inequality and Democratic Breakdown



This argument is summarized in Figure 3.2, which shows how ethnic inequality gives rise to collective grievances, distributional conflict, and political polarization. This may further transform into anti-democratic behavior at both the mass and elite level. My expectations are also summarized in H2:

**H2:** Ethnic inequality is robustly associated with a higher risk of democratic breakdown via increased collective grievances, political polarization, and anti-democratic behavior.

## Empirical Strategy

The hypotheses are examined using global time-series cross-section data. For my main measures, I use the expert-coded indicator from V-Dem to proxy ethnic inequality and the Lexical Index of Democracy as my main indicator of democratic transitions and breakdowns. However, as discussed in Chapter 2, I use multiple measures of ethnic inequality and democracy to check the robustness of the relationship, including the ethnic Gini by Omoeva et al. and the democracy measure by Boix, Miller and Rosato.

First, I use two-way fixed effect panel regressions to examine the overall relationship between ethnic inequality and democratic transitions and breakdowns, respectively. Country fixed effects only exploit within-country variation, which reduces the risk of omitted variable bias that stems from country-specific and time-invariant factors. Moreover, year-fixed effects help to control for unobserved factors that affect all countries. Depending on the specification, I also control for a range of potential confounders, including GDP per capita, growth, oil, regional democracy, and state capacity. In terms of the dependent variable, I also examine whether the relationship varies with different types of transitions (opposition-led vs. regime-led) and breakdowns (e.g. incumbent-led vs. coups).

Second, I study the proposed mechanisms for both transitions and breakdowns. Specifically, I identify a range of variables from different datasets that proxy each step in the proposed causal chain, to see whether they are associated as theoretically predicted. In addition to the correlational evidence from this relatively simple and transparent method, I also present formal mediation analyses in the Appendix. The assessment of the mechanisms is further supplemented with group-level data from the All Minorities at Risk dataset (AMAR), which allows me to test further empirical implications.

Third, I examine differences between ethnic inequality and conventional, non-ethnic inequality measures. If I am right that ethnic inequality is particularly destabilizing, this should be visible when we compare otherwise similar measures of ethnic and non-ethnic inequality, respectively. I repeat this exercise with measures of ethnic diversity to examine whether ethnic diversity in itself destabilizes democracy, or whether it is the combination of ethnic categories and socioeconomic disparity that matters.

Even though I cannot completely rule out endogeneity challenges, I consider my approach the best possible way to deal with such issues, given the data at hand: It eliminates rival explanations, and, more importantly, tests as many of the argument's implications as possible with a range of different datasets. In the Appendix, I also discuss the case examples of Fiji and Nepal in more detail. Both cases help to show how the hypothesized dynamics linking

ethnic inequality with democratic breakdown operate as predicted, which provides further confidence in the statistical results.<sup>8</sup>

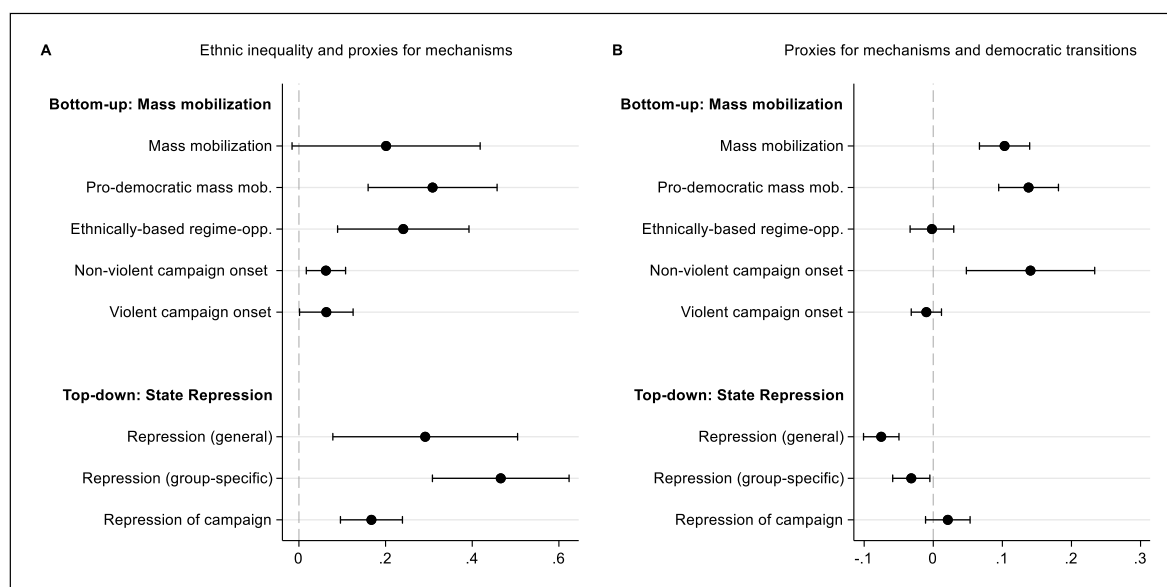
## Findings

Starting with democratic transitions, I find no evidence that ethnic inequality affects a country's prospects of democratizing. This holds across a wide range of different specifications, including with different controls, types of democratic transitions, and operationalizations of ethnic inequality and democracy. Moreover, I find evidence consistent with the proposition that this null finding is due to competing mechanisms. For the autocratic subsample, the left-hand Panel (A) in Figure 3.3 shows the association between ethnic inequality and a range of proxies for the bottom-up mechanism and top-down mechanism respectively. The results indicate that higher levels of ethnic inequality are associated with more mass mobilization, including pro-democratic mobilization. Moreover, ethnic inequality is also associated with more state repression, including repression of certain ethnic groups. The right-hand Panel (B) shows how the proxy variables are associated with the probability of democratic transitions. Whereas the bottom-up proxies correlate with higher odds of democratizing, the top-down proxies show the opposite pattern.

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<sup>8</sup> The case of Fiji illustrates how dominant groups may seek to undermine democratic competition through coups to safeguard their socioeconomic interests. Moreover, the case of Nepal shows how a combination of political exclusion, socioeconomic inequality, and lack of cultural recognition hindered the consolidation of democracy by causing collective grievances that could be exploited by both rebels (mass mobilization) and the autocratic king (executive power concentration).

**Figure 3.3: Democratic Transitions - Examining the Potential Mechanism**

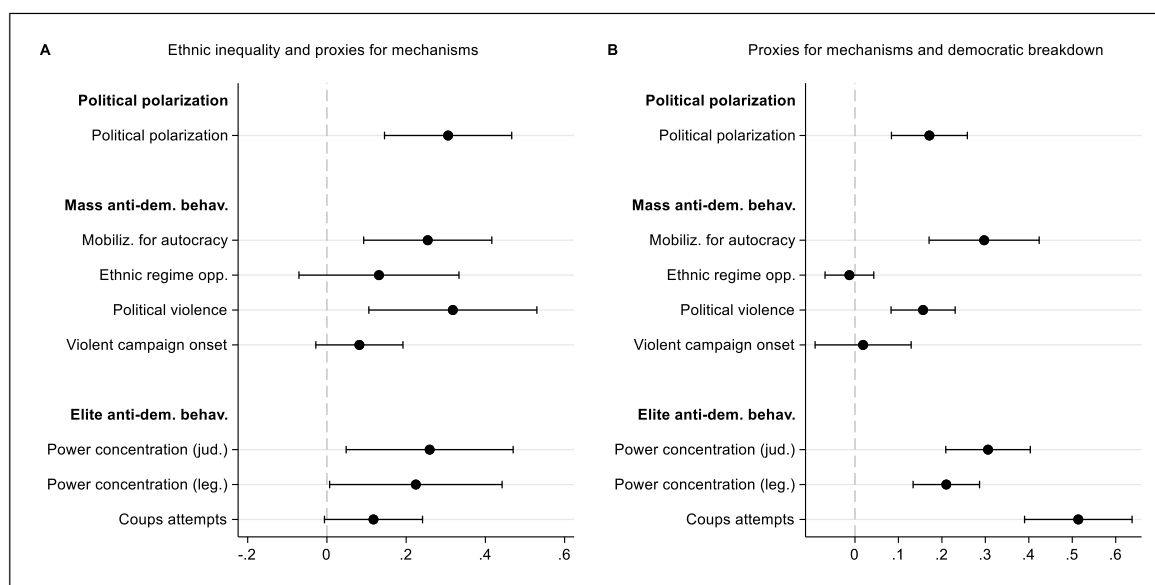


Notes: Panel A: the association between ethnic inequality and a series of theoretically expected outcomes for the autocratic subsample. Panel B: the estimated association between the proxies and democratic transitions. Estimates based on fixed effects, controls for GDP/cap., and standard errors clustered on country. The lines about the point estimates represent 95% confidence intervals.

Moving to democratic breakdowns, there is a robust association between ethnic inequality and democratic breakdowns. This relationship holds across several specifications, including different ethnic inequality and democracy measures, control variables, and types of democratic breakdown. The result is also substantively interesting: a one within-country standard deviation increase in ethnic inequality nearly doubles the risk of reverting to autocracy within any given year.

In addition, I find evidence consistent with the proposed causal chain. The left-hand side (A) in Figure 3.4 shows the association between ethnic inequality and various proxies for the theorized processes. Higher ethnic inequality is generally followed by increased political polarization, and both mass- and elite-level anti-democratic behavior. Moving to the right-hand side (B), the proxy variables are also associated with a higher risk of democratic breakdown (exceptions are discussed in Article 2<sub>eidem</sub>).

**Figure 3.4:** Democratic Breakdowns - Examining the Potential Mechanism

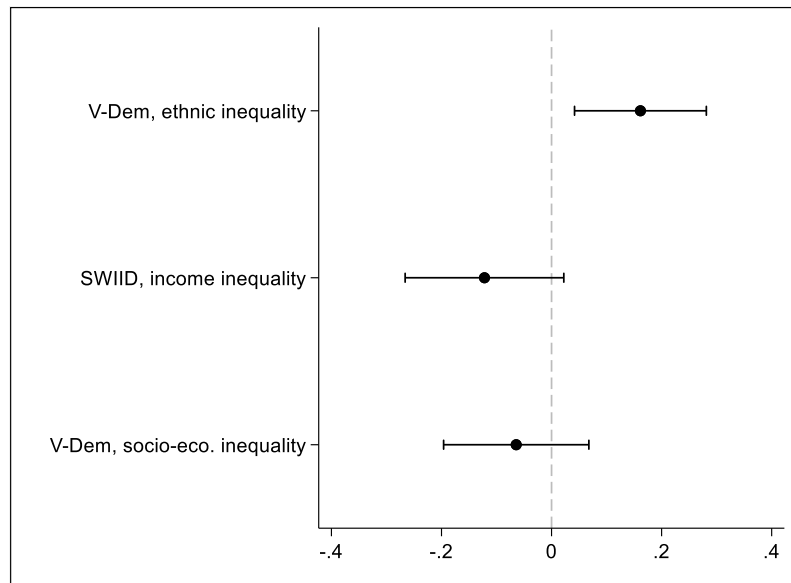


Notes: Panel A: the association between ethnic inequality and a series of theoretically expected outcomes for the democratic subsample. Panel B: the estimated association between the proxies and democratic breakdowns. The lines around the point estimates represent 95% confidence intervals. Estimates rely on fixed effects, controls for GDP/cap., and standard errors clustered on country.

Finally, Figure 3.5 allows me to examine the proposition that ethnic inequality is more destabilizing for democracy than individual inequality. The figure compares the article's main measure of ethnic inequality from V-Dem with two conventional measures of inequality: first, V-Dem's corresponding measure for socioeconomic (i.e. non-ethnic) inequality, and second, a measure of income inequality in disposable income by households from the SWIID dataset, which is widely used and offers extensive coverage (Solt 2020). Whereas the proxy for ethnic inequality is statistically significant and substantively large, neither of the two conventional socio-economic inequality proxies are statistically significant.

In the article's appendix, I also conduct a corresponding analysis with four measures of ethnic heterogeneity and demographic polarization. This similarly fails to find any clear pattern that links heterogeneity with democratic breakdowns. In short, I find evidence that inequality is particularly destabilizing when it coincides with ethnic categories—rather than ethnic heterogeneity or inequality between individuals in themselves.

**Figure 3.5:** Non-ethnic Inequality Is Not Consistently Associated With Democratic Breakdowns



Notes: Lines indicate 95% confidence intervals. Specification corresponds to baseline regression, i.e., OLS, two-way fixed effects, and control for GDP per capita. For the sake of comparison, the non-ethnic inequality variables have been rescaled to range from 0–1.

To summarize, I find no evidence that ethnic inequality is associated with transitions to democracy. In line with H1, this null finding can be explained by two competing dynamics: Increased pro-democratic mobilization (bottom-up) as well as increased state repression (top-down), which cancel each other out. At the same time, I find evidence consistent with H2 showing that ethnic inequality predicts a higher risk of democratic breakdown. Moreover, this association can be explained by increased collective grievances, political polarization, and different types of anti-democratic behavior. Finally, I present evidence that ethnic inequality is more destabilizing for democracy compared with conventional concepts of inequality. In the next chapter, I reverse the research question, asking instead whether democratization leads to reduced socioeconomic disparities between ethnic groups.



## 4. Does Democracy Reduce Ethnic Inequality?

There are good reasons to believe that democratization reduces economic inequality, as it enables the political empowerment of low-income voters, trade unions, and leftist parties (Huber and Stephens 2012; Meltzer and Richard 1981). Indeed, the fear of redistribution under democracy is precisely what motivates elites to resist democracy in the first place, according to the distributive conflict models (Acemoglu and Robinson 2005, 2001; Boix 2003, 2008). However, the empirical evidence is surprisingly mixed, and most recent studies have concluded that there is no robust average effect (Acemoglu et al. 2015; Gradstein and Milanovic 2004; Knutsen 2015; Scheve and Stasavage 2017; see, however, Dorsch and Maarek 2019).

These studies all rely on conventional inequality measures, such as the Gini coefficient, focusing on individual-level inequalities. Consequently, we do not know to what extent and how democratization affects socioeconomic disparities between ethnic groups. For instance, it is possible that strong collective grievances—rooted in histories of political and economic exclusion of certain groups—are particularly likely to lead to mass mobilization demanding socioeconomic reforms. At the same time, resistance against redistribution to members of outgroups may constitute a formidable obstacle against policies that aim to increase equality.

Against this background, Article 3<sub>demei</sub> (“Does Democracy Reduce Ethnic Inequality?”) examines to what extent and under what conditions democratic transitions reduce ethnic inequality. This chapter summarizes the theoretical argument, empirical strategy, and findings in Article 3<sub>demei</sub>.

### The Argument

Autocratic ruling coalitions composed of representatives from a dominant group are inclined to engage in ethnic favoritism, channeling resources to their own, ethnically defined support base. To keep socioeconomically disadvantaged and politically disempowered groups in check, the ruling coalition can use discriminatory practices and repression.

Democratic transitions create a new political playing field as previously excluded and socioeconomically disadvantaged groups can participate in the political process. In ethnically unequal countries, people from the same ethnic group share a cultural identity as well as preferences over policies, making them more likely to vote for the same party (Houle, Kenny, and Park 2019,

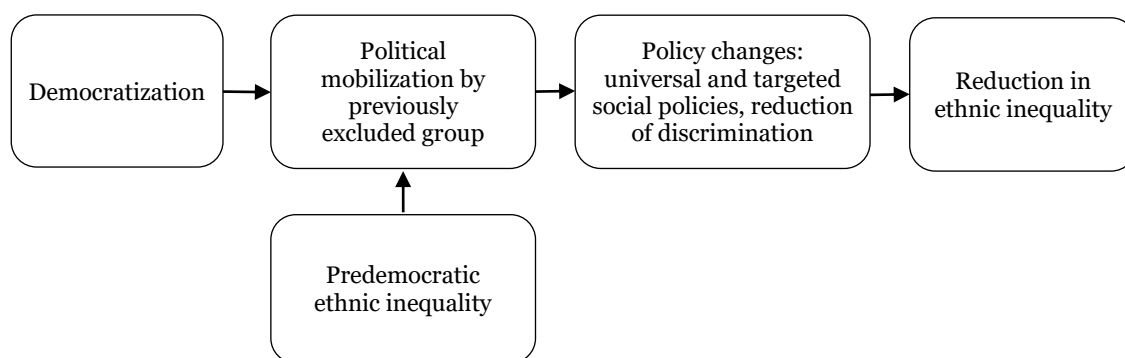
187). Political parties can emphasize both economic and cultural issues when appealing to voters from disadvantaged groups. Such parties can be both ethnic and non-ethnic, but are often tied to leftist platforms (Gisselquist 2013, 398; see Vogt 2016). Political leaders can mobilize members of disadvantaged groups around collective grievances by pointing to group exploitation and historical injustices that should be rectified. Inequalities between groups can be framed as particularly unfair, since they cannot be attributed to individual skill or effort (Alesina, Michalopoulos, and Papaioannou 2016, 431; Deere, Kanbur, and Stewart 2018, 89).

If representatives of previously excluded groups are able to gain sufficient political influence, they can push for policies that address ethnic inequality. Even if the previously excluded group is relatively small, they can pressure dominant parties to become more ethnically inclusive (see Vogt 2019, 71). For instance, dominant parties may include representatives from disadvantaged groups to increase their own electoral prospects (Madrid 2005, 167).

Different types of policies can reduce ethnic inequality. Universal policies work according to categories that are equally applicable to everyone and can range from income transfers to in-kind services (e.g., health and housing), which benefit low-income segments more. Targeted policies provide benefits to certain groups and may include group quotas, scholarships, investments in particular regions, etc. (Stewart, Brown, and Langer 2008). Finally, disadvantaged groups may fight to remove policies that can be considered discriminatory, such as restricted access to parts of the labor market or certain language requirements.

However, democratic transitions do not mechanically translate into lower ethnic inequality. Disadvantaged groups often need to build the capacity to organize politically, and well-organized, historically dominant groups who see their privileges threatened can counter-mobilize. Ideas of deservedness due to legacies of oppression may be offset by stereotypes of groups as being responsible for their own situation. Pushes toward more equality between groups may also be blocked by widespread resistance against redistribution to perceived out-group members (see Schmidt-Catran 2016, 122). Despite all these obstacles, I still consider it more likely that democracy will provide opportunities for disadvantaged groups to improve their relative socioeconomic positions—at least compared to the counterfactual situation, in which they are excluded from political power under autocracy.

**Figure 4.1:** Summary of Main Argument



Finally, I argue that the impact of democratization should vary depending on the initial level of ethnic inequality (see Dorsch and Maarek 2019). Autocracies that have high levels of ethnic inequality are more likely to see a reduction in inequality after democratization. At the same time, autocracies with lower levels of ethnic inequality are less likely to experience a significant change in inequality after democratization. Theoretically, minor inequalities between groups mean there are few distributive grievances and thus limited political demand for redistribution. Former communist and multiethnic states, such as Ukraine, represent this scenario. Meanwhile, newly democratized countries with a historical legacy of political and economic exclusion are much more likely to experience the dynamics discussed above, with mass mobilization around distributive grievances that are championed by social movements and new political parties. The cases of Bolivia or South Africa are examples of this scenario. The argument is summarized in Figure 4.1 and formulated in the following hypotheses:

**H1:** Democratization reduces socioeconomic ethnic inequalities.

**H2:** The effect of democratization on ethnic inequality is stronger in countries with high pre-democratic levels of ethnic inequality.

## Empirical Strategy

I assess the impact of democratic transitions on ethnic inequality in three steps, using both country-level and group-level data. The former includes three distinct measures of socioeconomic ethnic inequality that are derived from expert coding (Coppedge et al.), nighttime light density (Alesina et al.), and survey data (Omoeva et al.). These measures cover a range of 86 to 175 countries over several decades.

First, panel regressions with a two-way fixed estimator are used to examine whether democracy leads, on average, to reductions in ethnic equality

(H1). I also investigate whether this relationship is dependent on the level of ethnic inequality before democratization (H2). The event analysis (see below) does not indicate any concerns of reverse causality, but to further address this issue, the panel regressions are supplemented with two-stage least squares (2SLS) IV analysis. This analysis uses the proportion of democracies in a region as an exogenous variable to measure the impact of democracy on a specific country (see Acemoglu et al. 2019; Dorsch and Maarek 2019).

Second, event studies are used to measure the effect of democratic transitions on ethnic inequality by comparing the dynamics of treatment and control groups before and after the transition to democracy. This enables me to visualize the comparability of the treatment and control groups immediately prior to and following treatment (democratic transition), and it provides a better understanding of the effect's temporal dynamics (e.g., after how many years it sets in).

Lastly, group-level ethnic inequality data is used to see how democratization events affect the relative socioeconomic position of different groups. For this step, I use data based on nighttime light emissions matched with a global sample of ethnic group homelands in the period 1992 to 2012 (Bormann et al. 2021). I used this data to calculate each country's mean income and how far a given group is from this mean. Depending on whether the group is relatively advantaged or disadvantaged, this variable takes on a positive or negative value. This disaggregated analysis allows me to test whether democratic transitions are also followed by a convergence in differences between rich and poor groups. I also test one of the argument's empirical implications—that democracy leads to reduced political and economic discrimination against groups—using data from the All Minorities at Risk dataset (Birnir et al. 2017).

## Findings

The fixed effects panel regressions suggest that democracy tends to decrease ethnic inequality, but also that the effect only holds for the expert-coded and nightlight measures, and not for the survey-based measure. However, when looking at countries that had high levels of ethnic inequality before transitioning to democracy, the effect of democracy on reducing inequality is consistently significant. This conditional effect is shown in Figure 4.2, which shows the results for the three different measures of ethnic inequality. At typically high levels of pre-democratic ethnic inequality, democracy reduces ethnic inequality substantively, that is, between 5 and 10 percent depending on the measure in question. These panel regression results are supported by additional analyses using the instrumental variable. The IV analyses lend further

support to the interaction hypothesis (H2) that democracy mainly reduces ethnic inequality in previously highly unequal countries.

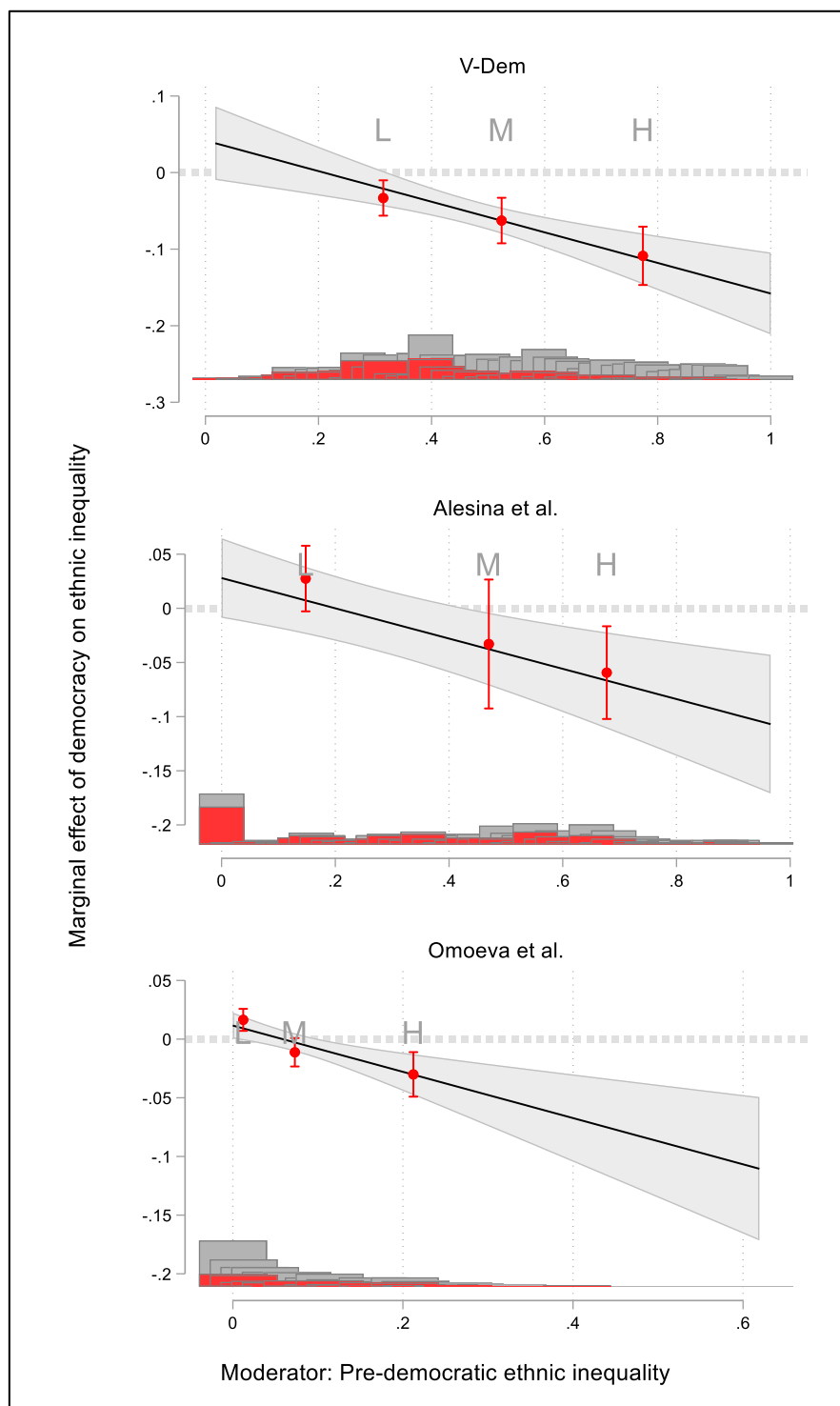
Figure 4.3 shows the event study plots for a subsample of countries that were previously relatively unequal in order to capture a conditional effect. Specifically, it shows the differences in ethnic inequality in democratic states relative to autocratic states before and after democratic transitions, conditional on fixed effects and controls. Across the three measures of ethnic inequality, groups are comparable on outcome dynamics before democratization. However, following democratization, the coefficient turns negative, indicating that democratic transitions reduce ethnic inequality. Some of the effects are already visible after five years, but they emerge most strongly after 15-20 years. This is consistent with the idea that democracy's effect may not be immediate, because previously excluded groups need to mobilize politically, gain political influence, and change policies, which may take time to have an effect.

The Appendix provides a long range of supplemental country-level analyses, including a quantitative exploration of the mechanism using indicators of ethnopolitical inclusion, anti-discrimination policies, and redistributive social policies. In line with the theoretical argument, the results show that democratic transitions are followed by (1) increased ethnopolitical inclusion, and (2) both reduced state discrimination and expansions of universal social policies.<sup>9</sup> I also present various placebo tests, which ensure that the results are not the artifact of a general downward trend in inequality, but can be attributed to regime dynamics. Robustness checks also consider different operationalizations of democracy, a range of different control variables, varying lags and panel lengths, and alternative estimation methods (e.g., packages that deal with potential problems in two-way fixed effects estimators).

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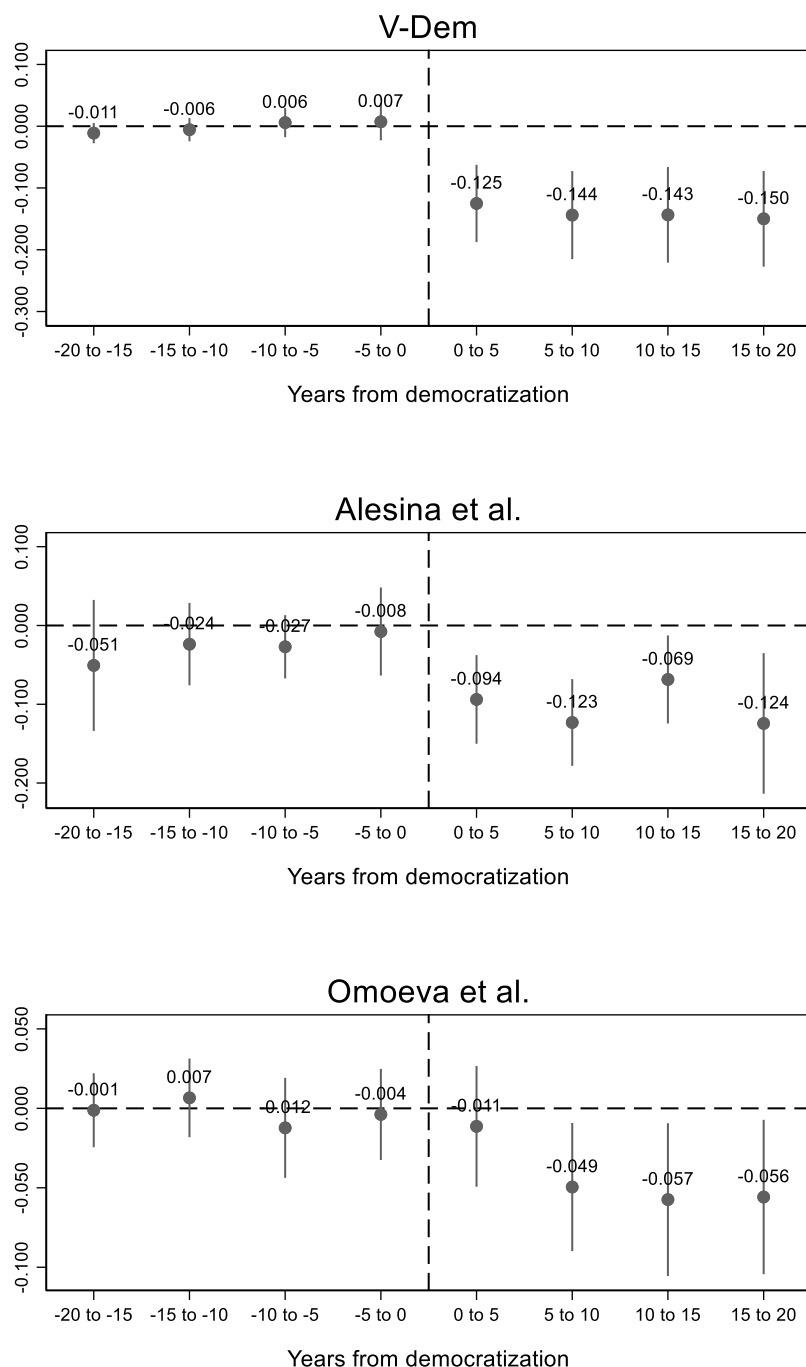
<sup>9</sup> To the best of my knowledge, there are no suitable cross-national datasets on targeted social policies.

**Figure 4.2:** Marginal Effect of Democratic Transitions Conditional on Pre-democratic Ethnic Inequality



Notes: Specification includes fixed effects and controls for GDP per capita. The black lines display the marginal effects calculated from the linear specification with 95% confidence intervals. The point estimates show the marginal effects of democratic transitions at the median of each tercile of pre-democratic ethnic inequality together with 95% confidence intervals. The histograms show the distribution of pre-democratic ethnic inequality, with red bars reflecting its distribution in the treatment (democracy) group and grey bars reflecting its distribution in the control (non-democracy) group.

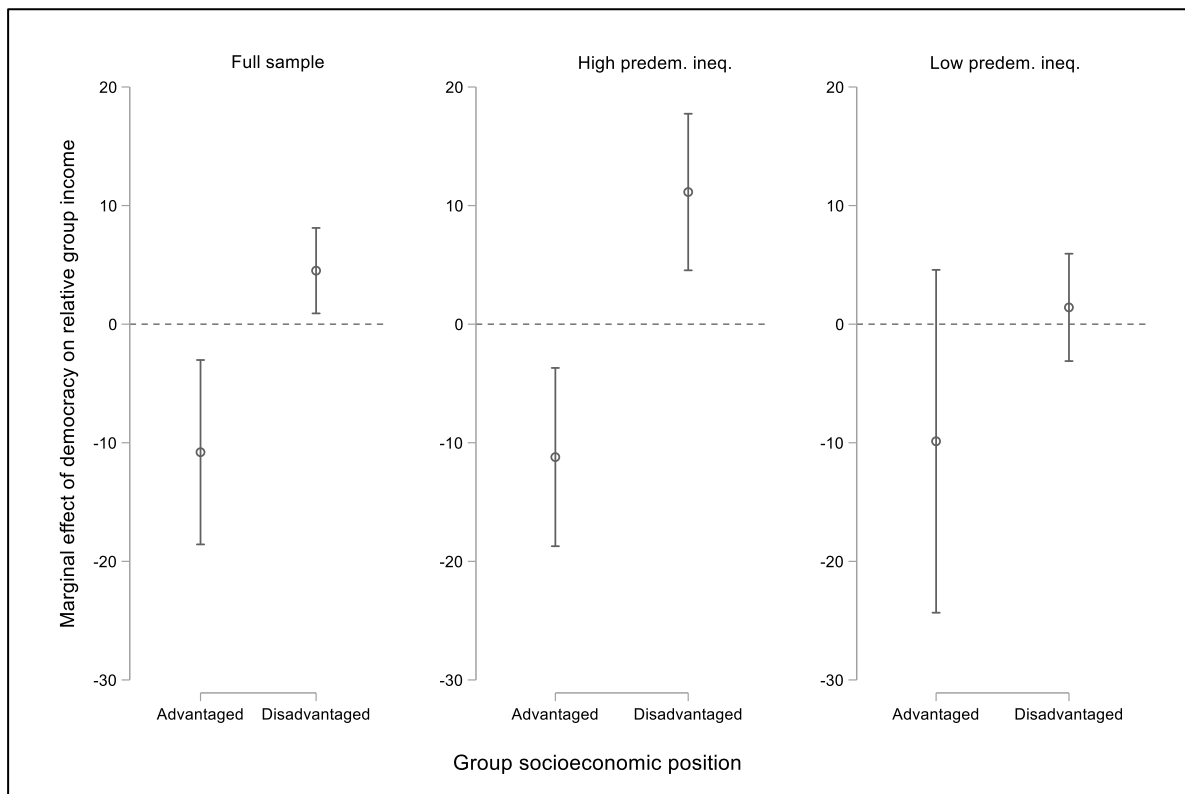
**Figure 4.3:** Differences in Ethnic Inequality between Democracies and Autocracies Before and After Democratization



Notes: The figure shows the differences in ethnic inequality in democratic states relative to non-democratic states before and after democratic transitions—including fixed effects and controls for GDP per capita. It plots the regression coefficients with 95% confidence intervals on the treatment leads and lags (i.e., five-year periods leading up to and following democratization), illustrated with the dotted line. To capture the heterogeneous effects, the analysis is based on a split sample, only including countries with high levels of pre-democratic inequality (i.e., above the median of the upper tercile, corresponding to “high levels” in the interaction specifications presented above).

Figure 4.4 shows the results from the group-level analysis, which considers how a country-level variable (democratic transitions) impacts a group-level outcome (relative group income). Using a fixed effects regression analysis, I show that democracy is followed by a convergence in group income following democratization (left-hand panel). In other words, socioeconomically disadvantaged groups experience increases in income relative to the country mean (as indicated by the positive value), whereas advantaged groups experience a relative reduction (as indicated by the negative value).

**Figure 4.4:** Marginal Effects of Democratic Transitions on Group Economic Position Relative to Country Mean



Notes: The figure plots the estimated marginal effect of democracy on relative group income, depending on whether a group is advantaged or disadvantaged in socioeconomic terms. The left-hand panel includes the full sample, the middle panel only includes groups from countries with above-mean levels of pre-democratic ethnic inequality, and the right-hand panel only includes groups from countries with below-mean levels of pre-democratic ethnic inequality.

There is also evidence that this effect is conditional: The middle panel restricts the sample to countries that were relatively unequal before democratization, whereas the right-hand panel is restricted to a sample of countries that were relatively equal before democratization. In line with a conditional effect, disadvantaged groups experience significant increases in relative income in the initially more unequal countries (middle panel). By contrast, in the initially



more equal countries, the marginal income gains for disadvantaged groups are not statistically different from zero.

Finally, using group-level data from the All Minorities at Risk dataset (AMAR) (Birnir et al. 2017) in event studies, I also find support for a key aspect of the mechanism: Democratic transitions are typically followed by reduced political and economic discrimination against groups.

In sum, I find in Article 3<sub>demei</sub> that democratic transitions reduce ethnic inequality to a substantive degree. However, the pattern is mainly consistent with H2, as this effect is only robust for countries that were initially highly unequal. Employing more fine-grained group-level data, I also find support for a conditional effect of democracy, showing that democratic transitions are followed by a convergence of relative group income between socioeconomically disadvantaged and advantaged groups. In the next chapter, I present Article 4<sub>case</sub>, which takes a closer look at the actors, processes, and policies connecting democratic transitions with reduced socioeconomic disparities between ethnic groups.



## 5. A Closer Look at the Processes

The statistical time-series cross-national analysis identified a general, negative average effect of democratic transitions on ethnic inequality in cases with high levels of pre-democratic inequality (Article 3<sub>demei</sub>). However, the underlying causal processes deserve further scrutiny through comparative case studies. The case study approach complements the statistical studies in three ways.

First, it provides a closer look at the proposed mechanisms by investigating whether mass mobilization, political parties, and policy changes actually underlie the empirical patterns identified in the cross-national analysis. Second, despite the overall association, democratization only sometimes sets in motion reductions of ethnic inequality. Case studies have the potential to make sense of interesting variation not accounted for in the global analysis. Even among countries with high levels of pre-democratic ethnic inequality, where we should expect the strongest impact, the dynamics differ between large reductions (e.g., Namibia, South Africa, Bolivia) to practically no discernable change (e.g., Bangladesh, Myanmar, Sudan).

Third, case studies are well-suited to reveal how the two-way relationship between democracy and ethnic inequality unfolds in practice. While focusing primarily on the consequences of democratic transitions for ethnic inequality, case studies can simultaneously provide insights into the political dynamics whereby ethnic inequality destabilizes democracy (Article 2<sub>eidem</sub>). This chapter summarizes Article 4<sub>case</sub>, which takes a closer look at the causal processes leading from democratic transitions to decreased ethnic inequality.

### Case Selection

To examine how and under what conditions democratic transitions lead to reductions in ethnic inequality, I proceed in two steps. First, I investigate three “positive” cases: Bolivia (1982-), South Africa (1994-), and Nepal (2006-), where democratic transitions were followed by significant reductions of ethnic inequality according to cross-national data. I thus examine cases where I expect the causal mechanism to be present (Beach and Pedersen 2013, 11; Goertz 2017, 65).

Second, I examine two “negative” cases: Nepal’s first democratic spell (1991-2002) and Guatemala (1986-), where democratic transitions were not followed by significant reductions in ethnic inequality. Note that I consider Nepal’s second democratic spell (2006-) as a positive case, whereas I consider

the first spell (1991-2002) as a negative case. The “negative” or “disconfirming” cases allow me to reconsider the theory and adjust the scope conditions of the causal mechanism (see Goertz 2017, 66-68). Table 5.1 presents an overview of the selected cases.

**Table 5.1:** Case Overview

	<b>Bolivia</b>	<b>South Africa</b>	<b>Nepal I &amp; II</b>	<b>Guatemala</b>
Year of transition	1982	1994	1991 & 2006	1986
Level of ethnic inequality at transition	High	High	High & High	High
Reduction of ethnic inequality*	High	High	Low & Medium	Low
Major groups population share** (Previously excluded in bold)	<b>Indigenous (~60%)</b> White/mestizo (~40%)	<b>Black (76.4%)</b> White (9.1%) <b>Coloured (8.9%)</b> <b>Indians (5.6%)</b>	<b>Indigenous (~36%)</b> Caste hill Hindu elite (~31%) <b>Madhesis (17%)</b> <b>Dalits (~15%)</b>	Ladino (~60%) <b>Indigenous (~40%)</b>
Autocratic interlude	2019-2020	-	2002-2006	-
Level of development in year of transition***	3816 USD	6173 USD	1361 USD & 1884 USD	5136 USD
Political history: colonial status and previous regime****	Settler colony Military dictatorship	Settler colony Ethnic oligarchy	Never colonized Hindu monarchy	Settler colony Military dictatorship
Politico-geographic region	Latin America	Sub-Saharan Africa	South Asia	Latin America

Notes: \* If cross-national data and country-specific sources are not in agreement regarding the magnitude of the inequality reduction, country-specific sources have been given more weight. This was the case for Nepal. \*\*. Population data are contemporary, yet reflect the patterns at the time of transition. \*\*\* GDP per capita in 2011 USD (Inklaar et al. 2018). \*\*\*\* This refers to the regime just prior to the democratic transition. Historically, Bolivia and Guatemala are characterized by more regime instability than the other cases, with prior spells as exclusive democracies and multiparty autocracies.

# Theoretical Argument and Empirically Observable Implications

Taking the arguments in Article 3<sub>demei</sub> as point of departure, I outline a causal chain, which is summarized in Table 5.2. Transitions to democracy enable previously politically marginalized and socioeconomically disadvantaged groups to participate in politics (Link 1) and gain influence through political representation (Link 2). Parties that represent marginalized groups can secure government or parliamentary seats, which allows them to create or influence laws and monitor their implementation (Link 3). Policies to reduce ethnic inequality can be universal or targeted. Increased political influence for previously excluded groups can also be used to combat state discrimination along ethnic lines, such as in the labor market or public administration, creating a more level economic playing field. The table also outlines empirically observable implications for each step of the chain—that is, which actors, actions and policies need to be observed.

**Table 5.2:** Theorized Mechanism and Empirical Manifestations (Successful Reduction of Inequality)

	Cause	Link 1	Link 2	Link 3	Outcome
<i>Theorized mechanism</i>	Democratic transition	Democratic transitions allow previously excluded groups to participate politically	Disadvantaged groups gain political influence directly or indirectly	Egalitarian policies are implemented	Reduced levels of socioeconomic inequality between ethnic groups
<i>Empirical manifestations</i>	Change in political regime type as indicated by foundational free elections	Formation of new parties  (Increased) voter participation among previously excluded group  Greater representation of previously excluded groups in existing parties	Parties representing disadvantaged groups (1) secure government or parliamentary seats or (2) promote inclusion by pressuring dominant parties to become more inclusive	Implementation of policies: universal or targeted policies, discriminatory policies are curbed	Reductions in measures of ethnic inequality attributable to policy changes

Scope condition: Significant socioeconomic disparities between relatively clearly defined ethnic groups. Note that this stylized table portrays the mechanism in a highly linear fashion and some of the connections are clearly more complex. For instance, the mobilization for more equality (Link 1) may also have contributed to the democratization itself (cause).

Each step outlined in Table 5.2 works as a necessary condition for the next step: To the extent the entire chain operates as expected, democracy reduces

ethnic inequality. I thus examine whether the “positive” cases empirically conform to each step of the theoretical mechanism. For the “negative” cases, I examine whether and how the theorized causal chain breaks down. For instance, previously excluded groups may be too fractured or meet strong resistance from the historically dominant groups (Link 1).

Empirically, the analysis draws on country-specific literature, national statistics, and, to some extent, cross-national statistics. When assessing the cases and each observable implication, I draw on multiple types of sources, which helps to detect and evaluate potential disagreements in the literature and across data sources.

## Findings

Table 5.3 summarizes the main findings. Although the cases of Bolivia, South Africa, and Nepal’s second spell differ in many important respects (see Table 5.1), their political developments following democratization largely correspond with the proposed empirical manifestations.

In Bolivia, the transition to democracy gradually created opportunities for the MAS party under the leadership of Evo Morales, which sought to improve the socioeconomic and cultural position of Indigenous people (Madrid 2005, 161). Democratization in 1982 did not lead to lower inequality in any direct or automatic way, but provided the necessary prerequisite for the MAS’ mobilization and electoral success. With the MAS coming to power, the representation of Indigenous peoples in national policymaking clearly improved. The Morales administration enacted a wide range of policies, including direct cash transfers and broad redistributive policies (e.g., Niedzwiecki and Anria 2019). While many of these policies were not specifically targeted at Indigenous people, they have benefitted them disproportionately. Other policies also sought more specifically to promote Indigenous culture, eliminate discrimination, and improve the socioeconomic circumstances of Indigenous people (e.g., Agrawal et al. 2012, 13-21). Taken together, these policies have reduced the socioeconomic gap between Bolivians of Indigenous and European descent, respectively (Farthing 2019; Madrid 2012, 175; Niedzwiecki and Anria 2019).

In South Africa, the transition to democracy led to the ANC’s victory in 1994. As the ANC was already mobilized and had pushed for democratic reforms under Apartheid, it was able to secure most of the votes from the Black majority in the first fully inclusive elections (Campbell 2013, 129). Democracy thus led to the political empowerment of previously excluded groups in a much more sudden way compared with Bolivia. The ANC government completed a process of removing racial discrimination from public policy, and new pro-poor policies as well as better access to redistributive social services were

aimed at reducing racial inequality (Lieberman and Lekalake 2022, 111; Seekings and Nattrass 2005, 369-71). An affirmative action program known as “Black Economic Empowerment” (BEE) also sought to redress inequalities. While racial inequalities remain high in absolute terms, there are clear indications that the democratic transition paved the way for a significant reduction in interracial disparities (Chatterjee, Czajka, and Gethin 2021, 1; Seekings and Nattrass 2005, 39, 45, 341).

Nepal’s first democratic period (1990-2002) did not lead to any major socioeconomic reforms. Democracy certainly created more space for marginalized groups, and political parties tried to attract voters from these groups. However, new social movements were not strong enough to pressure parliamentary parties to push major reforms, and only minor reforms to address inequality and discrimination were implemented (e.g., Kantha 2010, 371). Despite sharing many grievances, there was a lack of cooperation and mutual support between the disadvantaged groups (Lawoti and Hangen 2013, 19). Moreover, representatives of traditionally dominant groups with an interest in the status quo continued to dominate the major political parties and state administration (e.g., Lawoti and Hangen 2013, 13-14, 18). In short, entrenched elites from the historically dominant group as well as significant divisions among marginalized groups help to explain the slow progress toward political and socioeconomic inclusion.

Continued group grievances around socioeconomic and political exclusion were an important driver of the civil war and ensuing political instability, which contributed to the country’s democratic breakdown led by the king in 2002-2006 (I return to this below).

However, things changed gradually with the second transition in 2006, after a new, broad-based popular movement had successfully pushed for democratization (Hangen 2010, 1). The constitution was changed to become more politically inclusive, and the transition broadened participation from different ethnic groups. Governments have subsequently advanced policies with the objective of reducing ethnic inequality, and Nepal has integrated the reduction of ethnic inequalities as a central objective in its development plan (Brown 2011). Specific policies included cash transfers and improvements in primary education, health services, clean water, sanitation, and electricity. Moreover, Nepal has implemented a range of affirmative action policies to address group disparities as well as discrimination (e.g., Fukuda-Parr 2011, 99). Data suggests that these changes have led to reductions in socioeconomic disparities between groups, especially in more recent years (Subedi 2016, 3; Tribhuvan 2020, 14; UNDP 2014, 17, 35-36).

**Table 5.3:** Summary of Findings

	<b>Cause</b>	<b>Link 1</b>	<b>Link 2</b>	<b>Link 3</b>	<b>Outcome</b>
<i>Theorized mechanism</i>	<i>Democratic transition</i>	<i>Democratic transitions allow previously excluded groups to participate politically</i>	<i>Disadvantaged groups gain political influence directly or indirectly</i>	<i>Egalitarian policies are implemented</i>	<i>Reduced levels of socioeconomic inequality between ethnic groups</i>
<i>Bolivia</i>	1982 (and 2020)	MAS forms and Indigenous voters are mobilized by MAS	MAS in power 2005-2019 and 2020- Existing parties pressured to address Indigenous demands	Universal, targeted, and anti-discrimination policies implemented	High
<i>South Africa</i>	1994	Black-supported ANC already mobilized strong support prior to transition	ANC in power 1994-	Universal, targeted, and anti-discrimination policies implemented	High
<i>Nepal II</i>	2006	More effective mobilization after 2006	Better rep. and more influence (new and existing parties)	Universal, targeted, and anti-discrimination policies implemented	Moderate
<i>Nepal I</i>	1991	Some level of mobilization in 1990s/perception of continued exclusion	Disadvantaged groups not well-represented in 1990s Continued dominance of traditional elite	Limited policy change (e.g., cash transfers)	Low
<i>Guatemala</i>	1986	Limited indigenous mobilization	Indigenous movement unable to influence national politics Effective counter-mobilization by traditional elite	Limited policy change	Low



The analysis of Guatemala (1986-) shows that democracy's egalitarian effects are far from automatic. The country democratized in 1986, and a protracted peace negotiation process (1987-1996) was launched to end Guatemala's civil war (1960-1996). Increased political freedoms following democratization were essential for the reemergence of civil society, including the Indigenous movement (Yashar 2005, 25, 78). Although the Indigenous movement played an important role in the 1990s, Guatemala subsequently has had no major Indigenous political parties or leading presidential candidates (Canelas and Gisselquist 2018b, 379). While the reasons for Guatemala's comparatively weak Indigenous mobilization are not entirely clear, some researchers point to fragmentation and inequality within the Indigenous groups (Canelas and Gisselquist 2018b). Whenever there was momentum behind a reform—including a more progressive constitution—conservative political organizations were effective in counter-mobilizing and blocking it (Brown and Caumartin 2011, 114; Sanchez 2009). In sum, although there has been a visible Indigenous movement in Guatemala since democratization, it has appeared fragmented and has lacked political influence. Moreover, the status quo was protected by conservative forces in Guatemala, who remained highly influential.

Finally, the analysis also shows how ethnic inequality can indirectly lead to political instability and the collapse of democracy. In Nepal, the combination of socioeconomic and political ethnic inequalities played a key role in the failure of democracy in the period 2002-2006. Similarly, in Bolivia, ongoing socioeconomic and cultural divides helped to create a polarized political climate, which contributed to democratic breakdown in 2019-2020. While this analytical step is more exploratory, these events demonstrate a complicated back-and-forth dynamic between democracy and ethnic inequality, which I return to in the next chapter.

Taken together, the case studies reveal that democracy can set in motion dynamics that have reduced ethnic inequality. However, the process is far from automatic and requires (1) an effective political mobilization of the previously excluded groups, which (2) are able to gain political representation that (3) is subsequently used to pass and implement effective egalitarian and anti-discriminatory policies. Moreover, the negative cases of Nepal's first spell and Guatemala underscore the importance of a strong and coherent mobilization of previously excluded groups, which needs to overcome resistance from an entrenched elite from the historically dominant group.



## 6. Conclusion

This dissertation has been motivated by the puzzle that democracy and inequality between individuals do not show a robust association in either direction. Inspired by recent developments in the civil conflict literature and revisiting classic studies on political cleavages, I reoriented the focus to socioeconomic inequalities between ethnic groups. More particularly, I formulated two research questions: (1) to what extent—and how—does ethnic inequality affect democratic development? And, conversely, (2) to what extent—and how—does democratic development influence ethnic inequality?

Having clarified and evaluated key concepts and measures, theorized the association, and empirically scrutinized the two-way relationship based on large-N statistical analyses and case studies, the time has now come to take stock of the findings and discuss their implications for the academic literature, policies, and potential future studies.

### Key Findings

I have shown that extant national-level measures of ethnic inequality exhibit important differences in terms of empirical scope, measurement, and aggregation, and established that they all have significant limitations. The differences were visible in surprisingly low correlations, and replication studies demonstrated how they are sensitive to which measure is included in the analysis. Studies using these measures should thus pay careful attention to the various strengths and weaknesses of each measure, and check the robustness of the results using the most appropriate measures at both the country level and the group level.

I have also revealed that ethnic inequality does not have a net effect on the probability of democratizing. This finding seems to be rooted in two competing mechanisms that tend to cancel each other out: Ethnic inequality is typically associated with increased pressure for democratization (bottom-up) but also increased levels of repression (top-down). In the same study, I demonstrated that ethnic inequality is a strong predictor of democratic breakdown and that this is likely due to ethnic inequality leading to political polarization and anti-democratic behavior at both the mass level (e.g., anti-democratic movements) and the elite level (i.e., executive power concentration and coup attempts). Finally, the results indicate that ethnic inequality is particularly destabilizing for democracy compared with inequality, as measured with more conventional concepts.

In another statistical analysis, focusing on the other direction of the relationship, I found that democratic transitions substantively reduce ethnic inequality, but mainly for countries with high pre-democratic levels of inequality. This result is subjected to further scrutiny in a qualitative comparative analysis. My study of three “positive cases” (Bolivia, South Africa, and Nepal after 2006) reveals that political empowerment of previously excluded ethnic groups and ensuing policy changes spurred a reduction in socioeconomic disparities between groups. However, the study of two “negative” cases (Guatemala and Nepal 1991-2002) suggested that democratic transitions only lead to reduced ethnic inequality if the previously excluded groups are able to mobilize coherently and when elites from previously dominant groups are not well-entrenched and able to resist reform. This study also showed that ethnic inequality destabilized democracy in two cases. In Nepal, ethnic inequality contributed to civil conflict and the country’s democratic breakdown led by the king (2002-2006), and in Bolivia, ethnic inequality provided a structural background for increased political polarization before a brief autocratic interlude (2019-2020).

## Ethnic Inequality Undermines Democratic Stability

Where do these results leave us in terms of understanding whether and how inequality affects democratic development? Previous studies have not found much support for the proposition that inequality at the individual level is strongly related to democratic development. The findings of this dissertation echo previous null findings regarding democratic transition, but point to relatively strong support for the hypothesis that ethnic inequality increases the risk of breakdown.

My findings help us to better understand why some democracies flourish while others do not. Directly comparing results between conventional inequality measures and ethnic inequality measures demonstrates that only the latter consistently and strongly predicts reversions to autocratic rule. Inequality between individuals may certainly still have a range of negative social and political effects, such as undermining political equality (e.g., Gilens 2012; Jensen and van Kersbergen 2016; Solt 2008), but in general, it is only when inequality coincides with ethnicity that the risk of full-blown democratic breakdown increases (see Houle 2015; Stewart 2021).

This result echoes the classic cleavage accounts, which argue that reinforcing cleavages destabilize democracies, whereas crosscutting cleavages—for example, when members of different ethnic groups find themselves in the same social class—promote the stability of democracy (e.g., Dahl 1971; Diamond

1988; Lipset 1963; Lipset and Rokkan 1967). In line with this logic, ethnic diversity in itself is not a substantial driver of social and political instability, including democratic breakdown. Yet when ethnic identities are associated with strong socioeconomic inequalities, the dynamic is different. These conclusions are analogous to findings in the civil conflict literature. While ethnic diversity does not show a strong association with the risk of civil conflict (Fearon and Laitin 2003), disparities between different groups in wealth and political power are a strong determinant (Cederman, Gleditsch, and Buhaug 2013; Stewart 2008).

More generally, my findings contribute to a broader research field that demonstrates that ethnic inequality is associated with a range of negative outcomes, including reduced individual well-being, social and political tensions, democratic instability, repression, lower economic output, and more limited public goods provision (Alesina, Michalopoulos, and Papaioannou 2016; Baldwin and Huber 2010; Hillesund et al. 2018; Houle and Bodea 2017; Stewart 2008; Ye and Han 2019).

The democratization literature can help to make sense of my finding that ethnic inequality does not affect transitions, but does affect breakdowns. In one interpretation, democratic transitions in the 20<sup>th</sup> and 21<sup>st</sup> century are a clearer product of contingent events, including miscalculations (Treisman 2020), elite rivalries, and defections (O'Donnell and Schmitter 1986), as well as shocks induced by coups, wars, undemocratic elections, and dictatorial leader turnovers (Boix 2011). In contrast, democratic breakdowns are more closely connected to structural conditions within countries, such as weak states, low levels of development, and ethnic inequality. This is in line with the view that transitions to democracy are less tightly constrained by domestic structural factors than is democratic stability (Houle 2009; Przeworski et al. 2000). To illustrate this, many ethnically unequal countries, including Nigeria, Kenya, Guinea-Bissau, Peru, Ecuador, Fiji, Nepal, Myanmar, Pakistan, and Bolivia, have oscillated between dictatorship and democracy. The challenge for these countries is not so much to establish democratic regimes but to preserve them.

## The Positive Effects of Democracy

While democracy is desirable in its own right, we also want to know whether democracy produces desirable outcomes, such as lower ethnic inequality and hence a reduced risk of social conflict. Given the many negative effects of ethnic inequality, it is encouraging that democratic transitions tend to reduce deep-rooted disparities between ethnic groups. Such dynamics were clearly

visible in the cases of Bolivia, South Africa, and Nepal (after 2006). Democratic elections provided opportunities for underrepresented groups to gain political power and influence, which helped to ensure that the needs and interests of more citizens were taken into account in policymaking.

However, even under democracy, there may be important obstacles to redistribution, and research on Bolivia, Brazil, Côte d'Ivoire, Ghana, Guatemala, Indonesia, Nigeria, Peru, South Africa, and the United States, among others, has shown ethnic inequalities to be very persistent (Stewart and Langer 2008). Part of this persistence may be that it is difficult to organize disadvantaged groups despite common grievances, and that traditional elites are well-entrenched and able to resist democratic pushes for more equality. At least, this is what my case studies strongly indicated. Democracy should thus be considered an enabling condition, rather than a guarantee for automatic redistribution and more equality.

How do my findings align with research on the effects of democracy on economic inequality? As noted previously, careful reviews of the empirical literature tend to agree that there is no clear evidence that democracy reduces inequality (Acemoglu et al. 2015; Gradstein and Milanovic 2004; Knutsen 2015; Scheve and Stasavage 2017). However, a more recent study finds that democracy reduces income inequality if a country was previously relatively unequal, yet also increases inequality if a country was previously relatively equal (Dorsch and Maarek 2019). My finding is mostly consistent with the latter analysis, which points to the broader notion that democracy helps to mitigate the most egregious socioeconomic inequalities, regardless of whether we consider individuals or ethnic groups.

However, in contrast to Dorsch and Maarek's finding, my results do not indicate that ethnic inequality increases in the most egalitarian autocracies following democratization. One possible explanation lies in the distinct character of ethnic inequality. Ethnic identities are ascriptive, relatively fixed, and therefore outside the control of the individual. Socioeconomic disadvantage tied to people's ethnic identities may thus be considered undeserved and unjust—in particular if it is linked to historical discrimination and exclusion. Today, there is generally large support for formal equality between groups, and for the idea that differences should be based on measurable factors such as individual experience or competence. Individual inequalities are thus less likely to be deemed unjust (see Milanovic 2016: 267; Therborn 2014). If citizens perceive ethnic inequality as particularly unjust, it may constitute a clear rallying point for political action. In this sense, democratic transitions may be

especially likely to reduce more blatant group inequalities, including discrimination against ethnic groups, whereas individual inequalities are addressed to a lesser extent.<sup>10</sup>

More broadly, my conclusion speaks to the growing literature on the consequences of democracy, where scholars disagree about the benefits of democratic institutions for other valuable outcomes (see Gerring, Knutsen, and Berge 2022). My findings show that democracy—at least under certain conditions—can propel a dynamic that favors the interests of the most disadvantaged groups. I have also sought to contribute methodologically to this literature, which is heavily dominated by large-N research. Taking cross-national empirical patterns as the starting point, I showed that it is fruitful to use comparative case studies to improve our understanding of how and when democracy spurs desirable outcomes.

## Considering the Two-Way Relationship

As discussed in the introductory chapter, democracy may partly stabilize itself in a virtuous cycle: If democracy enables disadvantaged groups to gain a seat at the table and successfully push for more equality, this may reduce the long-term risk of social conflict, polarization, and even democratic breakdown. In the same vein, democracy's potentially redistributive effect can help to reduce the long-term risk of violent conflict, which is caused by marginalized and aggrieved groups revolting (Cederman, Gleditsch, and Buhaug 2013; Stewart 2008). New democracies may thus decrease the risk of civil conflict and democratic breakdown, if they succeed in reducing ethnic inequalities. However, my findings from the case studies suggested that democracy merely acts as an enabling condition. Democratization only leads to lower ethnic inequality if previously excluded groups are able to mobilize effectively, gain political representation, and change policies, often in the face of resistance from historically dominant elites.

Theoretically and methodologically, studying a two-way relationship is challenging. It is tempting to abstain from studying such macro-level relationships, especially because they are vulnerable to criticism from a causal identification perspective. Yet such relationships abound in comparative politics and involve some fundamental issues of causal direction. For instance, does democracy promote economic development or vice versa (Acemoglu et al.

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<sup>10</sup> Recall that the two types of inequality typically co-vary, yet also differ substantially (see Chapter 1). This is illustrated by the case of South Africa, where I provided evidence showing that individual inequality increased following the end of Apartheid, yet group inequalities dropped.

2019; Boix 2011)? And are well-functioning states a precondition for democracy, or can democracy help to build more effective states (Andersen 2017; Mazzuca and Munck 2014)? Historical intuitionist perspectives in particular have elegantly tackled issues of two-way relationships, showing for instance how the welfare state can be self-reinforcing in the sense that social policies create and sustain their own support base (Andersen 2019; Pierson 1993).

Much work remains to be done on democracy and ethnic inequality. But more generally, it may be worthwhile to consider bidirectional relationships as more than an obstacle to causal inference. They constitute interesting theoretical and empirical puzzles in their own right that deserve further attention, rather than being neglected due to methodological challenges. My approach has been to emphasize one causal direction at a time in the large-N analysis, but to be open about potential endogeneity in the overall theoretical model and the case studies. There are other ways to handle the issue, but I hope that my approach might at least inspire others to take on similar tasks.

## A Brief Note on Policy Implications

The issue of ethnic inequality and democracy may seem purely academic. However, if we better understand the impact of ethnic inequality on democratic development, this insight could help policymakers and civil society organizations identify and address potential barriers to democratic consolidation.

Addressing ethnic inequality should be an important goal of development policy in multicultural societies with severe inequalities (Stewart 2010; Stewart, Venugopal, and Langer 2011). In this light, it is encouraging that the reduction of group-level inequalities is included in Sustainable Development Goal 10 (UN 2020) and that the issue was emphasized in a recent OECD report (Deere et al. 2018). There is no guarantee that policies aimed at general development or at reducing general inequality will also address group disparities. Therefore, policies emphasizing social inclusion could be supplemented by special attention to the socioeconomic status of disadvantaged ethnic groups.

Aid can play an important role with respect to ethnic inequality, especially in countries where it makes up a large share of government resources. Aid donors could encourage countries that are not already tackling ethnic inequality to do so. While aid donors may be reluctant to “ethnicize” aid, policies to overcome ethnic inequality are likely to reduce the salience of ethnicity in politics, rather than increase it (Stewart 2010). That said, unless governments are themselves committed to policies that address ethnic inequalities, donor action is unlikely to be effective.



It is also important to fully understand how and under what conditions democracy sets in motion reductions of ethnic inequality. Such insights give us more sober expectations with regard to democratic transitions, and provide cues as to which political processes can be supported domestically and internationally to create more equal societies. While elections are important, they may not be enough to secure full inclusion of all groups, which the case of Nepal's first democratic spell clearly showed. Reforming democratic institutions—towards inclusive political power—may therefore be essential for securing effective policy change towards ethnic inequalities. To this end, democracy promoters could support the mobilization and organization of disadvantaged groups. Likewise, they could work for more inclusive electoral systems or privileged access for historically marginalized groups, ensuring more equal political participation. However, for international efforts to be successful, they must support existing domestic movements that seek to create more inclusive democratic institutions.

## Avenues for Future Research

This dissertation's findings yield many new and interesting questions. As a final point, I discuss potential avenues for future research, focusing on: (1) different conceptions of democracy, (2) demographics and ethnopolitical exclusion, (3) case studies, (4) the micro level, and (5) measurement of ethnic inequality.

First, I have considered the relationship with a binary democracy concept, categorizing a country as either democratic or autocratic. Yet there are also important nuances within the democratic category. The impact of democracy on ethnic inequality does not necessarily conform to a threshold mode. To some extent, wealthier voters occupy the dominant positions in virtually any society. But the degree to which a political system favors the wealthy or certain ethnic groups is affected by the quality of democracy (see Munck 2014). To the extent that a country lives up to the provisions of electoral democracy, including free and inclusive elections, civil liberties, and no vetoes by non-elected groups, biases against less wealthy ethnic groups should be mitigated (Gerring et al. 2020: 5). Improvements in the quality of democracy incentivize politicians to accommodate broader groups of voters, whereas deteriorations give incentives to politicians to target spending on narrower, and typically wealthier, groups (Bueno de Mesquita et al. 2003). This was also an important takeaway from the cases of Guatemala and Nepal, which show how entrenched elites could relatively effectively protect their interests within the minimalist democratic regime (see Albertus and Menaldo 2014 for a related perspective).

Expanding the focus to include the rule of law may also yield new insights (see O'Donnell 2010). In this perspective, a high-quality democracy does not simply build on free, fair, and inclusive elections and civil liberties, but also administers the law impartially. Being a minority with virtually no chance of winning elections in democratic systems is not necessarily a problem in terms of minority regime support, which the examples of Germans in Denmark and Swedes in Finland show (Rothstein 2011, 96). However, citizens from ethnic minority groups will regard the political system as illegitimate if they feel they are being discriminated against due to the biased implementation of public policies. The impartial administration of the law may thus be crucial in reducing collective grievances. Such institutions also reduce fears among historically advantaged groups, making it easier to avoid polarization and find political compromises.

In short, approaching the dissertation's questions with a graded understanding of democracy may improve our understanding of the relationship, and could provide cues to which institutions are particularly helpful to reduce conflict. Furthermore, combining insights from the democratization literature with lessons from the literature on ethnic power-sharing arrangements (e.g., Bormann et al. 2019; Horowitz 1993; Lijphart 2004; Norris 2005) could shed light on the weaknesses of certain types of democracies with respect to ethnic inclusion and peaceful political competition.

A second potential avenue is a systematic investigation of how political and economic inequalities between ethnic groups interact. Stewart proposes that socioeconomic ethnic inequality is particularly destabilizing when it coincides with political exclusion (Stewart 2021, 2010). Political exclusion is often the cause of economic deprivation of certain groups. But there are also many contexts where the two do not overlap, including Malaysia, Nigeria, and Kenya at different points in time. One could examine the hypothesis that ethnic inequality is most likely to lead to democratic breakdown when a major group is deprived in both dimensions.

Relatedly, a country's demographic composition may play an important role for democratic instability. It seems likely, for instance, that the political and economic exclusion of larger groups is more destabilizing for democracy than if only minor groups are excluded (Stewart 2021).<sup>11</sup> Considering the op-

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<sup>11</sup>In the Appendix to Article 2<sub>eidem</sub>, I have examined this idea. While not robust to the measure used, I find some indication that socioeconomic ethnic inequality destabilizes democracy more when a large share of the population is politically excluded. These preliminary analyses require further investigation and robustness checks.

posite relationship, democracy may lead to larger average reductions in inequality when a demographically large and socioeconomically disadvantaged group is politically included.<sup>12</sup>

Third, future work could also use case study methodology to further examine how ethnic inequality can destabilize democracy. My case studies mainly focused on the consequences of democratic transitions, so it would be a natural next step to refine a causal mechanism explicitly linking ethnic inequality with democratic breakdown and assess it through comparative case studies. This would contribute with a more detailed understanding of how ethnic inequality sets in motion dynamics that undermine democracy.

Case studies could also be used to examine the proposed competing mechanism regarding how ethnic inequality leads to pro-democratic mass mobilization, and how the autocratic ruling coalition responds to such mobilization with repression. Case studies could also help to identify conditioning factors that result in one of the mechanisms weakening in favor of the other, paving the way for democracy. For instance, strong international pressure may strengthen domestic pro-democratic mass mobilization, or create splits within the ruling coalition. In short, case studies are a promising approach to better understanding the competing ways in which ethnic inequality affects democratic transitions.

At a more abstract level, a better grasp of actors, mobilization patterns, and state policies may also help efforts in theory-building. While cross-national statistical analyses excel at establishing global patterns, identifying outliers, and—under certain conditions—drawing causal inferences, careful knowledge of the cases is crucial for building and refining theory.

Fourth, we only have a very limited understanding of the micro-level dynamics underpinning the relationship. Studies could help to better understand what triggers group mobilization for—or against—democracy (see Hillesund 2015, for a micro-level examination of civil conflict). As noted earlier, collective grievances can be channeled in a pro-democratic direction with demands for democracy as well as more social justice. At the same time, they can also set in motion polarization, fueled and exploited by would-be-autocrats. A better understanding of the micro level could clarify when collective grievances are channeled in a pro-democratic direction, and when they are not.

Shifting to the individual level, we also need to better understand the psychology of ethnic group inequality. There is a growing comprehension of the

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<sup>12</sup> Preliminary results, which are not included in the dissertation, show some support for this hunch. The larger the share of the population that was politically excluded under autocracy, the greater the effect of democratization. Again, this question deserves further analysis.

psychology behind economic inequality, including the insight that people react negatively to perceived injustices, rather than inequalities per se (e.g., Starmans, Sheskin, and Bloom 2017). Ethnic identities are based on inherited attributes, which are largely beyond the control of the individual. At the same time, group affiliations help determine people's life chances. New studies could examine whether individuals really do perceive ethnic inequality as particularly unfair compared with individual inequality. To better understand whether people perceive ethnic inequality differently, studies could build on theoretical insights from the literatures on "deservingness" and the psychology of inequality (e.g., Jensen and Petersen 2017; Stantcheva 2021; Starmans, Sheskin, and Bloom 2017).

Such future studies would also contribute to a literature that has examined the differences between objective and subjective inequalities (Gimpelson and Treisman 2018). While theories of regime change presume that people can correctly perceive the level of inequality, these studies show that people in fact often misperceive the level of inequality (e.g., Gimpelson and Treisman 2018), including ethnic inequality (Langer and Smedts 2013). A better understanding of perceptions could shed new light on when and how ethnic inequality affects democracy.

Finally, better measures of ethnic inequality could support more sophisticated and credible empirical analysis. To help alleviate measurement error, one could leverage the measurement efforts of numerous datasets simultaneously. Specifically, one could synthesize a new measure of ethnic inequality based on existing measures. This could be done through Bayesian latent variable modeling techniques, as has previously been done with measures of democracy, human rights, and state capacity (Fariss 2014; Hanson and Sigman 2021; Pemstein, Meserve, and Melton 2010). After matching the ethnic groups covered by the different sources, one could create a composite measure that captures similar, but often distinct, aspects of socioeconomic ethnic inequality while reducing idiosyncratic errors. Such measures would have superior coverage and provide estimates with higher accuracy and confidence bounds. In sum, they would allow us to monitor trends more precisely and to draw more robust conclusions regarding the causes and effects of ethnic inequality.

Taken together, this dissertation offers new insights about important sociopolitical phenomena, and I hope it can provide a stepping stone for further investigations of the relationship between democracy and ethnic inequality.

# Summary

In many countries, inequality has risen while democracy has come under pressure, sparking a renewed interest in their relationship. Researchers examining the links between democracy and inequality have almost exclusively focused on the latter as socioeconomic disparities between individuals. However, a growing body of research suggests that we should consider how socioeconomic disparities coincide with other social divisions, not least ethnic identities.

In this dissertation, I show that shifting the focus to socioeconomic inequality between ethnic groups sheds new light on the link between democracy and inequality. Compared with inequality between individuals, ethnic inequality is more likely to lead to collective grievances and mobilization. This has important consequences for political stability as well as distributive politics in democracies. I examine the relationship between democracy and ethnic inequality in four articles, considering both how ethnic inequality affects democratic development, and, conversely, how democracy affects ethnic inequality.

In Article 1<sub>cm</sub> (“Measuring Ethnic Inequality: An Assessment of Extant Cross-National Indices”), I evaluate six ethnic inequality measures, aggregated to the country level. I conclude that studies using this ethnic inequality data should pay careful attention to each measure’s highlighted strengths and weaknesses, and check the robustness of the results using different datasets at both the country and group level.

In Article 2<sub>eidem</sub> (“Ethnic Inequality, Democratic Transitions, and Democratic Breakdowns: Investigating an Asymmetrical Relationship”), I ask whether ethnic inequality affects democratic development. Based on global statistical analyses, I show that there is no association between ethnic inequality and democratic transitions, but a relatively strong association between ethnic inequality and the risk of democratic breakdown. Further analyses lend empirical support to the proposed mechanisms and show that conventional measures of inequality do not predict democratic breakdowns.

In Article 3<sub>demei</sub> (“Does Democracy Reduce Ethnic Inequality?”), I consider the effects of democratic transitions on ethnic inequality. Based on global statistical analyses, I demonstrate that democratization substantively reduces ethnic inequality, but mainly for countries with high pre-democratic levels of ethnic inequality. These results are further corroborated with analyses of group-level data and proxies for the suggested mechanism.

In Article 4<sub>case</sub> (“Democracy and Ethnic Inequality: A Comparative Case Study”), I conduct in-depth case studies of five periods of democratic rule. In

three cases (Bolivia, South Africa, and Nepal after 2006), political empowerment of previously excluded ethnic groups and subsequent policy changes constituted an important driver of reduced ethnic inequalities. In contrast, the cases of Guatemala and Nepal (1991-2002) reveal that democracy does not necessarily lead to reductions of ethnic inequality. In these cases, previously excluded groups were not able to mobilize coherently and elites from previously dominant groups were well-entrenched and able to resist reform. Finally, the cases of Nepal and Bolivia illustrate how ethnic inequality may also destabilize democracy.

Overall, this dissertation shows that ethnic inequality destabilizes democracy and that we should pay particular attention to countries where socioeconomic inequality and ethnic divisions coincide. At the same time, democratic transitions can help to reduce ethnic inequality in the initially most unequal countries. In this sense, democracy can stabilize itself through a self-reinforcing dynamic. However, the link between democratic transitions and ethnic inequality is far from mechanical. Facing resistance from historically dominant groups, disadvantaged groups must first mobilize effectively and gain sufficient political influence to change policies.

## Dansk resumé

Mange lande har i de seneste år oplevet en stigning i økonomisk ulighed og et forøget pres mod demokratiske institutioner. Det har været medvirkende til fornyet interesse i deres indbyrdes forhold. Forskning i sammenhængen mellem demokrati og ulighed har næsten udelukkende haft fokus på sidstnævnte som socioøkonomiske skel mellem individer. Der er dog en voksende litteratur, som viser, at vi bør interesse for, hvordan socioøkonomiske skel falder sammen med andre skel såsom etniske identiteter.

I denne afhandling viser jeg netop, at vi kan forbedre vores forståelse af sammenhængen mellem demokrati og ulighed ved at skifte fokus til ulighed mellem etniske grupper. Sammenlignet med ulighed mellem individer er det mere sandsynligt at etnisk ulighed fører til, at dårligt stillede grupper føler sig forfordelte og mobiliserer sig. Disse dynamikker har vigtige konsekvenser for politisk stabilitet og fordelingspolitik. Jeg undersøger forholdet mellem demokrati og etnisk ulighed i fire artikler, der på den ene side undersøger, hvordan etnisk ulighed påvirker demokratisk udvikling, og på den anden side analyserer, hvordan demokrati påvirker etnisk ulighed.

I Artikel 1<sub>cm</sub> ("Measuring Ethnic Inequality: An Assessment of Extant Cross-National Indices") evaluerer jeg seks mål for etniske ulighed, der er aggregeret til landeniveau. Jeg konkluderer, at studier, der gør brug af disse data, bør være opmærksomme på målenes styrker og svagheder samt tjekke resultaternes robusthed ved hjælp af forskellige datasæt på såvel gruppe- som landeniveau.

I Artikel 2<sub>eidem</sub> ("Ethnic Inequality, Democratic Transitions, and Democratic Breakdowns: Investigating an Asymmetrical Relationship"), fokuserer jeg på, hvorvidt etnisk ulighed påvirker demokratisk udvikling. Ved hjælp af globale statistiske analyser viser jeg, at der ikke er en sammenhæng mellem etnisk ulighed og demokratiske transitioner, men at der er en stærk sammenhæng mellem etnisk ulighed og risikoen for demokratisk sammenbrud. Yderligere analyser finder støtte til de forventede mekanismer og viser desuden, at konventionelle ulighedsmål ikke forudser risikoen for demokratiske sammenbrud.

I Artikel 3<sub>demei</sub> ("Does Democracy Reduce Ethnic Inequality?") fokuserer jeg på, hvorvidt demokratiske transitioner påvirker etnisk ulighed. Ved hjælp af globale statistiske analyser viser jeg, at demokratiske transitioner reducerer etnisk ulighed, men at dette primært sker i lande, der havde høj etnisk ulighed under autokrati. Disse resultater bliver yderligere underbygget med analyser på gruppeniveau samt analyser af de forventede mekanismer.

I Artikel 4<sub>case</sub> ("Democracy and Ethnic Inequality: A Comparative Case Study") foretager jeg sammenlignende casestudier af fem demokratiske perioder. I tre af disse (Bolivia, Sydafrika og Nepal efter 2006) førte politisk mobilisering af tidligere ekskluderede grupper og efterfølgende policy-ændringer til væsentlige reduktioner af etnisk ulighed. I modsætningen hertil viser udviklingen i Guatemala og Nepal (1991-2002), at demokrati ikke nødvendigvis fører til lavere ulighed. I disse cases var tidligere ekskluderede grupper ikke i stand til at mobilisere sig effektivt, og eliter fra historisk dominerende grupper kunne blokere reformer. Endelig illustrerer udviklingen i Nepal og Bolivia, hvordan etnisk ulighed omvendt også kan destabilisere demokrati.

Alt i alt viser afhandlingen, at etnisk ulighed destabiliserer demokrati, og at vi bør være særligt opmærksomme på kontekster, hvor socioøkonomisk ulighed og etniske skel overlapper. Samtidig kan overgangen til demokrati reducere etnisk ulighed i de lande, der er mest ulige i udgangspunktet. Således kan demokratier stabilisere sig selv i en selvforstærkende dynamik. Sammenhængen mellem demokratiske transitioner og etnisk ulighed er dog langt fra mekanisk. Dårligt stillede grupper skal kunne mobilisere sig effektivt og opnå tilstrækkelig politisk indflydelse til at ændre policies, samtidig med at de kan møde stærk modstand fra historisk dominerende grupper.



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