

# Ethnic Polarization, Potential Conflict, and Civil Wars

By JOSÉ G. MONTALVO AND MARTA REYNAL-QUEROL\*

The increasing incidence of ethnic conflicts, and the much-publicized consequences of these conflicts, have attracted the interest of many researchers in the social sciences. Many studies have addressed directly the issue of ethnic diversity and its effects on social conflicts and civil wars. Political scientists have stressed the importance of institutions in the attenuation or intensification of social conflict in ethnically divided societies. Recently economists have connected ethnic diversity with important economic phenomena like investment, growth, or the quality of government (William Easterly and Ross Levine, 1997; Alberto Alesina et al., 2003; Rafael La Porta et al., 1999). The number of papers dealing with the effects of ethnic diversity on issues of economic interest is growing rapidly.

In this respect, it is common in recent work to include as a regressor in empirical growth estimations an index of ethnic fractionalization. There are several reasons to include such an indicator. First, some authors have argued that ethnically diverse societies have a higher probability of ethnic conflicts, which may lead to civil war. The political instability caused by potential ethnic conflicts has a negative impact on investment and, indirectly, on growth. Sec-

ond, ethnic diversity may generate a high level of corruption which, in turn, could deter investment. Finally it has been argued that in heterogeneous societies the diffusion of technological innovations is more difficult, especially when there is ethnic conflict among groups in a country. Business as usual is not possible in a society with a high level of potential ethnic conflict, since this situation affects all levels of economic activity. Trade may be restricted to individuals of the same ethnic group; public infrastructure may have an ethnic bias; government expenditure may favor some ethnic groups, etc. The common element in all these mechanisms is the existence of an ethnic conflict which, through social and political channels, spreads to the economy.

However, many empirical studies find no relationship between ethnic fractionalization,<sup>1</sup> ethnic conflict, and civil wars. There are at least three alternative explanations for this. First, it could be the case that the classification of ethnic groups in the Atlas Nadorov Mira (henceforth ANM), source of the traditional index of ethnolinguistic fractionalization (ELF), is not properly constructed. Some authors<sup>2</sup> have used other sources to construct datasets of ethnic groups for a large sample of countries. In general, the correlation between the index of fractionalization obtained using these alternative data sources is very high (over 0.8). Second, James D. Fearon (2003)<sup>3</sup> has argued that it is important to measure the “ethnic distance” across groups in order to obtain indicators of cultural diversity. He measures these distances in terms of the proximity in a tree diagram of the families of languages of different countries. As in the case of alternative data sources, the correlation of the index of ethnic fractionalization, using these distances, with the original ELF index is very high, 0.82.

\* Montalvo: Department of Economics, Universitat Pompeu Fabra, C/Ramon Trias Fargas 25-27, Barcelona 08005 Spain, and Instituto Valenciano de Investigaciones Economicas (e-mail: montalvo@upf.es); Reynal-Querol: the World Bank, 1818 H Street, NW, Washington, DC 20433 (e-mail: mreynalquerol@worldbank.org). We are grateful for comments by Antonio Villar, Joan Esteban, Paul Collier, Tim Besley, and two anonymous referees. We thank the participants of seminars at the World Bank, Institut de la Mediterranea, Toulouse, Brown University, the European Economic Association Meetings, and the Winter Meetings of the Econometric Society. We would like to thank Sergio Kurlat, William Easterly, and Anke Hoeffler for sharing their data. Financial support from the BBVA Foundation and the Spanish Secretary of Science and Technology (SEC2003-04429) is kindly acknowledged. José G. Montalvo thanks the Public Services Group of the Research Department (DECRG) of the World Bank, where most of the revision of this paper was done, for their hospitality. The conclusions of this paper are not intended to represent the views of the World Bank, its executive directors, or the countries they represent.

<sup>1</sup> Measured by the ELF index using the data of the Atlas Nadorov Mira.

<sup>2</sup> Montalvo and Reynal-Querol (2000), Alesina et al. (2003), or Fearon (2003).

<sup>3</sup> See also Francesco Caselli and W. John Coleman (2002).

The third alternative is the one we examine in this paper. Up to now the alternative data on ethnic diversity and distances of ethnic groups in a country have been aggregated using indices of fractionalization. It is not clear, however, to what extent an index of diversity can capture potential ethnic conflict. In principle, claiming a positive relationship between an index of fractionalization and conflicts implies that the more ethnic groups there are, the higher the probability of a conflict. Many authors would dispute such an argument. Donald L. Horowitz (1985), the seminal reference on the issue of ethnic groups in conflict, argues that the relationship between ethnic diversity and civil wars is not monotonic. There is less violence in highly homogeneous and highly heterogeneous societies, and more conflict in societies where a large ethnic minority faces an ethnic majority. If this is so, then an index of polarization should capture the likelihood of conflicts, or the intensity of potential conflict, better than an index of fractionalization.

The objective of this paper is to analyze the empirical support for the link between ethnicity and conflict. We pursue this objective by reexamining the evidence on the causes of civil wars using alternative indices to measure ethnic diversity. In the empirical section, we show that the index of ethnic polarization is a significant explanatory variable for the incidence of civil wars. This result is robust to the use of other proxies for ethnic heterogeneity, alternative sources of data, and the use of a cross-section instead of panel data. Therefore it seems that the weak explanatory power of ethnic heterogeneity on the incidence of civil wars, supported by several recent studies, is due to the use of an index of fractionalization instead of an index of polarization.

This paper is organized as follows. Section I describes the characteristics of the index of fractionalization and compares it with an index of polarization. Section II presents the empirical results obtained by applying the index of fractionalization and the index of polarization to data on ethnic diversity. It is shown that for very high levels of fractionalization, the level of the index of polarization can be very low. In fact, for high levels of diversity the correlation between fractionalization and polarization is negative. In Section II, we also discuss the source of data on ethnic and religious heterogeneity. Section III analyzes the causes of civil wars and compares the empirical performance of the po-

larization index proposed in this paper vis-à-vis the fractionalization index and other indices of ethnic heterogeneity. Section IV contains a set of robustness checks and Section V summarizes the conclusions.

### I. Ethnic Heterogeneity and Potential Conflict

Several authors have stressed the importance of ethnic heterogeneity in the explanation of growth, investment, the efficiency of government, or civil wars. Easterly and Levine (1997) find empirical evidence to support their claim that the very high level of ethnic diversity of countries in Africa is an important contributor to their poor economic performance. Their theoretical arguments, as they recognize explicitly, however, are based on “polarized societies,”<sup>4</sup> not on highly fractionalized cases. The effect of ethnic polarization on growth follows a more indirect channel: the choice of poor public policies, which in the end, negatively influences long-run growth. In particular, ethnic polarization transforms economic policy via a rent-seeking mechanism. Additionally, ethnic polarization generates problems in the design of structural policies related to infrastructure and education. La Porta et al. (1999) point out that ethnic diversity leads to corruption and low efficiency in governments that expropriate the ethnic losers.

Several authors have interpreted the finding of a negative relationship between ethnic diversity and growth to be a consequence of the high probability of conflict associated with a highly fractionalized society. For this reason, many papers use the ELF index as the indicator of ethnic heterogeneity. The raw data for this index come from the ANM, compiled in the former Soviet Union in 1960. The ELF index was originally calculated by Charles L. Taylor and Michael C. Hudson (1972). In general any index of fractionalization can be written as

$$(1) \quad FRAC = 1 - \sum_{i=1}^N \pi_i^2 = \sum_{i=1}^N \pi_i(1 - \pi_i)$$

where  $\pi_i$  is the proportion of people who belong to the ethnic (religious) group  $i$ , and  $N$  is the number of groups. The index of ethnic

<sup>4</sup> Easterly and Levine, 1997, pp. 1205, 1232, and 1241.

fractionalization has a simple interpretation as the probability that two randomly selected individuals from a given country will not belong to the same ethnic group.<sup>5</sup>

Many authors have found, however, that even though ethnic fractionalization seems to be a powerful explanatory variable for economic growth, it is not significant in the explanation of civil wars and other kinds of conflicts. These results have led many authors to disregard ethnicity as a source of conflict and civil wars. Fearon and David D. Laitin (2003) and Collier and Hoeffler (2002) find that neither ethnic fractionalization nor religious fractionalization have any statistically significant effect on the probability of civil wars.

We argue that one possible reason for the lack of explanatory power of ethnic heterogeneity on the probability of armed conflicts and civil wars is the measure for heterogeneity. In empirical applications, researchers should consider a measure of ethnic polarization<sup>6</sup>—the concept used in most of the theoretical arguments—instead of an index of ethnic fractionalization. We propose an index of ethnic polarization originally proposed by Reynal-Querol (2002) with the form

$$RQ = 1 - \sum_{i=1}^N \left( \frac{1/2 - \pi_i}{1/2} \right)^2 \pi_i$$

$$RQ = 4 \sum_{i=1}^N \pi_i^2 (1 - \pi_i).$$

The original purpose of this index was to capture how far the distribution of the ethnic groups is from the (1/2, 0, 0, ..., 0, 1/2) distribution (bipolar), which represents the highest level of polarization.<sup>7</sup> This type of reasoning is frequently present in the literature on conflict<sup>8</sup> and, in particular, on ethnic conflict. Esteban and Ray (1999) show, using a behavioral model and a quite general metric of

preferences, that a two-point symmetric distribution of population maximizes conflict.

In addition, Horowitz (1985) points out that ethnic conflicts will take place in countries where a large ethnic minority faces an ethnic majority. Therefore ethnic dominance, or the existence of a large ethnic group, although close to being a necessary condition for a high probability of ethnic conflict, is not sufficient. You also need the minority to be large and not divided into many different groups. The RQ index captures the idea that a large minority is the worst possible situation, since the index in this case is close to the maximum.

Collier and Hoeffler (1998) note, “Coordination costs would be at their lowest when the population is polarized between an ethnic group identified with the government and a second, similarly sized ethnic group, identified with the rebels.” Collier (2001) also emphasizes that the relationship between ethnic diversity and the risk of violent conflicts is not monotonic. Highly heterogeneous societies have an even lower probability of civil wars than homogeneous societies. The highest risk is associated with the middle range of ethnic diversity.<sup>9</sup> The RQ index satisfies this condition.

Notice also that Fearon (2003) points out that the index of fractionalization, which is not sensitive to discontinuities, cannot capture important differences in ethnic structures. In particular, the idea of majority rule is not well reflected by the index of fractionalization. By contrast, the sensitivity of the RQ is the highest when groups are close to 50 percent.

#### A. Fractionalization versus the RQ Index

How does fractionalization compare with the RQ index? As mentioned above, the index of fractionalization can be interpreted as the probability that two randomly selected individuals do not belong to the same group. Let’s consider the case of two groups. In this situation the index of fractionalization can be written as

$$FRAC = 1 - \pi_1^2 - \pi_2^2 = \pi_1(1 - \pi_1)$$

$$+ \pi_2(1 - \pi_2) = 2\pi_1\pi_2$$

simply because  $\pi_1 + \pi_2 = 1$ .

<sup>9</sup> Horowitz (1985) also argues that there is less violence in highly homogeneous and highly heterogeneous countries.

<sup>5</sup> Paolo Mauro (1995) uses this index as an instrument in his analysis of the effect of corruption on investment.

<sup>6</sup> In the context of income, the measurement of polarization was initiated by Esteban and Ray (1994) and Michael C. Wolfson (1994). We will see later the connection between the measure of income and ethnic polarization.

<sup>7</sup> See also Reynal-Querol (2002).

<sup>8</sup> Montalvo and Reynal-Querol (2005) show how to obtain the RQ index from a pure contest model.

Following the definition of the RQ index, we can write it, in the case of two groups, as

$$RQ = 4(\pi_1(\pi_1(1 - \pi_1)) + \pi_2(\pi_2(1 - \pi_2))) = 4\pi_1\pi_2,$$

which is equal to the index FRAC up to a scalar. When we move from two groups to three groups, the relationship between FRAC and RQ breaks down. For instance, FRAC can be calculated for the case of three groups as

$$FRAC = \pi_1(1 - \pi_1) + \pi_2(1 - \pi_2) + \pi_3(1 - \pi_3).$$

In this case, and without considering the scale factor that bounds it between 0 and 1, the RQ index is proportional to

$$RQ \propto \pi_1(\pi_1(1 - \pi_1)) + \pi_2(\pi_2(1 - \pi_2)) + \pi_3(\pi_3(1 - \pi_3)).$$

Comparing these two formulas, we can see the basic difference between the interpretation of the fractionalization index and the meaning of the RQ index. In FRAC, each of the terms in the sum is the probability that two randomly selected individuals belong to different groups, when one of them belongs to a particular group. For instance  $\pi_i(1 - \pi_i)$  is the probability that two individuals belong to different groups when one of them belongs to group  $i$ . These probabilities have the same weight in each of the terms of the fractionalization index, but they have weight equal to the relative size of group  $i$  in the case of the RQ index. In the fractionalization index, the size of each group has no effect on the weight of the probabilities of two individuals belonging to different groups, whereas in the RQ index these probabilities are weighted by the relative size of each group.

Looking at both indices one may wonder how much large and small groups contribute to the value of the index with respect to their relative size. The different weighting scheme is crucial to answer this question. Let's define  $c_i$  as the proportional contribution of group  $i$  to the index of fractionalization, that is,  $c_i = \pi_i(1 - \pi_i)/(\sum \pi_i(1 - \pi_i))$ . Define  $\tilde{c}_i$  as the proportional contribution of group  $i$  to the index of polariza-

tion, that is  $\tilde{c}_i = \pi_i^2(1 - \pi_i)/(\sum \pi_i^2(1 - \pi_i))$ . If all the groups have equal size, the proportional contribution of each of the groups is equal to its relative size in both, fractionalization and polarization, that is,  $c_i = \tilde{c}_i = \pi_i$ . Imagine now that we increase the size of one group by epsilon and decrease the size of another group by the same amount. Now the proportional contribution of the largest group in the index of fractionalization is smaller than its relative size,  $c_i < \pi_i$ , and the reverse happens for the smallest group. In the index of polarization, the result is the opposite: the proportional contribution of the largest group in the index of polarization is larger than its relative size,  $\tilde{c}_i > \pi_i$ , and the reverse happens to the smallest group. Loosely speaking,<sup>10</sup> we can say that large (small) groups contribute to the index of polarization proportionally more (less) than their relative size. The opposite is true for the index of fractionalization: large (small) groups contribute to the index less (more) than their relative size.

### B. From Income Inequality to Ethnic Fractionalization

The index of fractionalization has at least two theoretical justifications based on completely different contexts. In industrial organization, the literature on the relationship between market structure and profitability has used the Herfindahl-Hirschman index to measure the level of market power in oligopolistic markets.<sup>11</sup> The derivation of the index, in this context, starts with a noncooperative game where oligopolistic firms play Cournot strategies. Therefore the index can summarize the market power in games that work through the market.<sup>12</sup>

The second theoretical foundation for the index of fractionalization comes from the theory of inequality measurement. One of the most popular measures of inequality is the Gini index,  $G$ , that has the general form

<sup>10</sup> See Montalvo and Reynal-Querol (2002) for a formal proof of this claim.

<sup>11</sup> This index has been used in antitrust cases as well.

<sup>12</sup> The index of fractionalization may not, however, be appropriate when the structure of power works through political or military processes, as they appear to follow rent-seeking or conflict models.

$$G = \sum_{i=1}^N \sum_{j=1}^N \pi_i \pi_j |y_i - y_j|$$

where  $y_i$  represent the income level of groups  $i$ , and  $\pi_i$  is its proportion with respect to the total population. This formulation is specially suited to measure income and wealth inequality. If we want to measure ethnic diversity, however, the “distance” between ethnic groups may be a very difficult concept to measure. In addition, the dynamics of the “we” versus “you” distinction is more powerful than the antagonism generated by the distance between them. For these reasons, we may want to consider only if an individual belongs or does not belong to an ethnic group. If we substitute the Euclidean income distance  $\delta(y_i, y_j) = |y_i - y_j|$ , by a discrete metric (belong/do not belong)

$$\begin{aligned} \delta(y_i, y_j) &= 0 & \text{if } i = j \\ &= 1 & \text{if } i \neq j. \end{aligned}$$

Therefore the discrete Gini (DG) index can be written as

$$DG = \sum_{i=1}^N \sum_{j \neq i}^N \pi_i \pi_j.$$

It is easy to show that the DG calculated using a discrete metric is simply the index of fractionalization

$$\begin{aligned} DG &= \sum_{i=1}^N \sum_{j \neq i}^N \pi_i \pi_j = \sum_{i=1}^N \pi_i \sum_{j \neq i}^N \pi_j \\ &= \sum_{i=1}^N \pi_i (1 - \pi_i) = \left( 1 - \sum_{i=1}^N \pi_i^2 \right) = FRAC. \end{aligned}$$

### C. From Income Polarization to Discrete Polarization and the RQ Index

In the previous section we showed that the index of fractionalization can be interpreted as a Gini index with a discrete metric (belong/do not belong to the group), instead of an Euclidean income distance. The RQ index can be interpreted as the polarization measure of Esteban and Ray

(1994), with a discrete metric. By imposing three reasonable axioms, Esteban and Ray (1994) narrow the class of allowable polarization measures to only one measure,  $P$ , with the following form:

$$P = k \sum_{i=1}^N \sum_{j=1}^N \pi_i^{1+\alpha} \pi_j |y_i - y_j|$$

for some constants  $k > 0$  and  $\alpha \in (0, \alpha^*]$ , where  $\alpha^* \approx 1.6$ . Notice that when  $\alpha = 0$ <sup>13</sup> and  $k = 1$ , this polarization measure is precisely the Gini coefficient. Therefore, the fact that the share of each group is raised to the  $1 + \alpha$  power, which exceeds one, is what makes the polarization measure significantly different from inequality measures. The parameter  $\alpha$  can be treated as the degree of “polarization sensitivity.” If we substitute the Euclidean income distance  $\delta(y_i, y_j) = |y_i - y_j|$ , by a discrete metric (belong/do not belong), then we have what we call discrete polarization

$$DP(\alpha, k) = k \sum_{i=1}^N \sum_{j \neq i}^N \pi_i^{1+\alpha} \pi_j.$$

The dichotomous nature (belong/do not belong) of the distance across groups has important implications for the properties of the index. In particular, and in contrast with the polarization index of Esteban and Ray (1994), there is only one level of polarization sensitivity ( $\alpha = 1$ ) for which the discrete polarization measure satisfies a version of the properties of polarization. In addition there is only one value of  $k$  ( $k = 4$ ) such that the index  $DP$  ranges between 0 and 1. The  $RQ$  index is precisely the index  $DP(1, 4)$ .<sup>14</sup>

The index of polarization of Esteban and Ray (1994) was initially considered a measure of income or wealth polarization. As such, it is difficult to implement empirically since its value depends critically on the number of groups, the value of  $k$ , and the value of  $\alpha$ .<sup>15</sup> In

<sup>13</sup> Strictly speaking for  $\alpha = 0$ , this is not an index of polarization.

<sup>14</sup> For proofs of these claims and all the technical details on the relationship between fractionalization, polarization, and the RQ index, see Montalvo and Reynal-Querol (2002).

<sup>15</sup> See Jean-Yves Duclos et al. (2004) for a recent reconsideration of the empirical measurement of polarization with Euclidean distances.

terms of income or wealth, however, it is not clear which levels distinguish different groups with a common identity. Where does the middle class start? How “rich” is rich? This difficulty, together with the uncertainty over the right parameter for  $\alpha$ , has reduced the empirical applicability of the polarization index. In the case of ethnic diversity, the identity of the groups is less controversial. Additionally, the discrete nature of the distance (belong/do not belong) fixes the values of  $\alpha$  and  $k$ . This makes the RQ index easily applicable to data on ethnic and religious diversity.

## II. The Empirical Relationship between Ethnic Fractionalization and Polarization

In this section, we compare the empirical content of measures of fractionalization and indicators of polarization. Philip Keefer and Stephen Knack (2002) argue that their income-based measures of polarization are similar to the Gini coefficient, suggesting that in practice the divergence between income-based polarization and inequality is more theoretical than actual. The difference between ethnic polarization and fractionalization, however, is both theoretical and actual. Theoretically, as we showed in Section I discrete polarization and fractionalization represent quite different concepts. In this section we describe the alternative data sources for ethnic and religious heterogeneity, and we show that the indices of fractionalization and polarization are very different, independent of the source of data used in their calculation.

### A. Sources of Data on Ethnic Heterogeneity

There are basically three sources of ethnolinguistic diversity across countries: the *World Christian Encyclopedia* (WCE), the *Encyclopedia Britannica* (EB), and the ANM (1964). For reasons that we have explained elsewhere,<sup>16</sup> we think the most accurate description of ethnic diversity is the one in the WCE, which contains details for each country on the most diverse classification level, which may coincide with an ethnolinguistic family or subfamilies, sub-peoples, etc. We follow Tatu Vanhanen (1999) in taking into account only the most important

ethnic divisions and not all the possible ethnic differences or groups. Vanhanen (1999) uses a measure of genetic distance to separate different degrees of ethnic cleavage. The proxy for genetic distance is “the period of time that two or more compared groups have been separated from each other, in the sense that intergroup marriage has been very rare. The longer the period of endogamous separation, the more groups have had time to differentiate.” This criterion is reasonable since we are using discrete distances and, therefore, we have to determine the identity of the relevant groups.

Data on ethnic diversity in the EB<sup>17</sup> use the concept of geographical race. Data on ethnolinguistic diversity provided by the ANM were compiled by the Department of Geodesy and Cartography of the State Geological Committee of the former Soviet Union.

There are also several sources of data on religious diversity. The WCE provides information on the size of religious groups for a large cross section of countries but has several well-known shortcomings when dealing with data on religion.<sup>18</sup> *L'Etat des religions dans le monde* (ET), which is based on a combination of national data sources and the WCE, provides information on the proportions of followers of Animist and Syncretic cults, which we believe is important for the calculation of indices of religious heterogeneity. For this reason we use the ET as our primary source for the religious data.<sup>19</sup> Alesina et al. (2003) use the data on religious diversity compiled by the EB.<sup>20</sup>

### B. Are Empirical Measures of Ethnic Polarization and Fractionalization Very Different?

Once we have described the different sources of data available to measure ethnic and religious heterogeneity, we need to show the empirical relationship between both indices. Figure 1 presents the relationship between ethnolinguistic

<sup>17</sup> This is the basic source of data on ethnic heterogeneity of Alesina et al. (2003).

<sup>18</sup> See ET (1987, pp. 7–9).

<sup>19</sup> Our secondary source is *The Statesman's Yearbook* (ST), which is based only on national sources.

<sup>20</sup> The correlation of the indices constructed with the different sources of religious diversity is very high, as it was in the case of ethnic heterogeneity.

<sup>16</sup> For a detailed discussion of the differences between these data sources, see Montalvo and Reynal-Querol (2000).

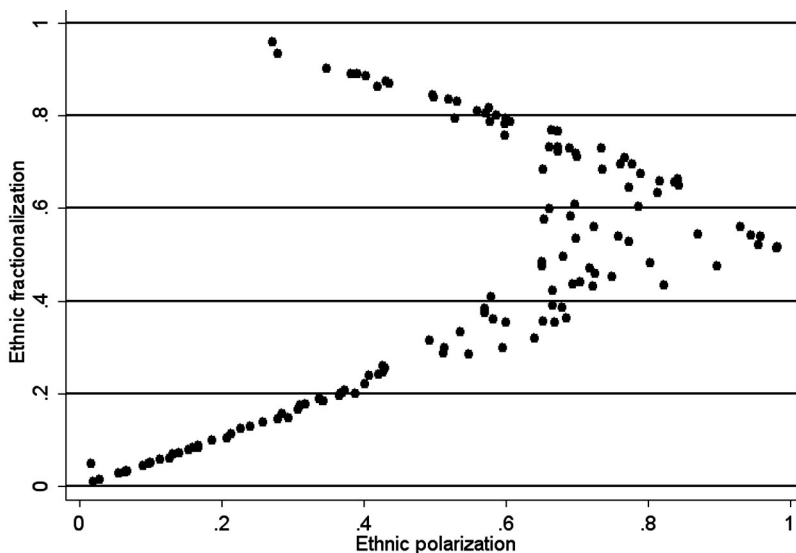


FIGURE 1. ETHNIC FRACTIONALIZATION VERSUS POLARIZATION

Source: WCE.

polarization and fractionalization using our data sources. It shows that for low levels of fractionalization, the correlation between ethnic fractionalization<sup>21</sup> and polarization is positive and high. In particular, from our previous discussion in Section I A we know that when there are only two ethnic groups, ethnic polarization is two times the value of ethnic fractionalization. That is the reason why the slope of the line is  $\frac{1}{2}$  for ethnic polarization up to 0.4.<sup>22</sup> For the medium range, however, the correlation is zero and for high levels of fractionalization the correlation with polarization is negative.

Figure 2 presents the scatterplot of religious fractionalization versus religious polarization. It shows a similar pattern: for low levels of religious fractionalization the correlation with polarization is positive. For intermediate and high levels of religious fractionalization, however, the correlation is zero. Therefore, the correlation is low when there is a high degree of heterogeneity, which is the interesting case.

<sup>21</sup> The index of ethnic fractionalization calculated with our data has a correlation of 0.86 with the index obtained using the ELF index. The correlation with the index of Alesina et al. (2003) is 0.83.

<sup>22</sup> Nevertheless, we should notice that in only 3.6 percent of the countries is the number of groups equal to two.

Figures 3 and 4 confirm that the previous results do not depend on the source of data used in the construction of the indices. Figure 3 shows the relationship between the index of ethnic fractionalization and ethnic polarization constructed using the data from the ANM. The shape in Figure 3 is very similar to the one in Figure 1. Figure 4 shows ethnic fractionalization and polarization calculated using the data of Alesina et al. (2003), the third basic source of data on ethnic diversity. The graph is very similar to Figures 1 and 3.

A previous version of this paper<sup>23</sup> shows that nine out of the ten most ethnically polarized countries have had a civil war during the sample period (1960–1995). In the case of ethnic fractionalization, only four out of the ten most fractionalized countries had a civil war. It is interesting to describe the situation of countries that have a high degree of polarization but a low degree of fractionalization (close to or below the average). Guatemala is a good example of this situation. The ethnic composition of the population is 55 percent Ladino (Mestizo), 42 percent Maya (Amerindian), and 3 percent other small groups. This implies a very high degree of

<sup>23</sup> Montalvo and Reynal-Querol (2002).

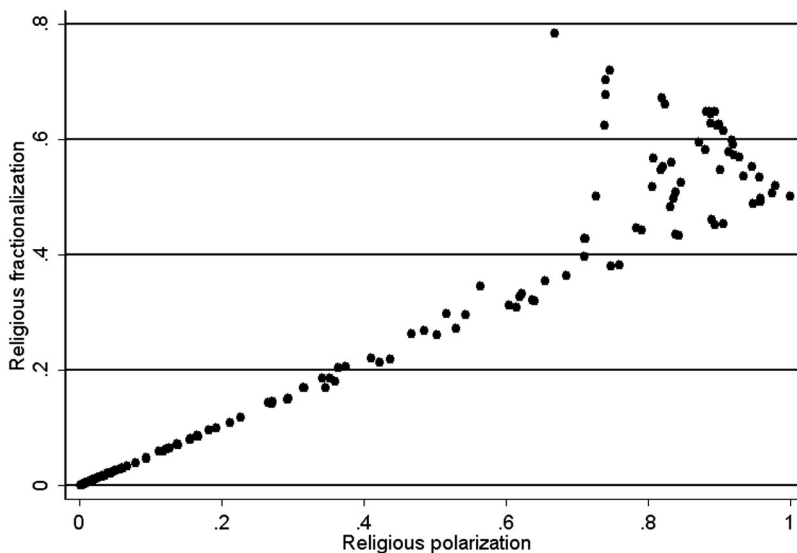


FIGURE 2. RELIGIOUS FRACTIONALIZATION VERSUS POLARIZATION

Source: ET.

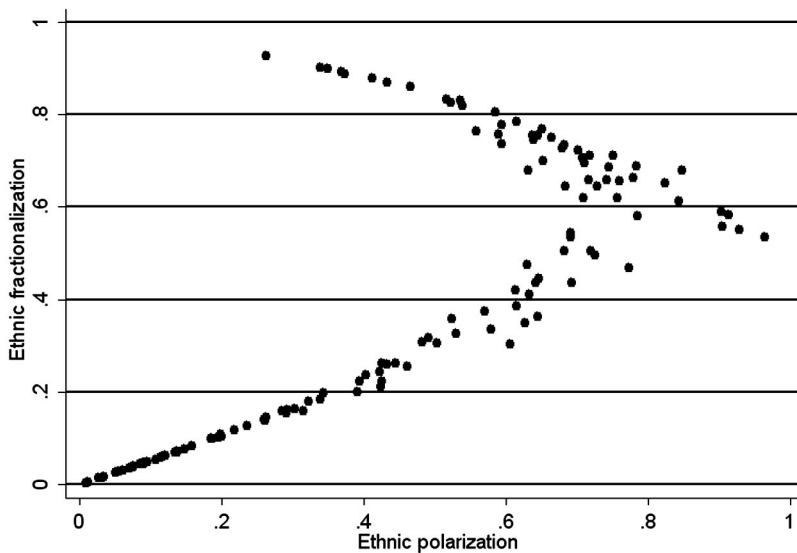


FIGURE 3. ETHNIC FRACTIONALIZATION VERSUS POLARIZATION

Source: ANM.

polarization (0.96) and a low level of fractionalization (0.52).

During the same sample period, civil wars occurred in seven of ten countries with the highest level of religious polarization. Only three out of the ten countries with the highest

level of religious fractionalization, however, had a civil war. For example, in Nigeria there is a high level of religious polarization between Christians (49 percent) and Muslims (45 percent), similar to the case of Bosnia (50 percent Christian and 40 percent Muslim). In both



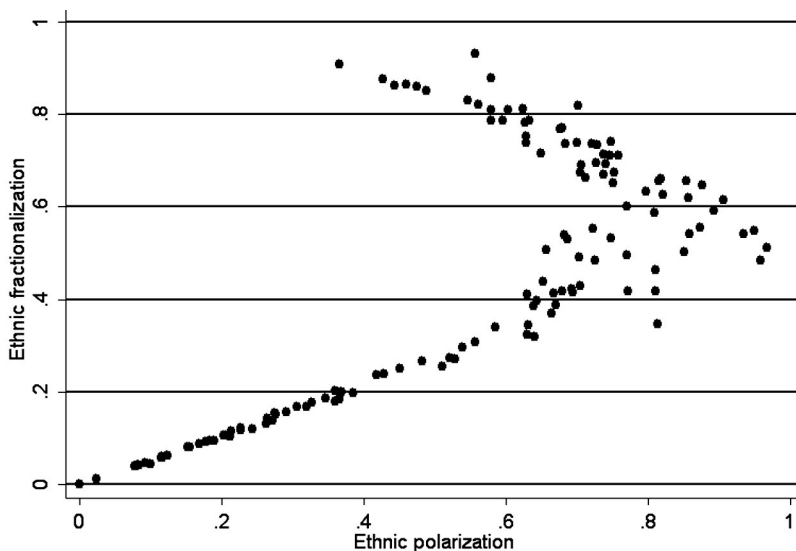


FIGURE 4. ETHNIC FRACTIONALIZATION VERSUS POLARIZATION

Source: Alesina et al. (2003).

cases, the degree of religious fractionalization is low.

### III. Regression Results

Several authors have stressed the importance of ethnic heterogeneity in many economic phenomena (growth, investment, etc.). One basic element that explains the relationship between heterogeneity and development is the existence of potential ethnic conflict which, through social and political channels, spreads to the economy. There is no doubt that civil wars are traumatic events that damage economic development. We argued earlier that the index of polarization is a good indicator to capture the extent of social conflicts. But is it polarization or fractionalization that matters in the explanation of conflicts in heterogeneous societies?

In this section we present the estimation of a logit model for the incidence of civil wars as a function of polarization and fractionalization measures of ethnic and religious heterogeneity. The sample includes 138 countries during the 1960–1999 period. We divide the sample into five-year periods. The endogenous variable is the incidence of a civil war. We use the Peace Research Institute of Oslo (PRIO) dataset for civil wars. Our basic endogenous variable corresponds to the definition of intermediate and

high-intensity civil wars of PRIO, which we call PRIOCW. PRIO defines an intermediate and high-intensity armed conflict<sup>24</sup> as a contested incompatibility that concerns government and/or territory, where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 yearly battle-related deaths and a minimum of 1,000 during the course of the civil war. We focus only on civil wars, categories 3 and 4 of conflict of PRIO, which cover civil conflicts with and without interference from other countries.

The explanatory variables follow the basic specifications of Fearon and Laitin (2003), Michael Doyle and Nicholas Sambanis (2000), and Collier and Hoeffler (2002). Fearon and Laitin (2003) argue that income per capita is a proxy for “state’s overall financial, administrative, police, and military capabilities.” Once a government is weak, rebels can expect a higher probability of success. In addition, a low level of income per capita reduces the opportunity cost of engaging in a civil war. Edward Miguel et al. (2004) have argued that the measurement of the impact of GDP growth on civil wars is complicated since there are endogeneity issues. Their setup is very different from ours; they use

<sup>24</sup> See Appendix A for more details on this definition.

annual data and GDP growth. In this situation, the potential endogeneity problem of GDP growth with respect to conflict is very high. For this reason, Miguel et al. (2004) use rainfall as an instrument for GDP growth. We use periods of five years for civil wars and the GDP per capita at the beginning of each period. This setup also reduces the potential endogeneity problem.

The size of the population is another common consideration in the explanation of civil wars. First, the usual definitions of civil war always set a threshold in the number of deaths, which suggests that one should control by population as a scale factor. Second, Collier and Hoeffler (2002) consider that the size of the population is an additional proxy for the benefits of a rebellion, since it measures potential labor income taxation. Finally, Fearon and Laitin (2003) indicate that a large population implies difficulties in controlling what goes on at the local level and increases the number of potential rebels that can be recruited by the insurgents.

Mountains are another dimension of opportunity, since this terrain can provide a safe haven for rebels. Long distances from the center of the state's power also favor the incidence of civil wars, especially if there is a natural frontier between them, like a sea or other countries. Collier and Hoeffler (2002) point out that the existence of natural resources provides an opportunity for rebellion since these resources can be used to finance the war and increase the payoff if victory is achieved. Finally, most of the literature considers the effect of democracy.

Therefore the explanatory variables for the core specification of the incidence of civil wars include the log of real GDP per capita in the initial year (LGDPC), the log of the population at the beginning of the period (LPOP), primary exports (PRMEXP), mountains (MOUNTAINS), noncontiguous states (NONCONT), and the level of democracy (DEMOCRACY). Using this core specification, we check the empirical performance of indices of fractionalization and polarization, as well as other measures of ethnic and religious heterogeneity.

#### A. Ethnic Heterogeneity and the Incidence of Civil Wars

Table 1 reports the results obtained using, alternatively, measures of fractionalization and

polarization.<sup>25</sup> The first column shows that the index of ethnolinguistic fractionalization (ETHFRAC) has no statistically significant effect on the incidence of civil wars. This result is consistent with Fearon and Laitin (2003) and Collier and Hoeffler (1998). If we substitute the index of ethnic fractionalization by the RQ index of ethnic polarization, ETHPOL, we find (column 2) a positive and statistically significant effect on the incidence of civil wars. The initial GDP per capita has a negative effect<sup>26</sup> on the incidence of civil wars, while the log of population has a positive effect.<sup>27</sup> We find no significant effect of mountains, noncontiguous states, or primary exports on the incidence of civil wars. Finally, the level of democracy has a positive but not statistically significant coefficient. Column 3 checks the relative strength of the index of ethnic polarization versus fractionalization, and shows that the coefficient on ethnic fractionalization is not significantly different from zero, while the one on polarization is positive and significant.

The effect of ethnic polarization is not only statistically significant; it is also economically important. Using the results in column 3, if the level of polarization increases from the average (0.51) to the level of Guinea (0.84), then the probability of conflict almost doubles. An increase in one standard deviation (0.24) of the average polarization increases the probability of conflict by 67 percent.

Another potential dimension of social heterogeneity that can generate conflictive situations is religion. Column 4 shows that religious fractionalization (RELFAC) is not statistically significant. Neither is the coefficient of religious polarization (RELPOL) in column 5. Column 6 shows the basic logit regressions using both religious fractionalization and religious polarization. The coefficient of the index of religious fractionalization (RELFAC) is marginally insignificant, while the index of religious

<sup>25</sup> All the tables show the z statistic tests calculated using the standard errors adjusted for clustering.

<sup>26</sup> Depending on the particular specification, this effect could be statistically significant or not. In the next section we show that the coefficient of the initial GDP per capita is very significant and robust when we use other datasets on civil wars different from PRIOCW.

<sup>27</sup> The same results are reported by Doyle and Sambanis (2000), Fearon and Laitin (2003), and Collier and Hoeffler (1998, 2002).

TABLE 1—LOGIT REGRESSIONS FOR THE INCIDENCE OF CIVIL WARS: BASIC INDICATORS OF ETHNOLINGUISTIC/RELIGIOUS HETEROGENEITY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	-5.82 (2.06)	-6.26 (1.93)	-6.29 (2.01)	-5.27 (1.66)	-6.03 (1.85)	-6.89 (2.26)	-6.77 (1.94)	-7.47 (2.32)
LGDP	-0.28 (1.27)	-0.44 (1.99)	-0.42 (1.79)	-0.40 (1.44)	-0.32 (1.11)	-0.33 (1.13)	-0.37 (1.32)	-0.37 (1.33)
LPOP	0.34 (2.18)	0.41 (2.40)	0.40 (2.21)	0.40 (2.47)	0.39 (2.39)	0.43 (3.01)	0.40 (2.31)	0.43 (2.72)
PRMEXP	-0.90 (0.52)	-1.01 (0.54)	-1.07 (0.57)	-0.36 (0.21)	-0.56 (0.32)	-0.35 (0.21)	-1.21 (0.64)	-0.89 (0.48)
MOUNTAINS	0.00 (0.49)	0.00 (0.25)	-0.00 (0.19)	0.00 (0.36)	0.00 (0.41)	0.00 (0.29)	-0.00 (0.15)	-0.00 (0.16)
NONCONT	0.08 (0.13)	0.29 (0.49)	0.28 (0.48)	0.04 (0.07)	0.08 (0.13)	0.31 (0.49)	0.32 (0.52)	0.47 (0.79)
DEMOCRACY	0.07 (0.21)	0.03 (0.09)	0.03 (0.09)	0.10 (0.29)	0.10 (0.28)	0.01 (0.05)	0.03 (0.08)	-0.03 (0.09)
ETHFRAC	1.19 (1.89)		0.17 (0.19)					0.04 (0.05)
ETHPOL		2.37 (2.97)	2.28 (2.23)				2.27 (2.84)	2.09 (2.03)
RELFRAC				0.37 (0.36)		-4.97 (1.65)		-4.45 (1.39)
RELPOL					0.73 (1.00)	3.90 (1.97)	0.44 (0.65)	3.29 (1.59)
Pseudo $R^2$	0.10	0.12	0.12	0.09	0.10	0.11	0.12	0.13
$N$	846	846	846	846	846	846	846	846

*Notes:* The sample includes 138 countries for the period 1960–1999. The dependent variable is the incidence of civil wars following the definition of PRIO, which includes intermediate and high-intensity armed conflicts (PRIOCW). The method of estimation is logit. The absolute  $z$ -statistics in parentheses are calculated using standard errors adjusted for clustering. Explanatory variables: LGDP, log of real GDP per capita in the initial year; LPOP, the log of the population at the beginning of the period; PRMEXP, primary exports (Collier and Hoeffler); MOUNTAINS, mountains; NONCONT, noncontiguous states; DEMOCRACY, degree of democracy (Polity IV); ETHFRAC, ethnic fractionalization (Source: WCE); ETHPOL, ethnic polarization (Source: WCE); RELFRAC, religious fractionalization (Source: ET); RELPOL, religious polarization (Source: ET).

polarization (RELPOL) is statistically significant. When both indicators are included in the same specification, religious polarization has the expected positive sign, but fractionalization has a negative impact on the probability of civil wars. This means that, conditional on a given degree of polarization, more religious diversity decreases the probability of a civil war. We argued before that a high number of different groups increases the coordination problems and, therefore, given a level of polarization, the probability of civil wars may be smaller. For example, Korea and Sri Lanka have the same level of religious polarization (0.72). However, Sri Lanka, which suffered a civil war, has a degree of religious fractionalization of 0.49, while Korea, with a much higher level (0.79), did not experience a civil war.

In column 7 we include, together, the indexes of ethnic polarization and religious polarization.

Only the estimated coefficient of the first one is statistically significant. If we also add, as explanatory variables, the degree of ethnic fractionalization and religious fractionalization (column 8), only the coefficient of ethnic polarization is significantly different from 0. It seems clear that ethnic polarization has a robust and powerful explanatory power on civil wars in the presence of other indices of fractionalization and polarization, while the statistical relevance of religious polarization depends on the particular specification.<sup>28</sup> Therefore, in the rest of the paper we check the robustness of the results of Table 1 using only ethnic polarization.

<sup>28</sup> For a more detailed account of the performance of religious polarization in the context of many different specifications, see Montalvo and Reynal-Querol (2000).

TABLE 2—LOGIT REGRESSIONS FOR THE INCIDENCE OF CIVIL WARS: ROBUSTNESS TO ALTERNATIVE INDICATORS OF ETHNOLINGUISTIC HETEROGENEITY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
C	-6.29 (2.01)	-4.82 (1.59)	-6.37 (2.03)	-5.07 (1.74)	-6.22 (1.93)	-5.10 (1.70)	-6.41 (1.96)
LGDPC	-0.42 (1.79)	-0.49 (2.35)	-0.42 (1.94)	-0.40 (1.85)	-0.43 (1.95)	-0.49 (2.15)	-0.41 (1.76)
LPOP	0.40 (2.21)	0.40 (2.46)	0.41 (2.43)	0.40 (2.40)	0.40 (2.29)	0.42 (2.64)	0.39 (2.32)
PRIMEXP	-1.07 (0.57)	-0.17 (0.10)	-1.11 (0.60)	1.19 (0.50)	-0.52 (0.18)	-0.20 (0.11)	-1.25 (0.69)
MOUNTAINS	-0.00 (0.19)	0.00 (0.03)	-0.00 (0.21)	0.00 (0.38)	-0.00 (0.22)	0.00 (0.11)	-0.00 (0.26)
NONCONT	0.28 (0.48)	0.22 (0.37)	0.26 (0.46)	0.03 (0.06)	0.28 (0.49)	0.18 (0.30)	0.28 (0.46)
DEMOCRACY	0.03 (0.09)	0.06 (0.18)	0.04 (0.11)	0.09 (0.25)	0.03 (0.10)	0.07 (0.22)	0.03 (0.08)
ETHPOL	2.28 (2.23)		2.54 (2.79)		2.35 (2.82)		2.91 (2.62)
ETHFRAC	0.17 (0.19)						
ETHDOM		0.44 (1.16)	-0.14 (0.34)				
ETHLRG*PRIMEXP				-2.92 (0.78)	-0.98 (0.21)		
LARMINOR						2.22 (1.32)	-1.36 (0.61)
N	846	846	846	846	846	846	846
Pseudo R <sup>2</sup>	0.12	0.09	0.12	0.09	0.13	0.10	0.12

Notes: The sample includes 138 countries for the period 1960–1999. The dependent variable is the incidence of civil wars following the definition of PRIO, which includes intermediate and high-intensity armed conflicts (PRIOCW). The method of estimation is logit. The absolute  $z$ -statistics in parentheses are calculated using standard errors adjusted for clustering. Explanatory variables: LGDPC, log of real GDP per capita in the initial year; LPOP, the log of the population at the beginning of the period; PRIMEXP, primary exports (Collier and Hoeffler); MOUNTAINS, mountains; NONCONT, noncontiguous states; DEMOCRACY, degree of democracy (Polity IV); ETHFRAC, ethnic fractionalization (Source: WCE); ETHPOL, ethnic polarization (Source: WCE); ETHDOM, ethnic dominance (Source: WCE); ETHLRG\*PRIMEXP, largest ethnic group by primary exports; LARMINOR, size of the largest minority (Source: WCE).

### B. Robustness to Alternative Measures of Heterogeneity

Table 2 reports the performance of the RQ index in the presence of other indicators of ethnolinguistic heterogeneity. To simplify the comparisons, column 1 displays the results of Table 1 for the core specification. Besides the indices of fractionalization and polarization, the literature has proposed some other indicators of potential ethnic conflict. Collier (2001) notices that ethnic diversity could be not only an impediment for coordination but also an incitement to victimization. Dominance, or one ethnic group in a majority, can produce victimization and, therefore, increase the risk of a civil war. Therefore, the effect of ethnic diversity will be conditional on being measured as dom-

inance or fractionalization. In principle, fractionalization should make coordination more difficult and, therefore, civil wars will be less probable since it will be difficult to maintain cohesion among rebels. Collier (2001) argues that the problem with the results in Easterly and Levine (1997) is that they are unable to distinguish between fractionalization and dominance. The empirical results reported by Collier (2001) seem to indicate that a good operational definition of dominance implies a group that represents between 45 percent and 90 percent of the population.<sup>29</sup> Collier and Hoeffler (2002) find,

<sup>29</sup> Collier (2001) justifies his choice by arguing that “the level of significance and the size of the coefficient of dominance reach a maximum when dominance is defined on the

however, that dominance, as defined above, has only a weak positive effect on the incidence of civil wars. In column 2 of Table 2, we show that ethnic dominance (ETHDOM) does not have any significant effect in our core specification. When ethnic dominance is included with the RQ index, column 3, its coefficient is not significant, while ethnic polarization continues to be a significant explanatory variable on the probability of civil wars. Caselli and Coleman (2002) propose another indicator which is the product of the largest ethnic group (ETHLRG) by primary exports (PRIMEXP). In column 4, we can see that this variable has a coefficient that is not significantly different from 0. In column 5, we show that the index of polarization is significant, even when the product of the largest ethnic group by primary exports is included as an explanatory variable. Finally, we could also include the size of the largest minority (LARG-MINOR) as another way to proxy polarization. Column 6 shows that the coefficient on this new variable is not statistically significant, while ethnic polarization continues to be significant even in the presence of this new variable (column 7).

#### IV. Some Additional Tests of Robustness

The previous section has shown that the relevance of ethnic polarization in the explanation of civil wars is robust to the presence of such other indicators of ethnic heterogeneity as fractionalization, dominance, or the product of the size of the largest group by the proportion of primary exports. In this section we explore the robustness of previous results. In particular, we discuss: (a) different definitions of civil wars; (b) the inclusion of regional dummies or the elimination of particular regions; (c) the use of different data sources to construct the indices; and (d) cross-section regressions covering the whole period.

##### A. *The Operational Definition of Civil War*

In this section, we check the robustness of the results to the use of an alternative definition of

civil war. Up to this point we have worked with the definition proposed by PRIO for intermediate and high-intensity armed conflicts,<sup>30</sup> which we name PRIOCW. PRIO also offers series to construct armed conflicts that generate more than 25 deaths per year, PRIO25, and very intense armed conflicts (more than 1,000 deaths yearly), PRIO1000. Another source of data is Doyle and Sambanis (2000) (DSCW), who define civil war as an armed conflict with the following characteristics: “(a) it caused more than 1,000 deaths; (b) it challenged the sovereignty of an internationally recognized state; (c) it occurred within the recognized boundary of that state; (d) it involves the state as a principal combatant; (e) it included rebels with the ability to mount organized armed opposition to the state; and (f) the parties were concerned with the prospects of living together in the same political unit after the end of the war.”<sup>31</sup>

Finally, Fearon and Laitin (2003) use a different operational definition of civil war (FLCW). For these authors, a violent conflict should meet the following criteria to be coded as a civil war: (a) it should involve the “fighting between agents of (or claimants to) a state and organized, non-state groups who sought either to take control of a government, take power in a region, or use violence to change government policies; (b) the conflict killed or has killed at least 1,000 over its course, with a yearly average of at least 100 deaths; (c) at least 100 were killed on both sides (including civilians attacked by rebels).”

Table 3 shows the proportion of armed conflicts over total observations using different definitions of armed conflict and different periodicity. The closest definitions are the PRIOCW and Doyle and Sambanis (2000). For annual data, the proportion of armed conflicts ranges from 5.9 percent (PRIO1000) to 15.2 percent (PRIO25). For five-year periods, the proportions are between 10.1 percent and 22.2 percent. Finally, if we consider the whole period, the proportions range from 29.2 percent to 53.6 percent.

Table 4 shows the results of the basic speci-

range of 45 percent–90 percent of the population.” Since we want to check the robustness of our RQ index to alternative measures, we have chosen the “statistically most powerful” empirical definition for dominance.

<sup>30</sup> Those causing more than 25 yearly deaths and a minimum of 1,000 deaths over the course of the war.

<sup>31</sup> This definition is practically identical to J. David Singer and Melvin Small (1994) in their *Correlates of Wars* project (COW).

TABLE 3—PROPORTION OF OBSERVATIONS WITH CIVIL WARS (1960–1999): ALTERNATIVE SOURCES OF DATA AND TIME PERIODS

	Annual	Five-year periods	All periods (1960–1999)
PRIO1000	5.9%	10.1%	29.2%
PRIOCW	10.8%	14.4%	33.1%
PRIO25	15.2%	22.2%	53.6%
Doyle-Sambanis (DSCW)	11.4%	15.3%	35.5%
Fearon-Laitin (FLCW)	13.0%	16.6%	34.8%

fication using the different definitions of armed conflict. Column 1 shows that ethnic polarization is statistically significant when we use as a dependent variable the definition of civil wars of Doyle and Sambanis (2000). In fact, we can see that the size of the coefficient on ethnic polarization is very similar to the one obtained using the intermediate and high definition of armed conflict of PRIO (PRIOCW). We already argued that in practice the data of Doyle and Sambanis (2000) and the PRIOCW are very similar. Column 2 shows that ethnic polarization is marginally statistically significant if we use the definition of civil war of Fearon and Laitin (2003). Columns 3 and 4 show that the statistical significance of the coefficient on ethnic polarization is robust to the use of the other two definitions of PRIO. In fact, it is interesting to notice that the coefficient that measures the effect of ethnic polarization on the probability of civil wars increases monotonically with the intensity of the conflict (2.05 including minor conflicts; 2.28 for intermediate and high intensity conflicts; and 2.33 for the most violent conflicts). Another interesting fact in columns 1 to 4 of Table 4 is the robustness of the coefficient of initial GDP per capita. It seems that the relative weakness of the coefficient of this variable in Tables 1 and 2 is due to the definition of civil war used (intermediate and high-intensity types following PRIO).

Finally, we should note that, using the data of Doyle and Sambanis (2000) and Fearon and Laitin (2003), the importance of initial level of democracy is much larger than when using the dataset of PRIO. Using the PRIO dataset, democracy is very far from being statistically significant. Moreover, this variable has many missing observations, which reduces the sample

size. Therefore, we consider the effect of excluding this variable from the specification. Column 5 shows that the results of Table 1 are robust to the exclusion of the DEMOCRACY variable, but the sample size increases significantly due to the large number of missing data in that variable. Columns 6 to 9 show that the statistical significance of ethnic polarization in the explanation of civil wars is robust to the use of alternative datasets for the endogenous variable, even if we do not consider the DEMOCRACY variable in the specification.

### B. Robustness to Regional Effects

Are the results robust to including dummy variables for the different regions of the world? Are they robust to the elimination of regions that are considered especially conflictive? We investigate these questions in Table 5. Columns 1 and 2 show that ethnic polarization is statistically significant in the presence of regional dummies,<sup>32</sup> with and without the inclusion of ethnic fractionalization, which is not significant. The elimination from the sample of the countries in sub-Saharan Africa, column 3, does not affect the statistical significance of ethnic polarization. If we eliminate those African countries and include in the regression the index of ethnic fractionalization, column 4, then the coefficient on ethnic polarization is not significant. As we argued before, however, since ethnic fractionalization is not statistically significant it seems clear that its presence increases the standard error of the ethnic polarization estimated coefficient. Columns 5 and 6 show the robustness of ethnic polarization to eliminating from the sample the Latin American countries. Finally, columns 7 and 8 confirm that the effect of ethnic polarization on civil wars is robust to the elimination from the sample of the Asian countries.

### C. The Effect of Alternative Data Sources for Ethnic Heterogeneity

One may wonder if part of the results in the previous sections is driven by the data used in the construction of the indices of polarization and fractionalization. We pointed out that there

<sup>32</sup> The dummies are for sub-Saharan Africa, Latin America, and Asia.

TABLE 4—LOGIT REGRESSIONS FOR THE INCIDENCE OF CIVIL WARS: COMPARING ALTERNATIVE DATA ON CIVIL WARS

Dependent variable	DSCW (1)	FLCW (2)	PRIO1000 (3)	PRIO25 (4)	PRIOCW (5)	DSCW (6)	FLCW (7)	PRIO1000 (8)	PRIO25 (9)
Constant	-1.84 (0.76)	-2.47 (0.89)	-4.32 (1.54)	-4.16 (1.61)	-7.29 (2.59)	-3.26 (1.46)	-4.25 (1.67)	-5.22 (2.02)	-5.69 (2.44)
LGDP	-0.86 (3.89)	-1.19 (4.65)	-0.62 (2.78)	-0.62 (3.28)	-0.45 (1.93)	-0.82 (3.63)	-1.08 (4.52)	-0.66 (3.22)	-0.60 (3.14)
LPOP	0.35 (2.36)	0.51 (2.68)	0.30 (1.94)	0.39 (2.35)	0.47 (2.77)	0.44 (3.04)	0.58 (3.22)	0.38 (2.56)	0.48 (3.05)
PRMEXP	-0.91 (0.54)	-0.55 (0.37)	-0.01 (0.01)	0.24 (0.20)	-0.87 (0.49)	-0.68 (0.45)	-0.37 (0.27)	0.04 (0.03)	0.27 (0.26)
MOUNTAINS	-0.00 (0.80)	0.00 (1.04)	0.00 (0.54)	0.00 (0.22)	-0.00 (0.20)	-0.00 (0.63)	0.00 (1.03)	0.00 (0.50)	0.00 (0.18)
NONCONT	0.25 (0.45)	0.90 (1.59)	0.30 (0.50)	0.69 (1.59)	0.16 (0.29)	0.18 (0.35)	0.82 (1.64)	0.13 (0.24)	0.54 (1.37)
DEMOCRACY	0.43 (1.25)	0.53 (1.65)	0.03 (0.09)	0.18 (0.68)					
ETHFRAC	-0.52 (0.65)	0.01 (0.01)	0.57 (0.62)	-0.06 (0.09)	0.18 (0.20)	-0.73 (0.92)	-0.14 (0.15)	0.57 (0.63)	-0.17 (0.23)
ETHPOL	2.31 (2.76)	1.95 (1.97)	2.33 (2.16)	2.05 (2.41)	2.31 (2.23)	2.32 (2.74)	2.11 (2.02)	2.35 (2.12)	2.13 (2.48)
Pseudo $R^2$	0.13	0.25	0.13	0.14	0.15	0.16	0.26	0.16	0.17
$N$	846	846	846	846	990	990	990	990	990

Notes: The sample includes 138 countries for the period 1960–1999. The method of estimation is logit. The absolute  $z$ -statistics in parentheses are calculated using standard errors adjusted for clustering. The endogenous variables are: PRIOCW, intermediate and high-intensity armed conflict (PRIO); DSCW, Doyle and Sambanis (2000) definition of civil war; FLCW, Fearon and Laitin (2003) definition of civil war; PRIO1000, armed conflict generating more than 1,000 deaths yearly (PRIO); PRIO25, armed conflict generating more than 25 deaths yearly (PRIO). Explanatory variables: LGDP, log of real GDP per capita in the initial year; LPOP, the log of the population at the beginning of the period; PRMEXP, primary exports (Collier and Hoeffler); MOUNTAINS, mountains; NONCONT, noncontiguous states; DEMOCRACY, degree of democracy (Polity IV); ETHFRAC, ethnic fractionalization (Source: WCE); ETHPOL, ethnic polarization (Source: WCE).

are three basic sources of data on ethnic heterogeneity: the WCE (the base of our data), the EB (source of the indices of Alesina et al., 2003) and the ANM (source of the well-known ELF). We argued before that the correlation between our indicators and the ones calculated using other sources of data is quite high. The RQ index of polarization calculated using the row data of Alesina et al. (2003)<sup>33</sup> has a positive (1.93) and statistically significant effect ( $z = 2.32$ ) on the incidence of civil wars (PRIOCW), opposite to what happens with the coefficient of the index of fractionalization calculated using the same source (estimated coefficient = 1.27 and  $z = 1.67$ ). When we run the regression with the RQ index of polarization calculated using the row data of the ANM, we find that it has a positive effect (estimated coefficient = 2.35 and  $z = 3.33$ ) on the probability of civil wars, while the index of fractionalization calculated with

the same dataset is not statistically significant (estimated coefficient = 1.20 and  $z = 1.41$ ).

The results using other definitions of civil wars are equally supportive of the robustness of the results. For instance, for intense civil wars (PRIO1000 definition) the coefficient on ethnic polarization calculated using the data of Alesina et al. (2003) is 1.95 ( $z = 2.22$ ). If ethnic polarization is calculated using the ANM then its estimated coefficient on the incidence of intense civil wars is 1.98 ( $z = 2.63$ ). In both cases ethnic fractionalization is not statistically significant.

#### D. Cross-Section Regressions

In the empirical section we have been working with a panel of countries divided in five-year periods. It seems reasonable, however, to perform a final robustness check running the logit regressions in a cross section. The dependent variable now takes value 1 if a country has had a civil war during the entire sample period

<sup>33</sup> We thank Sergio Kurlat and Bill Easterly for sharing with us the row data of Alesina et al. (2003).

TABLE 5—ROBUSTNESS OF THE RESULTS TO THE INCLUSION OF REGIONAL DUMMIES AND THE ELIMINATION OF COUNTRIES IN SPECIFIC REGIONS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
C	-6.17 (1.74)	-6.07 (1.68)	-4.59 (1.19)	-4.23 (1.06)	-7.47 (1.93)	-7.60 (2.01)	-5.50 (1.69)	-5.39 (1.66)
LGDP	-0.43 (1.84)	-0.41 (1.71)	-0.45 (1.78)	-0.43 (1.57)	-0.37 (1.59)	-0.34 (1.43)	-0.40 (1.72)	-0.43 (1.78)
LPOP	0.40 (2.34)	0.38 (2.08)	0.33 (1.75)	0.29 (1.37)	0.46 (2.35)	0.45 (2.24)	0.33 (2.01)	0.35 (1.93)
PRIMEXP	-1.08 (0.56)	-1.15 (0.59)	-0.94 (0.45)	-1.14 (0.55)	-0.55 (0.30)	-0.60 (0.33)	-0.92 (0.43)	-0.81 (0.37)
MOUNTAINS	-0.00 (0.15)	-0.00 (0.11)	-0.01 (0.64)	-0.01 (0.65)	-0.00 (0.57)	-0.00 (0.50)	-0.00 (0.02)	-0.00 (0.09)
NONCONT	0.11 (0.17)	0.09 (0.14)	0.12 (0.20)	0.05 (0.09)	-0.06 (0.09)	-0.07 (0.11)	0.12 (0.15)	0.14 (0.17)
DEMOCRACY	0.09 (0.25)	0.09 (0.26)	0.01 (0.02)	-0.00 (0.02)	0.06 (0.16)	0.06 (0.16)	0.16 (0.43)	0.16 (0.44)
ETHPOL	2.48 (3.10)	2.35 (2.23)	2.40 (2.60)	1.98 (1.32)	2.20 (2.80)	2.12 (2.15)	2.46 (2.92)	2.61 (2.43)
ETHFRAC		0.26 (0.29)		0.63 (0.42)		0.19 (0.21)		-0.30 (0.32)
Reg. Dummies	Yes	Yes	No	No	No	No	No	No
Eliminated region	None	None	SAfrica	SAfrica	Laam	Laam	Asiae	Asiae
<i>N</i>	846	846	580	580	678	678	781	781
Pseudo <i>R</i> <sup>2</sup>	0.13	0.13	0.12	0.12	0.12	0.12	0.11	0.11

*Notes:* The sample includes 138 countries for the period 1960–1999. The dependent variable is the incidence of civil wars following the definition of PRIO, which includes intermediate and high-intensity armed conflicts (PRIOCW). The method of estimation is logit. The absolute *z*-statistics in parentheses are calculated using standard errors adjusted for clustering. Explanatory variables: LGDP, log of real GDP per capita in the initial year; LPOP, the log of the population at the beginning of the period; PRIMEXP, primary exports (Collier and Hoeffler); MOUNTAINS, mountains; NONCONT, noncontiguous states; DEMOCRACY, degree of democracy (Polity IV); ETHFRAC, ethnic fractionalization (Source: WCE); ETHPOL, ethnic polarization (Source: WCE). Regional dummies: SAFRICA, sub-Saharan Africa; LAAM, Latin America; ASIAE, Asia.

(1960–1999), and zero otherwise. GDP per capita, population, democracy, and primary exports are measured at the beginning of the period (1960). Table 6 shows that the index of ethno-linguistic polarization is significantly different from zero with (column 1) or without, including the regional dummy variables (column 2).<sup>34</sup> The result is robust to the use of different datasets for civil wars like Doyle and Sambanis (2000), columns 3 and 4, or Fearon and Laitin (2003), columns 5 and 6.

## V. Conclusions

Several recent papers have documented the negative effect of ethnic fractionalization on economic development. Some authors have ar-

gued that a high degree of ethnic fractionalization increases potential conflict, which has negative effects on investment and increases rent-seeking activities. Many of the theoretical arguments supporting the effect of ethnic heterogeneity on potential conflict, however, were developed in the context of polarized societies. In addition, researchers frequently use the index of fractionalization to capture the concept of polarization. We argue that the measure of ethnic heterogeneity appropriate to capture potential conflict should be a polarization measure. In fact, Horowitz (1985), in his seminal book on ethnic groups in conflict, points out that the most severe conflicts arise in societies where a large ethnic minority faces an ethnic majority. The index of ethnic fractionalization is not able to capture this idea appropriately.

We define an index of polarization based on a discrete metric that we call discrete polarization. It turns out that our index is related to the original index of income polarization of

<sup>34</sup> If instead of ethnic polarization we include ethnic fractionalization, the estimated coefficient is 1.50 with a *z*-statistic of 1.57.



TABLE 6—ROBUSTNESS REGRESSIONS: CROSS-SECTION LOGIT REGRESSIONS FOR THE INCIDENCE OF CIVIL WARS

Endogenous variable	PRIOCW (1)	PRIOCW (2)	DSCW (3)	DSCW (4)	FLCW (5)	FLCW (6)
C	-1.19 (0.37)	-1.04 (0.26)	2.23 (0.68)	5.84 (1.31)	4.91 (1.41)	8.37 (1.76)
LGDP	-0.63 (2.03)	-0.63 (1.61)	-1.01 (2.95)	-1.40 (2.94)	-1.23 (3.34)	-1.64 (3.20)
LPOP	0.35 (1.61)	0.34 (1.51)	0.37 (1.57)	0.34 (1.33)	0.25 (1.06)	0.24 (0.94)
PRIMEXP	1.19 (0.55)	1.29 (0.57)	-0.34 (0.15)	0.23 (0.10)	-0.20 (0.08)	0.90 (0.36)
MOUNTAINS	-0.00 (0.58)	-0.01 (0.45)	0.00 (0.42)	-0.01 (0.83)	0.01 (0.70)	0.01 (0.46)
NONCONT	0.02 (0.03)	0.05 (0.06)	-0.53 (0.59)	-0.56 (0.57)	-0.17 (0.19)	0.14 (0.14)
DEMOCRACY	0.32 (0.55)	0.35 (0.59)	-0.02 (0.04)	-0.09 (0.14)	-0.19 (0.30)	-0.03 (0.06)
ETHPOL	3.35 (2.46)	3.42 (2.48)	3.26 (2.37)	3.53 (2.44)	2.95 (2.15)	3.27 (2.26)
Reg. dummies	No	Yes	No	Yes	No	Yes
<i>N</i>	90	90	90	90	90	90
Pseudo <i>R</i> <sup>2</sup>	0.17	0.17	0.26	0.27	0.29	0.31

*Notes:* The sample includes 138 countries for the period 1960–1999. The method of estimation is logit. The endogenous variables are: PRIOCW, intermediate and high-intensity definition of armed conflict of PRIO; DSCW, Doyle and Sambanis (2000) definition of civil war; FLCW, Fearon and Laitin (2003) definition of civil war. Explanatory variables: LGDPC, log of real GDP per capita in the initial year; LPOP, the log of the population at the beginning of the period; PRIMEXP, primary exports (Collier and Hoeffler); MOUNTAINS, mountains; NONCONT, noncontiguous states; DEMOCRACY, degree of democracy (Polity IV); ETHPOL, ethnic polarization (Source: WCE). Regional dummies: SAFRICA, sub-Saharan Africa; LAAM, Latin America; ASIAE, Asia.

Esteban and Ray (1994). We describe a particular case of discrete polarization, the RQ index, which satisfies the basic properties associated with the concept of polarization. Keefer and Knack (2002) argue that their income-based measures of polarization are very similar to the Gini coefficient, suggesting that in practice the divergence between income-based polarization and inequality is more theoretical than actual. In this paper, we have shown that the difference between ethnic polarization and fractionalization is both theoretical and actual.

In the empirical section, we show that the index of ethnic fractionalization does not have a significant effect on the likelihood of conflicts. Therefore, it is unlikely that ethnic fractionalization affects economic development through an increase in the probability of conflicts. This finding, however, does not mean that ethnic diversity has no role in the explanation of civil wars. In fact, ethnic polarization is a significant explanatory variable for the incidence of civil wars if we use the RQ index of polarization. This result is robust to the use of other proxies for ethnic heterogeneity, alternative sources of

data, regional dummies, and the use of a single cross section of data. Therefore, it seems that the weak explanatory power of ethnic heterogeneity on the incidence of civil wars found by several recent studies is due to the use of an index of fractionalization instead of an index of polarization. In addition, Montalvo and Reynal-Querol (2005) confirm that ethnolinguistic fractionalization has a direct negative effect on growth, probably due to its impact on the transmission of ideas. They also find, however, that an increase in ethnic polarization has an indirect negative effect on growth because it increases the incidence of civil wars and public consumption, and reduces the rate of investment.

#### APPENDIX A: DEFINITION OF THE VARIABLES

**PRIOCW:** Intermediate and war definition of armed conflict from PRIO. This is a contested incompatibility that concerns government and/or territory, where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths yearly and a minimum of

1,000 deaths over the course of the civil war. We consider only types 3 and 4 (internal armed conflicts).

**PRIO1000:** PRIO definition including armed conflicts that generate more than 1,000 deaths yearly (war definition following PRIO classification). We consider only types 3 and 4 (internal armed conflicts).

**PRIO25:** PRIO definition including armed conflicts that generate more than 25 deaths yearly (minor armed conflicts plus intermediate plus war following PRIO classification). We consider only types 3 and 4 (internal armed conflicts).

**DSCW:** Civil wars using the dataset of Doyle and Sambanis (2000). Their definition considers a conflict as a civil war if:

- (a) It caused more than 1,000 deaths;
- (b) It challenged the sovereignty of an internationally recognized state;
- (c) It occurred within the recognized boundary of that state;
- (d) It involves the state as a principal combatant;
- (e) It included rebels with the ability to mount organized armed opposition to the state; and
- (f) The parties were concerned with the prospects of living together in the same political unit after the end of the war.

This definition is nearly identical to the definition of Singer and Small (1994).

**FLCW:** The definition of civil war of Fearon and Laitin (2003) is a conflict that:

- (a) Involves fighting between agents of (or claimants to) a state and organized, nonstate groups which sought either to take control of a government, to take power in a region, or to use violence to change government policies.
- (b) The conflict killed at least 1,000 over its course, with a yearly average of at least 100; and
- (c) At least 100 were killed on both sides (including civilians attacked by rebels). The last condition is intended to rule out massacres where there is no organization or effective opposition.

**LGDP:** Log of real GDP per capita of the initial period (1985 international prices) from the Penn World Tables 5.6. Updated with the data of the Global Development Network Growth Database (World Bank).

**LNPOP:** Log of the population at the beginning of the period from the Penn World Tables 5.6. Updated with the data of the Global Development Network Growth Database (World Bank).

**PRIMEXP:** Proportion of primary commodity exports of GDP. Primary commodity exports. Source: Collier and Hoeffler (2001).

**MOUNTAINS:** Percent mountainous terrain. This variable is based on work by geographer A. J. Gerard for the World Bank's "Economics of Civil War, Crime, and Violence" project.

**NONCONT:** Noncontiguous state. Countries with territory holding at least 10,000 people and separated from the land area containing the capital city either by land or by 100 kilometers of water were coded as "noncontiguous." Source: Fearon and Laitin (2003).

**DEMOCRACY:** Democracy score. General openness of the political institutions (0 = low; 10 = high). Source: Polity IV dataset. We transform the score in a dummy variable that takes value 1 if the score is higher or equal to 4. This variable is very correlated with the variable Freedom of the Freedom House.

**ETHFRAC:** Index of ethnolinguistic fractionalization calculated using the data of the WCE.

**ETHPOL:** Index of ethnolinguistic polarization calculated using the data of the WCE.

**ETHDOM:** Index of ethnic dominance. It takes value 1 if one ethnolinguistic group represents between 45 percent and 90 percent of the population. Source: WCE.

**ETHLRG:** Proportion of the largest ethnic group. Source: WCE.

**RELFAC:** Index of religious fractionalization. Source: *L'Etat des religions dans le monde* and *The Statesman's Yearbook*.

**RELPOL:** Index of religious polarization. Source: *L'Etat des religions dans le monde* and *The Statesman's Yearbook*.

## APPENDIX B: ETHNIC POLARIZATION AND FRACTIONALIZATION (SOURCE: WCE)

Country	ETHPOL	ETHFRAG	Country	ETHPOL	ETHFRAG
Afghanistan	0.786	0.603	Ireland	0.141	0.072
Algeria	0.514	0.299	Israel	0.548	0.286
Angola	0.572	0.805	Italy	0.154	0.080
Argentina	0.579	0.408	Jamaica	0.600	0.354
Australia	0.492	0.315	Japan	0.067	0.034
Austria	0.240	0.128	Jordan	0.982	0.515
Bahamas, The	0.705	0.441	Kenya	0.381	0.890
Bahrain	0.569	0.383	Korea, Rep.	0.028	0.014
Bangladesh	0.132	0.068	Kuwait	0.980	0.513
Barbados	0.366	0.199	Lesotho	0.343	0.185
Belgium	0.871	0.544	Liberia	0.390	0.890
Benin	0.436	0.868	Luxembourg	0.596	0.298
Bolivia	0.767	0.708	Madagascar	0.017	0.050
Botswana	0.650	0.485	Malawi	0.736	0.684
Brazil	0.773	0.644	Malaysia	0.762	0.695
Burundi	0.512	0.286	Mali	0.420	0.862
Cameroon	0.576	0.817	Malta	0.167	0.083
Canada	0.672	0.767	Mauritania	0.536	0.334
Cape Verde	0.822	0.435	Mauritius	0.803	0.482
Central African Republic	0.578	0.787	Mexico	0.654	0.576
Chad	0.665	0.768	Morocco	0.897	0.475
Chile	0.723	0.432	Mozambique	0.499	0.838
China	0.661	0.599	Myanmar	0.650	0.474
Colombia	0.789	0.675	Nepal	0.652	0.682
Comoros	0.127	0.061	Netherlands	0.214	0.113
Congo, Dem. Rep.	0.586	0.799	New Zealand	0.366	0.196
Congo, Rep.	0.674	0.721	Nicaragua	0.681	0.496
Costa Rica	0.420	0.241	Niger	0.698	0.718
Cote d'Ivoire	0.432	0.874	Nigeria	0.404	0.885
Cyprus	0.652	0.357	Norway	0.090	0.045
Denmark	0.097	0.049	Oman	0.408	0.239
Dominica	0.370	0.202	Pakistan	0.698	0.608
Dominican Republic	0.725	0.460	Panama	0.586	0.048
Ecuador	0.837	0.657	Papua New Guinea	0.669	0.354
Egypt, Arab Rep.	0.427	0.247	Paraguay	0.310	0.174
El Salvador	0.279	0.145	Peru	0.817	0.658
Ethiopia	0.778	0.695	Philippines	0.497	0.843
Fiji	0.930	0.559	Poland	0.099	0.051
Finland	0.294	0.148	Portugal	0.020	0.010
France	0.294	0.147	Rwanda	0.401	0.221
Gabon	0.519	0.834	Samoa	0.388	0.199
Gambia, The	0.689	0.728	Saudi Arabia	0.114	0.059
Germany	0.227	0.123	Senegal	0.560	0.809
Ghana	0.661	0.731	Seychelles	0.160	0.084
Greece	0.186	0.099	Sierra Leone	0.600	0.793
Grenada	0.945	0.542	Singapore	0.666	0.421
Guatemala	0.955	0.520	Solomon Islands	0.258	0.139
Guinea	0.843	0.649	Somalia	0.679	0.385
Guinea-Bissau	0.532	0.829	South Africa	0.718	0.469
Guyana	0.813	0.634	Spain	0.693	0.436
Haiti	0.207	0.104	Sri Lanka	0.749	0.452
Honduras	0.430	0.254	St. Lucia	0.958	0.540
Hong Kong, China	0.066	0.034	St. Vincent and the Grenadines	0.773	0.527
Hungary	0.308	0.167	Sudan	0.699	0.711
Iceland	0.055	0.028	Suriname	0.734	0.729
India	0.348	0.901	Swaziland	0.318	0.178
Indonesia	0.529	0.793	Sweden	0.337	0.189
Iran, Islamic Rep.	0.598	0.756	Switzerland	0.724	0.560
Iraq	0.665	0.390	Syrian Arab Republic	0.373	0.207

## APPENDIX B—Continued.

Country	ETHPOL	ETHFRAG
Taiwan, China	0.685	0.363
Tanzania	0.271	0.959
Thailand	0.582	0.361
Togo	0.673	0.732
Tonga	0.066	0.034
Trinidad and Tobago	0.842	0.662
Tunisia	0.167	0.087
Turkey	0.342	0.185
Uganda	0.279	0.932
United Arab Emirates	0.640	0.320
United Kingdom	0.571	0.373
United States	0.691	0.583
Uruguay	0.426	0.260
Vanuatu	0.285	0.155
Venezuela	0.758	0.539
Yemen, Rep.	0.063	0.032
Yugoslavia, FR (Serb./Mont.)	0.599	0.782
Zambia	0.606	0.787
Zimbabwe	0.698	0.534

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