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Ethnic Fractionalization and the Development of Egalitarian Democracy

Does Ethnic Fractionalization Impede the Development of Egalitarian Democracy?
A Quantitative Study

Master's thesis in Political Science
Supervisor: Indra de Soysa
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NTNU
Norwegian University of
Science and Technology

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Preface

I want to start by thanking my supervisor Indra de Soysa for his guidance and support throughout the research and writing process. I also want to thank my friends and family for their support and much welcomed distractions when I needed it.

My years as a student are nearing its end, but they will all be looked back on with fond memories. I want to thank everyone who has made my time in Trondheim unique and exciting, both my classmates and all the people I've met through different student volunteer organisations. Also, a special thanks to Ingvild for her support throughout the entire process and for keeping me sane the last few weeks before the deadline.

Abstract

This thesis is a quantitative analysis of whether ethnical fractionalization is a hinderance for the development of egalitarian democracy and egalitarian institutions. Earlier research on ethnic diversity's effect of development, is mostly related to how it effects economic growth or varying measures of good governance. In this thesis I take a different approach, using egalitarian democracy as the dependent variable. A more comprehensive measure for a variety of aspects in society than for example GDP per capita.

I use a time-series cross-sectional (TSCS) dataset measuring 148 countries over a period of 53 years, starting in 1960 and ending in 2013. The egalitarian democracy variable is gathered from the Varieties of Democracy Institutes (V-Dem) dataset, measuring the degree if egalitarian democracy in a state at yearly intervals. The ethnical fractionalization variable is based on the Historical index of Ethnical Fractionalization (HIEF) dataset developed by Lenka Dražanová. As opposed to other indices measuring ethnic fractionalization, the HIEF data has the advantage of being time variant, enabling us to observe changes over time.

The findings of my research are mixed. When using the whole period 1960-2013 we do find a statistically significant negative effect of ethnic fractionalization on egalitarian democracy. However, when I change the period to 1990-2013, there are no statistically significant relationship between the two. It would appear that the level of ethnic diversity in a state impedes the development of egalitarian democracy when the state is relatively new, as was the case after the end of decolonialization. When the state is given time to stabilize itself, the level of ethnic diversity no longer affects the development of egalitarian democracy.

Sammendrag

Denne oppgaven er en kvantitativ analyse av hvorvidt etnisk mangfold er et hinder for utviklingen av egalitært demokrati og egalitære institusjoner. Tidligere forskning på effekten av etnisk mangfold på utvikling av land, tar hovedsakelig for seg effekten på økonomisk vekst og ulike mål på en velfungerende stat. Jeg har valgt en annen tilnærming, og bruker derfor egalitært demokrati som den avhengige variabelen. Egalitært demokrati er en mer omfattende variabel enn for eksempel BNP per innbygger, og måler ulike varianser i samfunnet.

Jeg bruker et time-series cross-sectional (TSCS) datasett hvor 148 land er observert over en periode på 53 år, fra 1960 til 2013. Variabelen for egalitært demokrati er hentet fra Varieties of Democracy Institue (V-Dem) sitt datasett, og måler lands ulike nivåer i egalitært demokrati med årlige intervaller. Variabelen for Etnisk mangfold er hentet fra datasettet; Historical index of Ethnical Fractionalization (HIEF), som er utviklet av Lenka Dražanová. HIEF datasettet skiller seg fra andre mål på etnisk mangfold, fordi det er et datasett med tids varians. Altså er det mulig å observere endringer i etnisk mangfold over tid.

Resultatene er noe blandet. Når vi ser på hele perioden 1960-2013, ser vi en statistisk signifikant negativ effekt av etnisk mangfold på egalitært demokrati. Når vi derimot ser på perioden fra 1990-2013, er det ingen statistisk signifikant effekt mellom de to. Det kan tyde på etnisk mangfold har en sterkere effekt på utviklingen av egalitært demokrati i unge land. Mot slutten av kolonitiden på 1960-tallet var det mange nye selvstendige stater, spesielt Sør for Sahara i Afrika. Med tiden stabiliserer disse landene seg, og etnisk mangfold har ikke lengre en effekt på egalitært demokrati.

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2   Introduction

Equality and inequality have been a contentious topic among philosophers, policymakers, the rich and the poor since the creation of private property, going back at least to classical Greece. How we should divide the scarce resources on our planet, is perhaps the most influential question asked in the history of humankind. Power and wealth have motivated countless people throughout history to do both good and bad. In such, the ability to accumulate more through effort has been an incredible incentive for innovation among farmers, businessowners and world leaders alike. Without this incentive it's questionable whether or not we would have seen the great technological advancements during the industrial revolution, or if forming a state with respect for individual rights would have been possible at all (Hayek, 1945). Perhaps, without private property and the resulting inequality, we would still be living in a tribal society with primitive institutions.

At the same time the fight for equality has also been a large part of human existence, especially regarding the development of democratic states and ideas of justice. The less fortunate in the struggle for resources, which tends to be the majority of the world's population, have time and time again challenged the status quo in opposition to what they see as unfair and exploitive. Through the struggles of the masses, the world has moved on in a more egalitarian direction, with people slowly gaining more rights, both social and economic. Today, the battle is far from over, but in many parts of the world people have better lives than their forefathers, much of this gain because of the increase in equal institutions that are inclusive with lower exploitation (Acemoglu & Robinson, 2013). Where do these inclusive, egalitarian institutions come from? Why can't all societies simply adopt them? An important argument is that the artificial structure of the states created by the Western powers in the end of the colonial era, has left much of the countries in the developing world too heterogenous. The construction of states with little to no regard for who reside within them forced different ethnic groups to coexist within the same geographical-, and now also political landmass. Supposedly, this ethnic and linguistic diversity prevents these societies from creating the necessary consensus for building inclusive egalitarian institutions (Alesina et al., 2003; Alesina et al., 2008; Alesina & La Ferrara, 2005; Easterly, 2006; Easterly & Levine, 1997). This thesis examines this question using a variety of unique indicators of ethno-linguistic

fractionalization and cultural difference for assessing their relationship with egalitarian politics (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Alizada, et al., 2021; Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021). Do ethno-linguistic and cultural differences within societies prevent them from being more inclusive and egalitarian?

This thesis will be a contribution to the inequality debate, more precisely the debate regarding whether or not more diverse societies can have egalitarian democracy. Although egalitarian values and ideas can be found in the works of many great philosophers such as Plato, Kant and Rousseau (Ebenstein & Ebenstein, 2000), the topic of egalitarianism became somewhat of a taboo in the 20th century. Egalitarianism, which is based on equality, is often associated with the communist hemisphere during the cold war. The concept was interpreted as an opposite to democracy, rather than a variation of it. Democratic states were typically defined as capitalist states where the people enjoyed a large degree of freedom, democratic competition and self-determination (Sigman & Lindberg, 2018). The communist regimes justified their governing with a pursuit of equality. The link with egalitarianism is therefore not surprising. Seeing the cruelty of the Soviet Union, egalitarianism thus became associated with this kind of autocratic regime. As a result, there were few scholars who promoted egalitarian democracies over liberal ones. Some who did however argue the importance of equality for democracy was Robert Dahl and John Rawls (Dahl, 1998; Ebenstein & Ebenstein, 2000; Rawls, 2009).

After the fall of the Berlin Wall, egalitarian democracy has once again been welcomed into the democracy debate, with academics such as Thomas Piketty (Piketty, 2014, 2020) arguing for more economic equality in the world. Although the world has seen tremendous progress in both life expectancy and quality over the last few centuries, there's still a large degree of inequality among its population. That is to say, the average human being is better off today than they were 200 years ago, having increased access to education, better living conditions, a varied nutritious diet and access to healthcare. Yet the gap between the richest percentage of the world population and the lowest, continue to grow. The middle classes have increased their means significantly, but so has the rich. It can be understood as if the return from capital is higher than the increase in salaries over the years. An investment into infrastructure, housing or a business will, with time, yield higher gains than the average salaries ever will.

Hence the level of inequality has continued to grow, even if the wage gap is closing. The rich are taking significantly lower salaries than what their net worth would indicate. Exactly because their wealth lies in stocks, housing etc. although accessible to them if and when they want it. One great fear about rising inequality is that such inequalities of wealth may translate into inequality in terms of access to political power and resources, constraining real democracy for the masses. In other words, growing inequality may lead to reversal of democracy.

Inequality does not however, only occur between the rich and the poor within a country. There are significant inequalities also between nations, and specifically between the West and the rest (Wilkinson & Pickett, 2010). The West, as the main benefiters from the colonial times, have had a significant advantage both in developing good functioning institutions and in developed means to create and extract economic value with the use of technologies. The losers from this rapid economic development, is the former colonies, and others who've been left behind (Collier, 2007). Thus, what was natural development paths for the already rich might not be the same because of colonialism and the way in which these countries came to be. As some argue, poor countries may not have the institutional baggage to development from within (Acemoglu & Robinson, 2013; Collier, 2007).

I will contribute to these debates by addressing the existing literature on whether or not poor states are hampered by ethnic fractionalization for the development of egalitarian democracies. I will examine whether countries that have a large degree of ethnic fractionalization, that is, several different ethnic or linguistic groups within a state, has any effect on developing equal societies. I will primarily assess economic and legal equality, with social equality as a secondary measure. To achieve my research goals, I will be using the "Varieties of democracy" dataset (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Alizada, et al., 2021). My research will be conducted on the country-level for a large sample of countries using a cross-sectional rime series dataset.

2.1   Research question

The question I intend to answer in this thesis, is:

How does ethnic fractionalization affect the development of egalitarian democracy

3   Literature review and theory

The goal of this paper is to shed light on the underlying factors for good governance and democracy. More specifically, to examine the relationship between ethnic diversity and the development of egalitarian democracy. The topic is closely linked to the development debate, addressing the cause of prosperity and poverty. Therefore, I will explore different theories on how to measure a developed state, whether it be through economics, institutions, GDP, or something else. The second section of the literature review is on the subject of ethnic fractionalization, or societal diversity due to ethnolinguistic differences between social groups.

3.1   Development

Why do some countries prosper while others do not? The 20th century was undoubtably a century of incredible growth on a global level, yet many countries did not partake in this accumulation of wealth. While the West made huge advancements in technology, education, health, social services, and the general wellbeing of its citizens, many other parts of the world were falling behind. Especially on the African continent the young states struggled with establishing well-functioning economies as well as governments that allowed democratic participation. This is of course not only limited to Africa. Several Asian countries as well as Latin American ones also struggle. Although, as many argue on a continental level, Sub Saharan Africa in particular has struggled (Collier, 2007; Easterly & Levine, 1997).

The topic of economic and institutional growth has piqued the curiosity of many scholars. Acemoglu and Robinson (2013) take the institutional approach, claiming the reason some states succeed where others fail are the result of either inclusive or extractive social and economic institutions. Paul Collier (2007) emphasise the importance of what he calls "poverty traps". Four traps which, when caught in, are nearly impossible to escape from. Then there's those who blame outside forces for the failure of the Third World. William Easterly (2006) points to the inefficiency of humanitarian aid for the poor countries. According to him, poor countries lack the proper institutions to allow the aid to flourish, and aid is often wasted in social conflicts and frictions. He blames the artificial nature of these countries for their inability to adopt good institutions because of the underlying social frictions. As he sees it, these

countries with multiple identity groups placed together in a single territorial space, result in countries that are too diverse to generate the social consensus for building fair and egalitarian institutions. Thus, many see such diversity as underlying development failure.

Good political and economic institutions are essential for economic growth and good governance alike. Acemoglu and Robinson take the institutional approach to development. They differentiate between two kinds of institutions, economic and political ones, which they again state are either inclusive or extractive (Acemoglu & Robinson, 2013).

The extractive institutions have been the norm for most of human existence. As the name suggests, they're designed to extract riches and power from the many to the few. In these societies there's usually a prosperous elite, benefitting from the struggles of the majority of the population. To maintain their power and influence, they design institutions that benefits themselves both by increasing their wealth and consolidating their power. In states like these, people lack essential rights such as freedom of speech, a free independent press, the right to vote and property rights. At least in de facto terms. On paper, the people might enjoy the same rights as the western democracies, but in actuality they are being oppressed and are living under exploitative conditions imposed by the ruling elite. Acemoglu and Robinson argue that these conditions actively hinder growth because it distorts incentives to be productive. Without the enforcement of property rights, people lack the incentives to create businesses and take risks, because there is no guarantee that they won't lose their hard-earned income to the elite, or others in positions of power.

One might think it would be in the elites' best interest to promote the rights for its citizens that also would promote economic growth. However, as Joseph A. Schumpeter argues in his theory of creative destruction, if society is going to evolve, it must abolish the old institutions. For the ruling elite this might mean losing its power and riches (Schumpeter, 1976). Therefore, the ruling elites in all countries throughout history, have been undermining institutional changes and blocked progress that may put their privileged positions in jeopardy.

In opposition to the extractive institutions, there could be inclusive ones. These are institutions created to promote growth and democratic rights where the ability of the

powerful to use their positions for their benefit only is blocked. For the economic institutions, this can for example be a patent system, protecting all people's innovative ideas and not just the powerful. A system like this is non-discriminatory, since everyone can submit a patent on their invention or idea, regardless of their social status or financial situation. This means that there is a lower risk related to being innovative. You trust that the government will protect your intellectual property from the competition, which has been an important part of building economic strength for the West. In broader terms, the powerful will not be able to monopolize economic power.

To better illustrate the importance of institutions, as opposed to some of the other theories such as geographical positioning, we look to the Korean peninsula. Although divided into two countries today, North Korea and South Korea, the two nations have a long common history. Until the Korean war in the 1950s, they were made up of the same people, language, and shared a culture. The territory they inhabited was geologically similar. Yet these two societies have diverted in significantly different directions. South Korea is today regarded as one of the more prosperous countries in the world, while North Korea is at the bottom of the same scale. The reason for their differences is not that South Korea has more natural resources or more productive people, but that they adopted inclusive institutions, promoting growth and democracy, allowing a free market and private property. Although the South got a lot of help from the United States, their own efforts are undeniable. North Korea on the other hand, is increasingly authoritarian and totalitarian. There's no room for individual thought, nor ideas. The ruling elites do not allow change and innovation.

How come some nations manage to break the cycle of the extractive institutions while others seem trapped? The Vicious cycle, as Acemoglu and Robinson calls it, means that extractive economic institutions breed extractive political institutions. The political elite might use their political power to ensure monopolies to their friends, who in turn become richer and will support their leaders. Through this mechanism the institutions consolidate each other. These institutions are hard to change, often outlasting nations themselves. Many of today's extractive regimes are old colonies. The colonies were designed to extract the natural resources and manpower to enrich the western colonial powers. When the colonists withdrew in the 20th century, they instated new government, but the institutions persisted. Only instead

of extracting the riches to the west, they were now being extracted for the benefit of the ruling elite in the new nation. Thus, the institutions persisted.

The question of how to go from extractive institutions and the vicious cycle to inclusive institutions and the virtuous are the big question. Many nations have done so successfully through the means of years and years of political reforms, wars, revolutions, or outside forces. Great Britain had a slow increase in their inclusive institutions from the 1600s to today, while others have had a steeper climb. Britain had to rely on itself to develop these institutions, slowly awarding more rights to more people to both political and physical struggle. Japan on the other hand, were guided by the US in the wake of World War two. The US included Japan in the free market and promoted democratic institutions, leading to Japan's steep increase in growth. We see that breaking the cycle isn't impossible, but hard. If it's to be done internally it's a political process that can last generations. Assistance from external forces is more efficient but comes with some implications. One being the incentives of the "helping" state. The US had some security concerns in east Asia and securing Japan as an ally was a smart strategic move. Another precondition for their success in Japan was that they'd just defeated them in a devastating war. These conditions are hard to replicate for other states, and quite frankly something we should aim to avoid. Could It be that the cases of Korea and Japan has much to say about their social diversity levels rather than the adoption of institutions alone. Perhaps South Koreans were able to build inclusive institutions because of their relative ethno-linguistic and cultural homogeneity? Then again the same argument could not explain why North Korea did not develop the same inclusive institutions, given their homogeneity.

Acemoglu and Robinson have been very influential in the institutional camp of growth and development, but they have not only been applauded but also criticized. One of the main critiques of the theory is its applicability to other cases. Indeed, when we look at the Korean peninsula, institutions do seem to be one of, if not *the* most important factor for the two countries differences, but is this true for every other struggling country as well? Jared Diamond would disagree (Diamond, 2012). In his bestselling book *Guns, Germs and Steel* (1997), Diamond presents the *geography hypothesis* where he emphasises the geographical locations-, the topography, and natural resources- role in the development of nations. More precisely he aims to understand the causes for the different cultural and technological

progress on a global level. He does this in a historical context, spanning as far back as the beginning of agriculture in the middle east. In the end his thesis emphasises the role of geography in why some nations developed differently than others. An especially important period for this thesis is the colonial era, where the western powers had a clear advantage over the rest of the world. Diamond accredits this success to the combination of guns, germs and steel. In the western societies the domestication of livestock had led to many diseases spreading between animals and men, which in time resulted in the people becoming more immune. When they then sailed across the oceans, they spread these germs to people who did not share this immunity and were therefore at a disadvantage. This was however not true on the African continent, where the locals were better adjusted to the tropical diseases of that climate. Here the guns had to ensure the western victory. The western powers had a natural edge on their opponents because of the favourable geography, climate and access to natural resources on their continent (Diamond, 1997; McCall, 1999).

Now to relate this back to the development of institutions, the two theses are not necessarily in opposition to one another. The first institutions were established to organize society after the discovery of agriculture. The institutions could therefore not be created anywhere, but needed the right conditions for society to develop, which they were in the arid Middle East. Then again it would be impossible for society to grow without institutions. They were the structure and rules that ensured that the world did not submit to complete anarchy, as one can argue it was in the time of the hunter- gatherer societies. This again, made it possible for humanity to expand to different areas of the globe, bringing with them the knowledge of species that could be domesticated. The development of nations has been a combined product of having the right institutions, the right technology, and being in the right place at the right time. In the colonial times all these requirements were met in the west, which is why they were able to conquer such a large portion of the world.

In todays globalised world however, the development of institutions is less reliant on the geography of the world, with exceptions of course. In the colonial times, the West had the advantage of accessible coal and steel, today these resources are less important. The most valuable resources are mostly located in Africa. Yet Africa is the poorest continent in the world. They might have the advantage of resources but lack the institutions to properly extract

them and use them in a way that would benefit society. Instead, they are extracted and sent to the West, mirroring how it existed in the colonial times. This is what Acemoglu and Robinson is talking about with the vicious circle (Acemoglu & Robinson, 2013).

So, we've established that institutions are important for the development of nations. Good governance does not come from a beneficial geographical location in itself but the composition of different groups within territories. On the contrary, without the proper institutions it might become a curse. Yet the institutions alone are not enough to bring a country into prosperity. Jeffery Sachs (2012) argues one of the theory's biggest weakness is to wrongly predict the cause of growth. Domestic institutions, although important for economic growth, are not the only factors to impact the economy. Other factors, such as geopolitics, technological advancements and natural resources are also important. This institutional thesis is especially appealing to western readers, because it idolises their established societies as the only way to achieve economic growth. How the good institutions of democracies will lead to economic growth, while the bad institutions of autocracies will do the opposite. This seems plausible in the case of the Soviet Union's collapse, but less so in the case of China. The assumption that autocratic leaders are always against growth and innovations seems to be proving contested in today's modern world.

William Easterly (2006) argues that the inefficiency of humanitarian aid has not helped development. It is a known problem that the Western countries spend billions of dollars in humanitarian aid, that does not have the desired effect, and sometimes have no effect at all. A combination of corruption, lack of incentives and the absence of the required institutions and infrastructure to properly administer aid funds, have resulted in goodhearted efforts to aid the world's poor, which is failing.

The world of humanitarian aid is divided into groups of *planners* and *searchers*. The planners are those who make great plans to eradicate poverty, giving motivational speeches of how little it would cost to limit the spread of diseases such as malaria, and hence limit the deaths of millions of people in the third world. They show great ambition and compassions to those suffering in poor countries but lack the necessary tools and incentives to effectively implement the measures they advocate for. The planners will eagerly pay the cost for malaria medicine

and its distribution; however, they lack the incentive to see whether or not it has been effective. Whether it reach the poor who need it or if it gets lost somewhere in the supply chain. They lack information from the very people they are trying to help. The searchers on the other hand, are incentivised to both implement aid projects, and see that they are successful. The searchers have consequences if they waste millions of dollars that were supposed to go to those in need. Easterly states that the capitalists in the free market typically are searchers. When there is a demand for a product, they find a way to supply it as well as evaluating whether the products have reached the consumers and if they're satisfied or not. As a result, they can adapt their strategies to better accommodate the demand. This is not to say that the free market is sufficiently equipped to take on humanitarian aid projects. The searchers in the free-market needs incentives to be successful. In humanitarian aid, these incentives are non-existent since the people in need of aid have no means to pay for it, making for a less than lucrative business (Easterly, 2006). The failure of the planners lies in their ability to make grand plans that turns out to be impossible to achieve. They try to develop aid institutions to be better equipped to help the people, which in itself is a good idea, however they are approaching the problem backwards. Instead, they should see what aid can do for poor people. Assessing what needs to be done and how it can be achieved with the means available. The biggest flaw in aid, is the lack of feedback.

In short, Easterly claims the top-down approach of the *planners* is flawed and has been proven so several times. Talk of a big humanitarian push to end poverty has been an ideal since the 1950s but is no more successful today than it was then. Poverty still exists, not because people and world leaders are unwilling to help, but because the means by which they do so have been proven ineffective again and again. Why then does politicians and people of influence continue to advocate for this kind of aid? Easterly claims it's because of its appeal to the public. It makes for great speeches when one of the world's greatest leaders talk about how we can end poverty with a fixed amount of money. The lack of accountability for the humanitarians also contribute to a lacking incentive to contribute to what matters for the poor. Resulting in the world being locked in a never-ending loop where the worlds rich donate money to the poor, that almost never end up where they're intended to go (Easterly, 2006).

Be it politicians or capitalists, none profit from helping them. At least not immediately. Politicians in democracies are typically searchers. They stand accountable to their electorate and therefore have incentives to make their policies as effective as possible. In this sense, the bureaucracy of rich democracies can be quite efficient accomplishing tasks to benefit the public. Doing so grants them goodwill and makes them eligible for re-election. In the poorer countries in the third world, many people lack the political power of your average citizen in western democracies. The politicians aren't accountable for their policies, and hence don't really care whether they're successful or not. In poor countries bureaucracy is more of a hindering than a tool to help develop the country. As easterly points out this is also one important reason for why many aid organisations fail when they try to resolve all the undeveloped world's problems through financing bureaucratic institutions. They're not efficient enough to handle the problems laid out before them.

Easterly blames the artificial nature of these failing countries for their lack of efficient institutions. Countries created with little to no regard for the people residing within them have become a breeding ground for inter-group grievances, competition, and undermining cooperation. The issue of ethnical diversity will have to be tackled in order for aid to be efficient (Easterly, 2006; Easterly & Levine, 1997).

Where grievances and social struggles are an important factor for the failure of the developing world in Easterly's eyes, Paul Collier takes a different approach. In his book "The Bottom Billion" (Collier, 2007), he gives four reasons for the failure of the bottom billion people of the world. He calls these *poverty traps*, and divides them into; the conflict trap, the natural resource trap, the trap of being landlocked with bad neighbours, and finally, the trap of bad governance in a small country (Collier, 2007). The first one, the conflict trap ensnares those countries who are prone to civil war. Collier has a controversial approach to civil war. He claims they are a cause of human greed, not grievances, as others would claim (Easterly, 2006). This is based on a model of his own design, measuring the relationship between income and proneness to civil war. He discovered that countries with lower starter salaries are more prone to civil wars than those with higher starting salaries. The cause/effect relation between the two are however twofold. Countries experiencing civil war will naturally also see a drop in

income. Yet, his findings state that low income is a cause for civil war, meaning the causal relationship goes both ways.

Collier doesn't discredit grievances as a cause for civil war entirely, but argues its rather a means to an end, rather than a cause (Collier, 2007). A theory that's highly disputable. When the colonial powers withdrew from their colonies, they left behind governments of various quality. Many highly unstable and inexperienced, not to mention not representing the country's people. Several African countries can be described as artificial states (Alesina et al., 2008), countries who's borders do not unite the people within them, but rather divides them. Groups of different ethnicity and culture with different interests trying to coincide within a state is bound to create friction. Not necessarily fuelled by greed, but by the grievances towards each other, as well as the political system inherited from the colonial powers (Opoku, 2009).

For his second and third traps, Collier blames the natural resource curse, and being landlocked with bad neighbours. The natural resource trap describe countries that come upon large reserves of natural resources, for example oil, but lack the institutions to administer them properly. The problem with discovering natural resources in the small economy of a developing nation from the bottom billion, is that it will be a disproportionally important for the country's economy. It can make exports of other goods less profitable, resulting in even more of the country's production capacity going to producing something like oil. These resources can also be quite volatile on the world marked, suddenly collapsing. The oil crash of 1986 left Nigeria struggling. The country based much of its growth on the export of oil. When the price of oil then dropped, so did the Nigerian economy and living standard (Collier, 2007). States such as Nigeria have fallen victim for the resource curse since they did not diversify their export between commodity goods, manufactured and service exports. Leaving their economy vulnerable to changes in the global markets. Another factor is the tendency for the kind of wealth coming from natural resources, to breed autocracies. Further limiting the aspects of growth.

International trade is an important aspect of growing the economies of developing nations. Much of the world's trade is conducted by sea, meaning access to the world oceans is an

important advantage. For the landlocked countries, they can overcome the obstacle of no direct access to the sea through political arrangements with their neighbouring states. If they however have "bad neighbours", countries with whom they have a conflict or poor diplomatic relations, they might have a harder time accessing their ports. The importance of access to a broad network of trade routes, comes from access to the global markets. It is incredibly hard for a state in today's world to grow its economy through protectionist policies, only relying on itself for both the gathering of resources and the production of goods and services. By accessing the global market, the bottom billion could grow its economy, through specialising its production to the needs of the markets or exporting raw resources. Though, as already mentioned, the export of resources can bring with it some problems in itself (Collier, 2007).

Finally, Collier emphasises the trap of bad governance in a small country. While good governance and good economic policies are good for a country's economy, they're unproportionally ineffective compared to bad governance and bad economic policies. A developing country that's run excellently, still can only manage to grow its economy by 10% yearly, if we are being generous (Collier, 2007). Bad governance on the other hand can crash the economy in an impressing short amount of time. The trap of bad governance bear many similarities to the vicious circle that Acemoglu and Robinson (2013) discusses. Having good governance, but bad economic policies, might make people realise their opportunities for innovation and promoting growth, but without the proper economic institutions, there are no real opportunities.

The reason why the bottom billion of the world's countries have not kept pace with the rest of the world in terms of economic growth and developing good institutions, is that they are stuck in one or more of these traps. While other developing nations grew their economies, these countries were constantly set back to scratch because of civil wars, poor governance, mishandling of resources or their unfortunate geographical location. The causes for these traps are both historical and economical, but as opposed to what Easterly believes, grievances between groups in is of lesser importance. I will further elaborate on this in the following part of the paper.

Although the bottom billion is "trapped", there is still hope. Collier believes these countries can be helped through aid, further integration in the global markets, international cooperation, and international law, and finally, military intervention. Aid can be an important tool in promoting growth in the third world, but as Easterly states, it requires the proper institutions for it to have the desired effect.

Collier proposes several instruments to help guide the bottom billion out of their traps. The first of these instruments being aid. The effectiveness of humanitarian aid is much debated, and something I'll discuss in further detail later in this thesis. To keep it short, there are both positive and negative outcome from providing a developing nation with aid. In some instances, aid can incentivise civil war. Making the state more valuable increase the chance of rebellion, as seizing power would mean more money. At the same time aid dan disincentivise civil war by reducing the preliminary factors for why wars occur. Investing in society and increasing the overall wealth of a state's citizens. That is at least on a theoretical level where aid is successfully stimulating the economy. Aid is also a relatively easy intervention for the western powers, giving both political goodwill at home while at the same time (sometimes), making a positive difference in the developing world. It is however not enough with aid alone, to bring these countries to prosperity (Collier, 2007).

The use of international law and charters can help ensure the collaboration of the western powers in promoting growth in the developing world, as well as abolishing institutions that are destructive to development. That is, both institutions in the developing world, for example institutions enabling corruption and the rule by law, as well as institutions in the west. These institutions are those who enrich the West at the expense of the bottom billion, through both extractive and protectionist measures (Collier, 2007; Leonard & Haddad, 2008). International cooperation is indeed necessary to aid the bottom billion. It is however difficult to establish. Not only is it hard for the western powers to agree on charters that might not have their financial best interests at heart, it's also difficulty, impossible almost to enforce their commitment to said charter. A known issue and one of the most common criticisms of international law (Leonard & Haddad, 2008).

Military intervention is to be used more as a last resort, but Collier still argues it can be effective in promoting stability for developing nations. Especially weaker and failed states struggle to make enforceable commitments both to end conflicts within the state, and to ensure democracy. If a treaty is negotiated with the different parties in a civil war, the state might still not be strong enough to enforce it. Here, Collier says that external intervention can help solve these security dilemmas, thus ensuring a lasting peace. This does however raise some concerns regarding the sovereignty of a state (Collier, 2007; Leonard & Haddad, 2008).

Finally, Collier proposes a deeper integration of the bottom billion in the global free market. What this means, differ from state to state. For some it might mean trade agreements both regionally and internationally. For others it's about building the infrastructure that would enable the export and import of good. For example, through highways, railroads, and industrial harbours. Increasing trade with the bottom billion necessitates a combination of policy change in the west, increased infrastructure in the south as well as institutional development.

A large portions of Colliers solution for lifting the bottom billion from poverty, requires some form of intervention from the western powers. Be it through, trade, policy, international law, humanitarian aid or military intervention. Regardless he points to the west as the key actor to break the cycle of the poverty traps. His approach both in defining the problems for the bottom billion, and in aiding with the solution, is to assess the structures of the state and the international community on an economic and political level (de Soysa & Almås, 2019).

3.2   Egalitarian democracy

Different scholars use different measure of "developed" nations. Measures such as GDP, GDP per capita, level of democracy, liberalisation, integration in the global markets, or the level of economic freedom are all valid measures for aspects of development (Acemoglu & Robinson, 2013; Collier, 2007; Easterly & Levine, 1997). For this paper I will use a more comprehensive measure, namely *egalitarian democracy*.

The academic debate on democracy flourished in the 20th century with more and more countries becoming increasingly democratic because of decolonialization, the end of the cold

war and a more enlightened world population. The egalitarian variant of democracy was however not as prominently discussed. Especially during the cold war, the importance of freedom stood higher than that of equality in the western countries. The communist east used concepts of equality to justify the planned economies and autocratic rule (Sigman & Lindberg, 2018). This contrast made the concept of equality taboo in the western democratic debate. After all, how could the west acknowledge that any aspect of the communist ideology would make for a better world. Therefore, democracy is most often characterised by its liberal principals rather than egalitarian ones. That is not to say that egalitarianism does not have a core place in democracy. After all, the concept of democracy is based on a understanding that all human beings are born equal to one another, that they should have equal rights and protections, and in some instances, equal opportunities. At least in theory. Even in today's modern democracies people do not enjoy *de facto* equal rights although they do have *de jure* equal rights. This division becomes especially apparent across different social and ethnical groups in society.

Are all humans truly equal? According to the first article in the Universal Declaration of Human Rights we are. "All human beings are born free and equal in dignity and rights"(UN-General-Assembly, 1948). Although, as we're going to see throughout this paper, equal rights in theory and reality, are two completely different things. Equality is the core concept for egalitarianism. Of course, there are many aspects to equality which I will mainly divide into three categories: moral-, distributional- and legal- equality. Derived from these we get three basic necessities for a democracy to be egalitarian. First, there needs to be equal protection of rights and freedoms across all social groups; second, resources needs to be distributed equally across all social groups; and third, equal access to power for all groups and individuals (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021; Long, 2016). This means that every group in a society have the same rights and the same opportunities, no matter the language they speak, their religion, ethnic background, political orientation, or their level of income. It does not however, mean that everything should be distributed equally, whether it be influence or money. Rather, your background shouldn't dictate your ability to succeed in life. Whether you're born poor or rich, or from a minority or majority group in society, you should have the same opportunities in the form of education, access to health and other social institutions (Long, 2016).

In his book *On Democracy* Robert Dahl (1998) presents his views on democratic theory and practice. His argument begins with the "logic of equality". Dahls definition of democracy shares several similarities with the V-Dem institutes definition of egalitarian democracy. He states that there are five criteria for a democratic process: Effective participation, voting equality, enlightened understanding, control of the agenda, and inclusion of all adults (Dahl, 1998, pp. 37-38). All these criteria are included in the first and third requirement for an egalitarian democracy; equal protection of rights and freedoms across all social groups, and equal access to power for all groups and individuals. The overlying theme, equality. Dahl goes on to discuss why these criteria have existed so temporarily and sparsely throughout the democratic history. That is, why haven't all these criteria been fulfilled simultaneously for a prolonged period of time in a single state.

Dahl points to some underlying conditions for developing democracy. These are not to be mixed with the criteria for democracy mentioned above. Rather, these conditions can be described as the underlying structures in society. Whether it be social, ethnical, political, or economic. Some might be more obvious, such as the absence of foreign control hostile to democracy. Also, control by military and police by elected officials, and democratic beliefs and political culture among the people. A state controlled by a foreign autocracy will find it difficult developing democratic institutions. As will a state unable to ensure its own sovereignty through the police and military, or a state which does not believe in democracy. Dahl also mentions a modern market economy and society as a prerequisite; however, this can be disputable. Finally, he states the favourable requirement of weak subcultural pluralism. He argues "*Democratic and political institutions are more likely to develop and endure in a country that is culturally fairly homogenous and less likely in a country with sharply differentiated and conflicting subcultures*" (Dahl, 1998, p. 149).

Diversity, whether it be cultural, linguistic, ethnic, or all of the above, tend to create strong emotional ties among its members. The members form a relationship among each other creating a shared identity. While forming stronger bonds with their own "in-group", they also alienate the other groups, sharply distinguishing between "us" and "them". The groups have many different shapes and sizes, and can be anything from a shared nationality to a local

community or even the feeling of connection to a sports team (Dahl, 1998; Tajfel, 1982). Often conflicts arise between these groups because of conflicting conceptions on political and social aspects of life. Practices of some cultures can be deeply offensive to others, such as abortions, eating certain types of food or how people are dressed. Conflicts can also arise based on discrimination or a fear of group survival. A functioning democracy requires all groups to be able to negotiate peacefully, as well as to trust that the agreements and promises they make will be upheld. The lack of trust between groups is a significant issue for democracy and society as a whole. When one group does not believe another group have their joint best interests in mind, they are incentivised to seize power for themselves. Which is effectively a self-fulfilling prophesy. The problems with heterogenous countries are many, and often unique to each individual case. Every group has its own history, its own unique culture and unique relations to the groups surrounding it. This makes developing democracy in vastly diverse countries difficult, both because reaching consensus is in itself a challenge, but also because much of the existing democratic literature is based on western democracies, which formed in relatively homogenous countries. Especially when compared to the diverse compositions of the African countries (Dahl, 1998). The older and politically stable democracies have also been able to avoid cultural conflicts through negotiations between different groups, as well as shifting the debate towards economic issues, rather than cultural ones. Not to say that there are still debates regarding cultural differences, but it becomes less heated when every party has their basic needs met economically and does not live in fear from the other groups.

There are also some countries who managed to develop functioning democracies despite being culturally diverse. Switzerland, Belgium, Canada, and the United States all have diverse populations, but have managed to develop a functioning democracy. However, it should be stated that a functioning democracy is not necessarily the same as an egalitarian democracy. The United States for example, is not a leading example of egalitarianism, as there are political gaps between ethnical groups in society, but I will come back to that later. Dahl believes the reason for these countries democratic success despite being diverse, comes from the other preconditions for democracy being met (Dahl, 1998). The countries managed to reach consensus between cultural groups by promoting discussion, negotiation, and joint agreements. All the countries mentioned above managed to develop democracy, but they all did it through different methods, specifically designed to their unique respective cases. A one

size fits all solution to developing democracy is highly unlikely because of the complex compositions of today's modern states.

3.3   Ethnic fractionalization

There are also those who attribute the failure of developing states to the remnants of the colonial era. What the colonial powers left behind, have been called "Artificial states". Artificial states are states whose political boarders does not coincide with a division of nationalities desired by the people living there (Alesina et al., 2008, p. 2). They are often the result of the former colony powers attempt to divide the world, with little to no effort to preserve the ethnic, cultural, and linguistic groups already residing there. The result are artificial states in which several groups are unnaturally pushed together with no common ground. Alternatively, groups have also been unnaturally split into different nations. It's important to emphasise that by *artificial states* I mean those states who have their boarders drawn artificially by an external party, such as by the colonial powers. There are of course natural states where there are ethnic and linguistic in-groups, but where the state has been created "naturally" by internal forces. Take the Catalonian region of Spain for example. A group of people defining themselves at Catalans instead of Spanish, yet Spain is not an artificial state since its boarders hasn't been drawn by outside forces. Many artificial states are easily identifiable by their straight boarders on the map. Especially in Africa. These ethnically fragmented countries have, by many scholars, been consider the cause of Africa's economic instability (Alesina et al., 2008).

Alesina, Easterly and Matuszeski (2008) discuss the origins of these artificial states and why they can be problematic. They base their assessment on two measures, one where two or more ethnic or linguistic groups are gathered in one country, and another where an ethnic or linguistic group is divided into two or more countries. Their theory states that countries that fits these criteria tend to have straight boarders created by imperialists, rather than squiggly boarders as countries would normally develop with regards to the natural environment such as mountains and lakes, as well as ethnic groups. Most of the worlds boarders are a result of centuries worth of internal and external struggles, eventually leading to the boarders of today's modern states. They are largely, but not exclusively, based on people's nationalistic identity in uniting as a people within a given territory. With this as a precondition, protecting

said territory becomes significantly easier, as used to be a requirement to be able to proclaim yourself as a sovereign state. For the artificial states in Africa, this has not been the case. Because of the ethnical structure of these states, there's no national identity to unite the people. On the contrary, many people feel stronger connections to people in their neighbouring states. One could imagine the African states to experience a similar struggle to that of European ones in the aftermath of decolonization. That is, to remap their boarders again and again as a result of internal and external struggle, until the country boarders represent the people residing within them. This has however not been the case, and the boarders remain relatively identical to those drawn by the western powers. One of the reasons for the lack of struggle, was the political leaderships incentive to appease western powers rather than their own population. As I mentioned earlier, when the European countries claimed sovereignty, they had to prove they could control their territory by military means. At the time of decolonialization, almost none of the former colonies would be able to protect its territory if challenged. Their sovereignty came not from self-protection, but from western recognition. This phenomena has been called "letterbox sovereignty" because the nation's capital and leader was defined by who the letters from institutions such as the UN, the World Bank and the IMF were addressed to (Alesina et al., 2008). Hence the leadership was more accountable to these institutions rather than to their own people. They legitimacy came not from within but was bestowed upon them by an outside force. The rulers of these states also lacked the incentive to change this system, because they were the ones benefiting from it.

Easterly and Levine (1997) researched the relationship between ethnic diversity and public policies, as well as other economic indicators, in a cross-country study. Their findings showed that the high level of ethnic fractionalization could explain a significant part of several of those characteristics (Easterly & Levine, 1997). They observe the growth tragedy on the African continent, especially in the Sub-Saharan countries. While the rest of the world grew their economies as well as their political institutions, the African continent stagnated, not growing their real GDP per capita at all between 1965 and 1990. Easterly and Levine's research aims to answer the question of "why some countries chose growth-enhancing policies and others adopted growth retarding ones" (Easterly & Levine, 1997). They conclude that ethnic fragmentation is a leading factor for the differences in policy. First however, they assess what's limiting growth in Africa. Low enrolment in school, poorly developed financial and

political institutions, black markets, government deficits and in general, poor infrastructure all correlates highly with economic growth. As Karnane and Quinn (2019), they also point to political instability, as being one of the reasons for the growth tragedy. Further on, the paper explores the effect of ethnic diversity on the policies affecting the growth problem, mentioned above. The problem with ethnic diversity, is the tendency to create polarized societies. Not in every instance, but in several African countries ethnic groups are competing against each other, strengthening the phenomena of in-groups and out-groups. The competitive nature of the group structure might cause the group in power to impose policies bettering the situation of their own group, at the cost of the others. Policies of this nature will damage the country's overall potential for growth, because the rulers are incentivised to prioritize the few over the many (Easterly & Levine, 1997). To research their hypothesis, Easterly and Levine use a measure of ethnic diversity from 1960, created by a Soviet research team and named *Atlas Nardov Mira*. Their ethnic diversity variable measures the probability that two randomly selected people from the population belong to different ethnolinguistic groups. Their results show that ethnic diversity influence economic growth through school enrolment, political instability, underdeveloped financial systems, distorted foreign exchange markets, high government deficits and poor infrastructure (Easterly & Levine, 1997, p. 1241) They also find a negative direct effect between ethnic diversity and economic growth, albeit the effect is relatively modest.

The Austrian Sociologist Max Haller has taken another approach to the diversity- growth debate. In cooperation with Anja Eder, he examines the relationship between inequality and ethnic heterogeneity (Haller & Eder, 2014; Momin, 2016). Contrary to most of the literature, they use inequality as their measure, not economic growth. They argue that although inequality between nations have declined the past few centuries, inequality within states have stayed the same, and in some instances even increased. An assessment they share with other economists, such as Thomas Piketty (2021) and Richard Wilkinson & Kate Pickett (2010). Haller's basic thesis states that there's a positive correlation between higher ethnic heterogeneity and economic inequality. Meaning that countries with many different ethnic groups, tend to be more unequal than relatively homogenous societies. Take the Scandinavian countries for example. They are highly homogenous and have some of the lowest inequality levels in the world. Haller concludes, as others have whiles using economic growth as the

dependent variable, that there is a negative effect of ethnic diversity on inequality. He also discussed the importance of what he calls *ethno-class exploitation*. Meaning how ethnic *classes* or groups have been exploited by other groups in society, such as most of Africa during the colonial times (Haller & Eder, 2014). This speaks to Acemoglu and Robinson's thesis (2013), that extractive institutions stay in place, without a radical change to break the "vicious circle". This concept, which he uses as an independent variable in his models, is historical version of the ethnic fractionalization variable he uses for measuring ethnic diversity today. Both has a negative impact on economic equality.

Easterly and Alesina are vocal in the diversity vs. growth debate, arguing that the cause of the developing world's growth problems can be, at least partially, blamed on ethnic fractionalization. They hypothesise that more diverse societies struggle to make political choices that would benefit everyone instead of the ruler's own in-group. They therefore find it harder to share resources in distributional struggles, resulting in reduced growth (Alesina et al., 2003; Easterly, 2017; Easterly & Levine, 1997). Their opinions are not however shared by everyone. Paul Collier argues that ethnically fractionalized societies are safer, compared to societies characterized by dominance (Collier et al., 2001, p. 128). Collier states that if the argument of his peers is true, that ethnic diversity does hinder growth, there are two possible solutions to the problem. For the African continent, which is highly fractionalized, the states could either take inspiration from Europe, building on nationalistic ideas to promote one nation rather than several smaller groups. Or the states could give in to the demands of ethnic self-determination, creating many smaller countries. Neither of these solutions are especially viable. A nationalistic movement to unite countries, might lead to international conflicts, as happened in Europe the past few centuries. Dissolving today's countries to create thousands of new ones for every ethnic group, is not exactly a good alternative. Some groups even span across several country boarders, potentially causing international conflict if not all countries agree to giving up their sovereignty. Collier does however argue that neither of these options are necessary, as the premise of which they are based on is false. Ethnic diversity neither impedes economic growth, or increase the risk of civil war, with a few exceptions (Collier et al., 2001).

Collier's main implication with the growth tragedy thesis, is the inability to differentiate between instances of *fragmentation* and *dominance*. The states characterised by dominance are those where there is an ethnical majority and one or several smaller minorities. These are states such as Rwanda, Belgium, South Africa, Malaysia and the United States of America. Alesina, Baqir and Easterly (1999) did a study on the relationship between ethnic fragmentation and the public goods a city supply in the U.S. The study concluded that the amount spent on public goods such as education, roads, sewers and garbage collection are related to the city or county's ethnic fragmentation. They therefore draw the conclusion that "*ethnic conflict is an important determinant of local public finances*"(Alesina et al., 1999). Collier agrees with their assessment that there is a negative effect between the two, however he argues that the cities observed are not characterised by ethnic fragmentation, but dominance. Because most ethnically fractionalized countries are characterised by fragmentation and not dominance, the findings of Alesina et al. are not applicable elsewhere (Collier et al., 2001). Collier also argues that ethnic diversity is more of a problem for the public sector than it is for the private sector. In his previous studies, he found that there were significantly differences in the wage premiums in tribal societies in the public sector. The results showed a 25% wage premium for the largest, ruling tribes, whilst it was 0% for the private sector (Collier et al., 2001, p. 133). This could indicate that private sector competition counteracts the discriminatory distribution observed in the public sector. In Alesina, Baqir and Easterly's study of the U.S., they are looking at the public sector, which might explain their findings of a negative relationship between ethnic fragmentation and public goods spendings (Alesina et al., 1999; Collier et al., 2001).

Furthermore, Collier argues that civil wars are not more likely to occur in ethnically diverse societies than in homogenous ones. Although the hatred in very fragmented societies might be fiercer than it is in societies with one majority ethnic group, the diverse structure hinders the organisation of rebellions. In a study together with Anke Hoeffler (Collier & Hoeffler, 2004), Collier studies the causes of civil war, measuring both economic and social variables. They find that ethnic dominance doubles the risk of civil war, while ethnic fragmentation reduces the risk. They also show that grievances have little effect on the risk of civil war, while the opportunity for financing increases it. His argument again, is that ethnically dominated states do worse than ethnic fragmented ones (Collier & Hoeffler, 2004; Collier et al., 2001).

He also claims ethnic grievances to be less important than economic factors, both for civil war and political stability and just governance. The cause is partially that without economic resources, a rebellion or political opposition will struggle to gain foothold, regardless of whether their motivation is based on ethnicity or other political factors. Regardless, fragmented societies fare better than dominated ones (Collier et al., 2001).

4 Hypothesis

Based on the literature and theory reviewed above, I make two hypotheses for this thesis.

H1: States with a high level of ethnic fractionalisation over time, have a harder time developing egalitarian democracy and egalitarian institutions.

H2: The effect of ethnic fractionalization on egalitarian democracy and egalitarian institutions, is significantly weaker in more recent years (1990-2013)

The research and theories of Alesina and Easterly is largely based on data gathered in the period of 1960-2000. Based on this data, they show how ethnic diversity has a statistically significant negative effect on economic growth and good governance, with William Easterly going as far as to blaming diversity for Africa's "Growth Tragedy" (Easterly & Levine, 1997). I would say they are not inherently wrong in their assessments. Especially for the years 1960-1990, when the world saw a rapid increase in independent states as a result of de-colonialization. The rapid restructuring of societies, especially on the African continent forced the ethnic groups in the former colonies to scramble for power, as they did not trust the other groups to act in their best interests. Therefore, the politics favoured the ruling group, creating more inequality in society.

After 1990 however, I would say the structure of these states had time to adjust to their new geographical constraints, as well as integrating better with the other groups in society. Not to say that they can still be largely ethnically fractionalized, but through urbanization and technological advancements such as the telephone and the internet, people are less alienated from each other. Grievances became less of an issue and instead the interests of the people

turned towards economic growth, or more precisely, to better their living conditions. Seeing that the same issues persist across other ethnic groups as well, incentivise more cooperation towards a common goal on the basis of social standing, rather than ethnicity. At least in ethnically fragmented countries where the ethnic groups can act as a check and balance system to ensure no single group is favoured above the others. As Collier states, the issue is another in ethnically dominated states, where the ruling elite has majority support in the population, meaning they are less incentivised to accommodate the needs of the minority groups (Collier et al., 2001). Thus, I hypothesise that the effect of ethnic diversity is weaker in the period 1990-2013 than it is for the full period of my data, 1960-2013.

5 Data

5.1 Dependent variables

5.1.1 Egalitarian democracy

To measure the effect of ethnic fractionalization on egalitarian democracy, I use the "egalitarian democracy index" by the V-Dem institute (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Alizada, et al., 2021). The main issue bout the arguments examined above, is that diversity is harmful, not just to democracy, but to inclusive institutions, which allow people a great degree of equality in terms of equal access to rights and equal access to resources for acting out those rights. There are however several other conceptualizations of democracy that could have been used in this paper. The V-Dem dataset differentiates between five varieties of democracy: electoral democracy, liberal democracy, participatory democracy, deliberative democracy and finally, egalitarian democracy. I use egalitarian democracy because it captures more than just elections and rights, but also the degree to which people have access to rights on an equal basis.

Electoral democracy is based on the core value of making rulers responsible to their citizens. This is achieved through free elections, presumed that both political and societal organizations can operate freely, the right to vote is extensive, the absence of corrupt or fraudulent elections, and that elections truly affect the composition of the chief executive of the country. There is also a prerequisite that there is freedom of expression and an independent media in between elections. The principle of an electoral democracy is not necessarily sufficient as a way of governing, rather it is a key component in the remaining four varieties of democracy (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021).

The principle of liberal democracy emphasises the importance of individual rights against the state and the majority. The basis of this variation requires strong civil liberties, rule of law, an independent judiciary system, and an effective checks and balances system. The liberal democracy is designed to protect individuals from the horrors of the state. It assumes a negative view of political power and judges the quality of democracy by the limitations placed on the government. Liberal democracy is not an alternative to electoral democracy, but rather an extension of it (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021, p. 44).

Participatory democracy requires participation by the citizens in most of, if not all, political processes. This means not just the elections, but also governing. It builds upon a scepticism regarding delegating authority to representatives, as is usual in most of todays modern democracies. The ideal is closer to a direct democracy, where citizens vote on most political matters directly. There are however several limitations to where such a practice is applicable. Universal suffrage is an absolute necessity for participatory democracy. As is engagement by the people in political and non-political organizations. This for of democracy is however problematic for practical reasons (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021).

Deliberative democracy emphasises the importance of how decisions are made in a political unit. For a political process to be deliberative, it must build on public reasoning with the objective to make decision for the common good of the people. Important decisions should not be made based on emotions, attachments, or personal interests, but rather with the public as a whole in mind. It also emphasises the importance of dialogue among informed and competent actors at every stage in negotiations. (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021).

The V-Dem institute defines the variable as:

«The egalitarian principle of democracy holds that material and immaterial inequalities inhibit the exercise of formal rights and liberties, and diminish the ability of citizens from all social groups to participate. Egalitarian democracy is achieved when; 1, rights and freedoms of individuals are protected equally across all social groups; and 2, resources are distributed equally across all social groups; 3, groups and individuals enjoy equal access to power. To make it a measure of egalitarian democracy, the index also takes the level of electoral democracy into account.» (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021, p. 45)

The scale operates within the interval 0-1, with 0 being low levels of egalitarian democracy and 1 being high levels of egalitarian democracy. The egalitarian democracy index is created as a combination of two other indexes. The egalitarian component index, which I will dissect further shortly, and the electoral democracy index. The electoral democracy index is included to incorporate the democratic aspect. This index measures freedom of association to political

parties and organizations, free and fair elections, freedom of expression, elected officials, elected officials, and suffrage (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021, p. 43). In other words, the index measures the key components of a democracy.

5.1.2   Egalitarian component index

In addition to the egalitarian democracy index, I will be running the same models with the egalitarian component index, also from the V-Dem institute. The component measures aspects of equality within society without the democratic component of free and fair elections. In a more technical sense, the index is the same with the exception that the electoral index variable is omitted. Running the same regressions with this index, as well as the egalitarian democracy one, enables us to assess whether diversity matters for egalitarian outcomes and structures regardless of the extent of democracy. The index is created by averaging the following indices: the equal protection index, the equal access index, and the equal distribution of resources index (Coppedge, Gerring, Knutsen, Lindberg, Teorell, Altman, et al., 2021, p. 55). This index measures on a scale from 0 to 1, with 0 being low levels of egalitarianism and 1 being high.

As previously discussed in the theory section of this paper, earlier research on the subject of ethnic fractionalization's effect on the development of democracy, doesn't test the idea of "egalitarian" outcomes. Instead, these studies have tested democracy and other measures of good governance and economic and political freedoms.

5.2   Independent variables

5.2.1   Ethnic fractionalisation index

The ethnic fractionalization index is gathered from The *Historical index of Ethnical Fractionalization* dataset (HIEF), developed by Dr. Lenka Dražanová (2020). It consists of an annual ethnic fractionalization index for 162 countries in the period between 1945 and 2013. It elaborates on earlier ethnic fractionalization indices by enabling us to study the long-term effects of ethnic fractionalization because this index is time variant. There are several advantages to this method contrary to using time invariant data used by most previous studies. By studying ethnic fractionalization as a set number for a country, disregarding

development over the years, we limit the understanding of the long-term effects. Studying the phenomena by years also enables us to examine the slow changes of the key independent variable on egalitarian democracy. Whether a state has years to adjust to the increase in of ethnic groups in society, or if it only has months, might have a large impact on its ability to integrate the newcomers properly.

The ethnic fractionalization index ranges from 0 to 1, with 0 being no ethnical fractionalization in a country, meaning all members of the society belong to the same ethnic group and 1 being when all individuals in a country belongs to his or her own ethnic group.

Research on economics and social policies regarding ethnic fractionalization, have used a variety of measures. William Easterly and Ross Levine (1997) were the first to use a measure of ethno-linguistic fractionalization (ELF) in their research (Drazanova, 2020). Measuring ethnic fractionalization through both a measure of ethnic and a measure of linguistic diversity. The method became popular in the field of economics but did also receive some criticism. Especially it was criticized for relying too heavily on linguistics, which can be a poor measure for racial origin, skin colour and religion. The limitations of the model became problematic when researching, for example, South American groups. These groups can be monolingual, but still have different ethnicities and different cultures (Drazanova, 2020). A new model was created by Alesina, Devlechauwer, Easterly, Kurlat and Wacziarg (2003), including measures of religious diversity, as well as ethno-linguistic ones. This model improved on the ethno-linguistic one, further enabling researchers to separate ethnic and cultural diversity. Other models have also been created, measuring ethnic inequality (Alesina et al., 2016), measuring a combination of language, race, region, religion and income (Selway, 2011), or models measuring the distance from groups (Desmet et al., 2012; Fearon, 2003). All of these models run into the same problem, namely measuring ethnicity. There are no universal criteria that determines what ethnicity is. Rather, the concept changes from state to state, as well as with time. Because social groups evolve over time, what we measure one year as an ethnic group, might not be the same in the future. In creating the HIEF dataset, Drazanova takes this into consideration, but admits that the problem persists (Drazanova, 2020).

Where the HIEF dataset differs most from its peers, is in its longitudinal structure. In most of academic research, diversity is treated as a time invariant variable, which it most definitely isn't in reality. Through changes in country compositions, immigration, war, freedom of movement agreements, or simply good governance, ethnic, social and cultural differences in a society might change. Using ethnic fractionalization as a time-invariant variable, also limits our ability to examine its effect over time. What effect would an increase in ethnic fractionalization have on policy 10 years from now? With a time invariant measure, it would be impossible to say. Another advantage of longitudinal data is being able to examine rapid vs. slow increase in ethnic fractionalization. Countries with a steady increase over several years, might have an advantage to developing institutions equipped to deal with problems related to a more heterogenous society. A rapid increase in ethnical fractionalization on the other hand, might not give the state the proper time to adjust (Drazanova, 2020). These historical changes are important to understanding the effects of ethnic fractionalization on a society. The HIEF dataset is not the first to measure ethnic diversity longitudinal, but other datasets are limited, either in their sample of countries, only relying on immigration data, or focusing on subnational units (Bove & Elia, 2017; Campos et al., 2011; Drazanova, 2020; Kesler & Bloemraad, 2010; Ziller, 2014).

5.2.2 Cultural division and Ethnic fractionalization

The Ethnic Fractionalization index from the HIEF dataset will be my main independent variable. However, I will also run the same regressions, replacing the ethnic fractionalization index with Fearon's measure of cultural division, as well as a regression replacing it with Fearon's Ethnic division measure (Fearon, 2003).

Fearon's data is based on 160 countries, within whom he defines 822 ethnic and "ethnoreligious" groups (Fearon, 2003). The groups must fulfil the criteria of having at least 1% of the population in the 1990s. Unlike the HIEF dataset, the one Fearon has created I time-invariant, meaning the data is unfit to research variance over time. Fearon creates the dataset in 2003, a time where most of the studies regarding ethnic diversity utilizes the Soviet *Atlas Nardov Mira* for measuring ethnic fractionalization (Bruk et al., 1964; Easterly & Levine, 1997). Other than being from 1964, the data is also limited by mainly using language to define ethnic groups (Fearon, 2003). A measurement that can prove ineffective when researching areas

such as Latin America, where large portions of the population speak the same or similar languages, despite living in different countries and being ethnically differentiable in other ways such as culture, heritage, religion etc. Alesina (2003) creates a dataset distinguishing between ethnic, linguistic and religious groups, however Fearon argues their distinction between ethnic and linguistic groups are not clear (Fearon, 2003).

Fearon attempts to accommodate the implications of measuring ethnic diversity encountered by previous scholars. He creates two measures, one for *ethnic fractionalization* and one for *cultural diversity*. The ethnic fractionalization one is perhaps the more traditional of the two, compared to similar datasets. It measures the probability that two randomly selected individuals in a population belongs to the same ethnic group. The variable measures much of the same as the older *Atlas Nardov Mira,* namely using linguistics as a measurement. Fearon does however allow for other cultural criteria to distinguish between groups (Fearon, 2003).

The cultural distance measure measures the distance between the linguistic "tree branches" of two languages. In linguistics, languages are often divided into different families, or *branches*, with for example Germanic being one branch and Slavic being another. Then there are sub-branches to differentiate between languages within their family. Fearon measures the distance between these branches, meaning that Russian and German would be very distant, while German and Dutch would be much closer. This is based on the idea that "the number of common classifications in the language tree can be used as a measure for cultural proximity" (Fearon, 2003, p. 212). The variable *cultural diversity* is especially useful for measuring the relationship between egalitarian democracy and language politics (de Soysa & Vadlamannati, 2017).

5.3   Control Variables

I include several control variables, such as GPD per capita, population size, ongoing civil war and years since last civil war. By including control variables, we can to some extent remove the effects that other potential variables might have on the dependent variable. The control variables are chosen based on a theoretical assessment of what might influence the dependent variable. By including them we try to limit the chance of some other unknown

influential factor affecting the dependent variable, reducing the chance of spurious effects (Mehmetoglu & Jakobsen, 2017).

As previously discussed in the literature review, there is a tight connection between economic growth and the development of egalitarian democracy. The variable GDP per capita is the World Banks *World Development Indicators* online database (*World development indiators*). To reduce the effects of skewness, the variable has been logarithmically transformed (Mehmetoglu & Jakobsen, 2017).

I also control for the population size of each country. Firstly, because larger nations might have more diversity, e.g., more ethnic groups, such as India. And secondly because larger nations might have a harder time managing more equality. At the same time, smaller countries such as Papa New Guinea are also highly fractionalized. To capture the effects on the dependent variable related to demography, population size should be included in the model (de Soysa & Almås, 2019). This variable is also logged to prevent skewness, and it is part of the WDI dataset.

Ongoing civil wars might, naturally, influence the degree of an egalitarian democracy. An ongoing civil war might affect both ethnic relations, economic growth and the nations democracy. It should therefore be included as a control variable. It is also relevant to examine the effect of peace years. That is, how many years have passed since the last war. The data assesses how many consecutive years the country has been at peace since it's independency, or since the last war. These variables are gathered from the Uppsala Conflict Data Program dataset.

6 Methodology

I use a time-series cross section (TSCS) data set consisting of 148 countries covering the 1960-2013 time period. The time-variant ethnic diversity data ends in 2013. Some of the data are not available for all countries at all intervals, resulting in an unbalanced dataset. The number of observations will therefore vary based on the chosen explanatory variables.

An issue that often arises when working with TSCS data, is that the results might be biased due to the complex dependencies across units (countries). The data consists of multiple entries for the same countries over many years, but the entries are not necessarily independent from each other. We can say that the individual units' error terms might correlate over time, resulting in autocorrelation. There could also be problems with heteroskedasticity, which is the violation of the assumption that the error terms is normally distributed (Mehmetoglu & Jakobsen, 2017). Finally, the data could also suffer from spatial dependence, which is the violation of the assumption that the units are independent (Hoechle, 2007). Thus, I utilize the Driscoll-Kraay standard error method that is robust to each of these potential biases (discussed in detail below).

To test my models for autocorrelation, I use the Wooldridge test. When running this test, I am unable to accept the null hypothesis of no first order autocorrelation (Mehmetoglu & Jakobsen, 2017). The results for all the regressions are significant, meaning that we reject the null-hypothesis and have some issues with autocorrelation. What this means is that the observations are not independent of each other. The intuition here, is twofold. Firstly, we are observing states over several years. The observations for one state in one year, are unlikely to differed much from the previous or next year. They are dependent. Secondly, the same can be said for inter-country correlation. In an OLS-regression, we're assuming that the units of observation are independent of each other, but this is not the case when it comes to countries. Neighbouring countries and countries with some sort of trade agreements, unions etc., have a tendency to be related to each other (Mehmetoglu & Jakobsen, 2017, p. 255). Take the Scandinavian countries for example. They have a tight relationship, meaning that a policy change in one country might have an effect in the others as well. This can lead to clustering in

the data, which I will come back to later in this paper (Hoechle, 2007; Mehmetoglu & Jakobsen, 2017).

We proved that there were issues with autocorrelation in out model, meaning we might also have problems with heteroscedasticity. I use Breusch-Pagans/Cook-Weisberg test for heteroscedasticity. If the results are significant, there is a presence of heteroskedasticity. The results are significant for all regressions, meaning we have issues with heteroscedasticity. To resolve this issue, it's possible to use robust standard-errors. The issue with autocorrelation and heteroscedasticity is that the errors are both dependent on each other and not normally distributed. Using robust standard-errors, relaxes these criteria, making the results more reliable (Mehmetoglu & Jakobsen, 2017).

As previously mentioned, there's an issue with the data regarding that the units of observation (the countries), are not necessarily independent from each other. This gives us the problem of spatial dependency. This means that the data of one country, might be related to the data of their spatial neighbour (Hoechle, 2007; Mehmetoglu & Jakobsen, 2017). For example, the countries in the European Union are all registered as their own units, even though they share many of the same institutions and political organs. Making them, at least to some degree, dependent on each other's policies. To resolve the issues with spatial dependency, I use Driscoll-Kraay standard-errors. These standard-errors are robust towards spatial correlation, and therefore better suited for a dataset containing data of several countries. If the data had issues with autocorrelation and heteroscedasticity, but not with cross-sectional dependency, we could use White, Rogers or Newey-West's standard errors. However, since the theory dictates otherwise, the Driscoll-Kraay standard-errors are the best option (Hoechle, 2007).

I use a time-series cross section method for analysing the data. Because of the time-series factor, we get different means and variance for each unit at each time interval, called non-stationarity. This can lead to spurious relationship between units, creating a false significant relationship. This happens if two unrelated units have the same trend in the same time interval (Mehmetoglu & Jakobsen, 2017). To test if my model is non-stationary, I use the Dickey-Fuller test. The null hypothesis is that the variable contains a unit root. This will tell us to what degree non-stationarity is a problem (Mehmetoglu & Jakobsen, 2017). The results are significant,

therefore we reject the null hypothesis, meaning that the data are not plagued by non-stationarity.

A potential issue when using various panel data, is whether or not the error term is correlated with one or more x-variables (Mehmetoglu & Jakobsen, 2017, p. 240). That is, if there's an unmeasured variable influencing our model, then we may conclude erroneously. This affects whether we should use a more consistent model, a fixed effects mode, or a more efficient model, random effects model. To check whether fixed or random effects are better suited for our data, we use the Hausman test. The null hypothesis is that there is no correlation between the regressors and the unique errors in our model, meaning that random effects are preferred. If the results are significant at 5%, we reject the null hypothesis, meaning that fixed effects are consistent. If however the results are not significant >5%, we accept the null hypothesis and should use random effects for our model (Mehmetoglu & Jakobsen, 2017).

The results from the Hausman test are all significant within the 5% level, meaning that fixed effects are best suited for our model. The fixed effects will measure the within variance in the countries. This means that the regression calculated the relationship between the dependent and the explanatory variables within each unit (the countries). There is however a drawback with using fixed effects, namely that it only estimates the value of variables that vary over time. Meaning that time-invariant variables are omitted from the model (Mehmetoglu & Jakobsen, 2017). For our primary regression with egalitarian democracy as the dependent variable and the ethnic fractionalization index as the main independent variable, this is not an issue because all variables vary over time. For the regressions with Fearons ethnic fractionalization- and cultural division variables however, we can no longer use fixed effects. This is because both the ethnic fractionalization variable and the cultural division variable are time-invariant. The solution is to use random effects for these regressions, whose results can be seen in table 3, 4 and 5. The random effects model uses the between unit variation to estimate the effect of omitted independent variables on the dependent variable. We want to control for omitted variables, that are constant between units, but change over time. The random effects model also works when the opposite is true, that the omitted variables are constant over time, but varies between units (Mehmetoglu & Jakobsen, 2017).

The reason for including two models with Fearon's variables, is to compare the results with the results from the model with Drazanova's ethnic fractionalization index from table 2. In order to do so, we'll have to run the regression with random effects, even though the results from the Hausman test suggests using fixed effects. This will result in problems with heteroskedasticity, which I will attempt to accommodate by introducing dummy variables from the different regions of the world, divided into; Sub-Saharan Africa, Latin America, Former Soviet States, South & South-East Asia, and The Middle East & North Africa using the West as a reference category.

 I've also included one year of lag in the model. This is because the effects of the independent variables, won't necessarily affect the dependent variable immediately. Changes in the level of ethnic fractionalization, won't affect the degree of egalitarian democracy over night, but we might start seeing its effects after a year. Also, the variable levels measured one year are not necessarily independent from the previous year. A country's GDP will for example rarely "bounce" between an increase and decrease from year to year.

Even though the model might be correctly specified in regard to random or fixed effects, the issue with omitted variables can still persist. These variables can cause spurious relationships in our model, changing the results from both the dependent and the independent variables. In our case, we can imagine a model with egalitarian democracy as the dependent variable, and ethnic fractionalization as the independent variable. The independent variable might affect the development in the dependent variable, but it cannot explain all the variance. Other factors such as GDP might also influence the dependent variable and omitting it from the model would cause for a spurious relationship between egalitarian democracy and ethnic fractionalization. A solution to the problem of spurious relationships, can be to include another variable that influence the model. This assessment has to be done based on theory, as you have to know which variable is causing this spurious relationship (Mehmetoglu & Jakobsen, 2017). By including control variables such as GDP per capita and population in our model, we limit the issue with sporous relationships and omitted variables. Another option is, as previously discussed, to use fixed or random effects. The fixed effects control for sporous relationships by controlling for within unit variation. The random effects combine the within estimators with the between estimators, further limiting the chances of spurious

relationships. Our model is specified for the correct effects, limiting the probability for spurious relationships. In addition to this, the literature review and theory section of this paper covers what might affect the dependent variable, helping us include all variables that can influence the dependent and independent variables.

At the same time, we should be careful not to include any unnecessary variables in the model, as this might cause model specification errors. The same can be said for including too many variables, as it might overfit the model, limiting its accuracy and explanatory factor (Mehmetoglu & Jakobsen, 2017). Therefore, the independent variables included are all influential drivers for the dependent variable, as stated in the theory section of this paper. To give an example, combining both Drazanova's ethnical fractionalization index and Fearon's measure for ethnic fractionalization or cultural diversity, might weaken the model by competing to explain the same effect. This weakens the explanatory factor of each variable, as they are stealing explanatory power from each other. We can also test to see whether the variables correlate. Two variables in the same model, should not correlate more than 0,8 when theoretically, measuring the same effects (Mehmetoglu & Jakobsen, 2017). We see in the correlation matrix in appendix 1, that both Fearon's and Drazanova's measure for ethnic fractionalization correlates at a level above 0,8. Meaning they should not be included in the same model. Cultural division does however only correlate by 0,73, meaning it could be included in the model. The cultural division variable measures the linguistical differences between people, therefore differentiating from the two ethnic fractionalization variables. They do however both include a measure of linguistics, meaning that including both variables in the model would be superfluous.

There's also the question of correlation vs. causation, as well as causal direction. The statistics supply us with correlation, but the causation must be bound in theory. Therefore, it's important to have a solid theoretical foundation to interpreted the results correctly (Mehmetoglu & Jakobsen, 2017). For this paper, the expected casual direction, based on the literature review and theory section, is that the level of ethnic fractionalization in a country effects the degree of egalitarian democracy. It is somewhat unreasonable to believe that egalitarianism affects the ethnic mix of a country.

Table 1 Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max
Egalitarian Democracy	10114	.327	.246	.01	.88
Egalitarian	10116	.561	.238	.028	.974
Ethnic Fractionalization index	7310	.441	.269	0	.89
Ethnic Fractionalization	9614	.479	.26	.002	1
Cultural Division	9552	.31	.207	0	.733
GDP per capita (log)	9595	8.333	1.494	4.971	12.11
Oil rents per GDP (log)	8067	.617	1.087	0	4.482
Trade per GDP (log)	8376	4.164	.653	-3.863	6.761
Population (log)	13195	14.76	2.452	7.949	21.068
Year	13454	1990	17.896	1960	2021

7   Results and analysis

In this section of the paper, I will present the findings from the regressions and discuss the results. The results are based on four models, measuring different aspects of ethnic fractionalization on egalitarian democracy and egalitarianism in general. The model shown in table 2, is the primary model for this paper, using Drazanova's index as a measure for ethnic fractionalization. The model in table 3, is based on the same variables but adding regional dummies to account for issues regarding random effects specifications. The models in table 4 and 5 are using Fearon's measures of ethnic fractionalization and cultural diversity, respectively. The results of these models will be compared to the results of the model in table 3.

7.1   Results

The models in table 2 contains the dependent variables *egalitarian democracy* and *egalitarian*. The independent variable for measuring ethnic fractionalization, is Drazanova's *ethnic fractionalization index*. It also includes the relevant control variables. The period ranges from 1960-2013 for the regressions in column 1 and 3, and 1990-2013 in column 2 and 4.

Table 2: The effects of ethnic fractionalization on egalitarian democracy and egalitarianism (Fixed effects)

VARIABLES	(1) 1960-2013 Egalitarian democracy	(2) 1990-2013 Egalitarian democracy	(3) 1960-2013 Egalitarian	(4) 1990-2013 Egalitarian
Ethnic Fractionalization index	-0.36***	-0.10	-0.21***	0.10
	(0.06)	(0.06)	(0.05)	(0.06)
GDP per capita (log)	-0.02*	0.02**	-0.03***	0.02**
	(0.01)	(0.01)	(0.01)	(0.01)
Oil per GDP (log)	-0.02***	-0.01***	-0.02***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Trade per GDP (log)	0.03***	0.03***	0.01***	0.01**
	(0.01)	(0.00)	(0.00)	(0.00)
Population (log)	-0.01	0.05***	0.06***	0.06***
	(0.01)	(0.01)	(0.01)	(0.01)
Ongoing civil war	-0.02***	-0.02***	-0.02***	-0.01**
	(0.00)	(0.00)	(0.00)	(0.00)
Years since last war	-0.00	-0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Constant	0.63**	-0.57*	-0.07	-0.52*
	(0.27)	(0.31)	(0.18)	(0.29)
Observations	4,902	3,148	4,902	3,148
Number of groups	148	148	148	148

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Column one shows a model with *egalitarian democracy* as the dependent variable, over a period from 1960 to 2013. We see that the effect of ethnic fractionalization is negative on egalitarian democracy and significantly different from zero at the 1% level and decreases the levels of egalitarian democracy. An increase in the ethnic fractionalization by one standard deviation decreases the dependent variable, egalitarian democracy, by about 11% of a standard deviation. Interestingly, GDP per capita is not significant within a 5% level. Oil production, however, is significant and shows a negative effect, consistent with the idea of a resource curse (Collier, 2007). Substantively, the effect of one increase in the standard deviation of oil per GDP would result in a 7% reduction in a standard deviation of egalitarian democracy. Trade per GDP significantly increases egalitarian democracy. A standard deviation increase of *trade per GDP* equals an 8% increase in the standard deviation of egalitarian

democracy. Trade is the only variable in the regression to have a significant positive effect on the dependent variable. *Population*, the size of the country, is insignificant. *Ongoing civil war* has a significant negative effect on egalitarian democracy as expected. And finally the years of peace variable has no effect.

In column one, we see the main independent variable, the *ethnic fractionalization index*, along with most of the other independent variables, having a negative effect on *egalitarian democracy*. The odd one out, *trade per GDP*, has a positive effect, and also the strongest substantive effect. One could think that *GDP per capita* would have a significant effect on egalitarian democracy, as it's a common measure of growth and development. It might however be influenced by rich, inegalitarian autocracies such as those in the Middle East. *Oil per GDP* is significant and strengthen this assessment, in tune with the resource curse (Collier, 2007).

Column two has the same dependent variable as column one, *egalitarian democracy*. It does however only cover the period after the cold war, between 1990 and 2013. Here, the *ethnic fractionalization index* is no longer statistically significant. *GDP per capita* is significant and now has a positive effect on *egalitarian democracy*. The substantive effect of a change of one standard deviation of *GDP per capita* is 7% of the standard deviation of *egalitarian democracy*. *Oil per GDP* still has a significantly negative effect on the dependent variable. The change of one standard deviation of *oil per GDP* has a negative effect of 6% of a standard deviation of the dependent variable. *Trade per GDP* is also still significant and has a positive effect on egalitarian democracy. The substantive effect of an increase by one standard deviation is a 10 % increase of the standard deviation of the dependent variable. *Population* is now significant with a positive effect on egalitarian democracy. *Ongoing civil war* is also significant, still with a negative effect on the dependent variable. Finally, *years since last war* is statistically insignificant.

In column three, *egalitarian* is the dependent variable, dropping the democracy aspect from column one and two. It measures the degree of egalitarian institutions in the state, without including the level of democracy. The time period here is the same as in column one, 1960-2013. The *ethnic fractionalization index* has a significant negative effect on egalitarianism. An

increase of one standard deviation is a 6% reduction of a standard deviation of the dependent variable. *GDP per capita* is significant and have a negative effect on egalitarianism. An increase by one in the standard deviation of *GDP per capita* equals a 9% reduction of a standard error of *egalitarian*. *Oil per GDP* have a significant negative effect on the dependent variable. The effect of one increase in the standard deviation is a reduction of 7% of a standard deviation of *egalitarian*. *Trade per GDP* is still significant with a positive effect on egalitarianism. A change of one standard deviation is an increase in the standard deviation of the dependent variable of 4%. Population has a significant positive effect. Ongoing civil war still has a significant negative effect, and *years since last war* is insignificant.

Finally in column four, egalitarianism is still the dependent variable, but the time period is 1990-2013. The *ethnic fractionalization index* is no longer significant in this shorter time period. *GDP per capita* is significant and has a positive effect on the dependent variable *egalitarian.* A standard deviation increases of one, is a 9% increase in the standard deviation of the dependent variable. Next, *oil per GDP* has a significant negative effect on egalitarianism. An increase in the standard deviation by one, is a 0,5% reduction of a standard deviation of the dependent variable. *Trade per GDP* is also significant and has a positive effect on the dependent variable. Increasing the standard deviation of *trade per GDP* by one, is a 3& increase of a standard deviation of the dependent variable. *Population* is significant and has a positive effect on egalitarianism. *Ongoing civil war* have a significant negative effect on the dependent variable. And lastly, *years since last war* is not significant within a 5% level.

 The results from the first four regressions in table 2 are interesting. Looking at column one and two first, we see that the main independent variable is significant for the whole period of 53 years, but not significant when we only use years after the end of the cold war. In table 3 we'll look further into why this might be. When we lose the democracy aspect of the dependent variable, we still see similar results. Ethnic fractionalization is still significant for the period of 1960-2013, and insignificant for 1990-2013. There is indeed a slightly stronger effect between ethnic fractionalization and egalitarian democracy (11%) than ethnic fractionalization and egalitarianism (6%), for the period 1960-2013. Still, the results indicate that there are no significant changes on ethnic fractionalization when we include democracy in the equation. The biggest changes are that GDP per capita is not significant in column one

but is significant in column three. Meaning that it doesn't produce any significant results on its effects of egalitarian democracy, but it does have a significant effect when were only looking at the egalitarian aspect of states. Another change is in the population variable, that is insignificant in column one, but significant in two, three and four.

The regressions in table 3, consists of the same variables and time periods as in table 2, but using random effects instead of fixed effects. As mentioned previously, using my model was best suited for fixed effects when running the Hausman test. Regardless, it is interesting to compare the between effects between units, as well as the within effects. When using random effects, the models will have some issues with unmeasured heterogeneity. To account for this, regional dummies for Sub-Saharan Africa, Latin America, South & South-East Asia, the Middle East and North-Africa, and the former Soviet states are added. The West is used as a reference category. The dummy variables for the regions capture independent effects of these geographic entities which are unmeasured by any of the other variables in the models.

Table 3: The effects of ethnic fractionalization on egalitarian democracy and egalitarianism (Random effects)

VARIABLES	(1) 1960-2013 Egalitarian democracy	(2) 1990-2013 Egalitarian democracy	(3) 1960-2013 Egalitarian	(4) 1990-2013 Egalitarian
Ethnic Fractionalization index (Drazanova)	-0.23***	-0.08	-0.18***	0.06
	(0.04)	(0.07)	(0.05)	(0.04)
GDP per capita (log)	0.01	0.03***	-0.02**	0.02***
	(0.01)	(0.01)	(0.01)	(0.01)
Oil per GDP (log)	-0.02***	-0.02***	-0.02***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Trade per GDP (log)	0.02***	0.03***	0.01**	0.01**
	(0.01)	(0.00)	(0.01)	(0.00)
Population (log)	0.00	0.02**	0.02***	0.02***
	(0.00)	(0.01)	(0.00)	(0.01)
Ongoing civil war	-0.02***	-0.02***	-0.02***	-0.01**
	(0.00)	(0.00)	(0.00)	(0.00)
Years since last war	-0.00	-0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Sub-Saharan Africa	-0.36***	-0.31***	-0.36***	-0.28***
	(0.09)	(0.07)	(0.08)	(0.07)
Latin America	-0.32**	-0.25***	-0.36***	-0.28***
	(0.14)	(0.07)	(0.12)	(0.08)
South and South-East Asia	-0.39***	-0.37***	-0.37***	-0.28***
	(0.06)	(0.06)	(0.08)	(0.05)
Middle East and North-Africa	-0.47***	-0.47***	-0.36***	-0.33***
	(0.04)	(0.03)	(0.03)	(0.04)
Former Soviet States	-0.26***	-0.20***	-0.17***	-0.09**
	(0.08)	(0.04)	(0.06)	(0.04)
Constant	0.38*	0.01	0.64***	0.00
	(0.19)	(0.23)	(0.16)	(0.00)
Observations	4,902	3,148	4,902	3,148
Number of groups	148	148	148	148

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The dependent variable in column one is *egalitarian democracy*. The time period is between 1960 and 2013, which is the same as Table 2 (fixed effects). Beginning with the *ethnical fractionalization index*, it has a significant negative effect on egalitarian democracy. A one unit change in the standard deviation is now associated with a 25% reduction of a standard

deviation of the dependent variable. *GDP per capita* is not significant. *Oil per GDP* has a significant negative effect on egalitarian democracy. A change in the standard deviation by one, reduces the dependent variable by 10% of a standard deviation of the dependent variable. *Trade per GDP* has a significant positive effect on egalitarian democracy. An increase in the standard deviation by one, equals an increase in the dependent variable by 5% of a standard deviation of the dependent variable. Next, *population* is insignificant. *Ongoing civil war* is significant and affects the dependent variable negatively. *Years since last war is insignificant.* All the regional dummies are significant within a 5% level and have a negative effect on the dependent variable. Meaning that ethnic fractionalization significantly reduces egalitarian democracy in those regions, compared to the West. These results generally show that the random effects results are almost identical to the fixed effects in Table 2.

In column two, *egalitarian democracy* is still the dependent variable, but the time period is 1990-2013. The *ethnic fractionalization index* is not significant. *GDP per capita* is significant and has a positive effect on egalitarian democracy. An increase in the standard deviation by one, increases *egalitarian democracy* by 17% of a standard deviation. *Oil per GDP* is also significant and have a negative effect on the dependent variable. Changing the standard deviation by one, decrease the dependent variable by 9% of a standard deviation. *Trade per GDP* has a significant positive effect on egalitarian democracy. An increase in the standard deviation is a 6% increase in the dependent variable of a standard deviation. *Population* has a significant positive relationship with egalitarian democracy. *Ongoing civil war* is significant and affects the dependent variable negatively. *Years since last war* is insignificant. The regional dummies are still all significant and have a negative effect on the dependent variable.

Column three uses *egalitarian* as the dependent variable, dropping the democracy component as was done in table 2. The *ethnic fractionalization index* has a significant negative effect on egalitarianism. An increase in the standard deviation by one, decrease the dependent variable by 20% of a standard deviation of the dependent variable. *GDP per capita* has a significant negative effect on *egalitarian.* An increase in the standard deviation is a 11% reduction of a standard deviation in the dependent variable. *Oli per GDP* is significantly negative towards the dependent variable. A one unit increase in the standard deviation is a 9% reduction of a standard deviation in the dependent variable. *Trade per GDP* continues to have a significantly

positive effect on egalitarianism. Increasing the standard deviation by one, increase *egalitarian* by 2% of a standard deviation of the dependent variable. *Population* has a significant positive effect on *egalitarian*. *Ongoing civil war* is significantly negative towards the dependent variable. *Years since last civil war* is not significant. The regional dummies are all significant and have a negative effect on the dependent variable, compared to the west.

Column four utilizes the same dependent variable, *egalitarian*. The time period is 1990-2013. The *Ethnic fractionalization index* is not significant. *GDP per capita* has a significant positive effect on egalitarianism. A one unit increase in the standard deviation, increase the dependent variable by 12% of a standard deviation of the dependent variable. *Oil per GDP* is significant and affect the dependent variable negatively. An increase in the independent variable with one is a 5% reduction of a standard deviation in the dependent variable of *egalitarian*. *Trade per GDP* is significant and have a positive effect on the dependent variable. A one unit increase in the standard deviation increase *egalitarian* by 2% of a standard deviation. *Population* effects the dependent variable significantly positive. *Ongoing civil war* is significantly negative. *Years since last war* is insignificant. All the regional dummies continue to be significant and effect the dependent variable negatively.

There are some interesting and noteworthy results from table 3 compared to table 2. The coefficients have some variation in their size but remain either positive or negative regardless of using random or fixed effects. Looking at the regressions for the period between 1990 and 2013, we see that the *ethnic fractionalization index* remains insignificant in table 3 as it was in table 2. By including the regional dummies, we see that it does have an effect on both egalitarian democracy and egalitarianism in the regions of the world compared to the west. Meaning that after 1990, there is no significant relationship between ethnic fractionalization and egalitarian democracy or egalitarianism in the western countries, but there is a significant relationship in the rest of the world.

Table 4 shows the same regressions as table 2 and 3, but replacing the main independent variable, Drazanova's *ethnic fractionalization index*, with Fearon's measure for ethnic fractionalization. This variable is time-invariant; hence only random effects can be estimated. As in table 3, the models include regional dummies with the West as the reference category.

Table 4: The effects of ethnic fractionalization on egalitarian democracy and egalitarianism

VARIABLES	(1) 1960-2013 Egalitarian democracy	(2) 1990-2013 Egalitarian democracy	(3) 1960-2013 Egalitarian	(4) 1990-2013 Egalitarian
Ethnic fractionalization (Fearon)	-0.08	-0.08	-0.09	-0.06
	(0.07)	(0.10)	(0.11)	(0.11)
GDP per capita (log)	0.00	0.02**	-0.02**	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Oil per GDP (log)	-0.02***	-0.01***	-0.01***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Trade per GDP (log)	0.01**	0.01	0.01	0.01
	(0.01)	(0.00)	(0.00)	(0.00)
Population (log)	0.01	0.02*	0.04***	0.03**
	(0.01)	(0.01)	(0.01)	(0.01)
Ongoing civil war	-0.02***	-0.02***	-0.03***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Years since last war	0.00	-0.00	0.00	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)
Sub-Saharan Africa	-0.46***	-0.36***	-0.40***	-0.28***
	(0.09)	(0.04)	(0.07)	(0.04)
Latin America	-0.38**	-0.28***	-0.38***	-0.29***
	(0.15)	(0.05)	(0.13)	(0.06)
South and South-East Asia	-0.45***	-0.40***	-0.40***	-0.30***
	(0.06)	(0.04)	(0.07)	(0.03)
Middle East and North-Africa	-0.51***	-0.49***	-0.38***	-0.34***
	(0.04)	(0.03)	(0.03)	(0.05)
Former Soviet States	-0.30***	-0.22***	-0.17**	-0.11
	(0.08)	(0.06)	(0.06)	(0.08)
Constant	0.00	0.00	0.44***	0.00
	(0.00)	(0.00)	(0.14)	(0.00)
Observations	5,839	4,026	5,839	4,026
Number of groups	148	148	148	148

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Column one still utilizes the dependent variable *egalitarian democracy* with the period 1960-2013. Column two has the same dependent variable, but with the period 1990-2013. Column three uses the *egalitarian* variable without democracy, in the period 1960-2013. Column four also use the *egalitarian* variable for the period 1990-2013.

Fearon's measure for *ethnic fractionalization* is not statistically significant in any of the regressions with egalitarian democracy. Nor is it significant for the egalitarian variable. *GDP per capita* is not significant for egalitarian democracy between 1960 and 2013 but is significant and have a positive effect on egalitarian democracy between 1990 and 2013 as we have seen above. On the dependent variable *egalitarian* in column three, *GDP per capita* is significant, but has a negative effect on *egalitarian*. Finally, in column four, the independent variable is not significant.

Oil per GDP is significant and has a negative effect on *egalitarian democracy* and *egalitarian* for all periods. *Trade per GDP* has a significant positive effect on the dependent variable, *egalitarian democracy,* in the period 1960-2013. It is not however, significant for egalitarian democracy between 1990 and 2013, nor for *egalitarian* in any of the two time periods.

Population is not significant for *egalitarian democracy* in neither 1960-2013 or 1990-2013, but it is significant and have a positive effect on *egalitarian* in both the period 1960-2013 and 1990-2013. *Ongoing civil war* is significant and affects the dependent variable negatively for both dependent variables in all time periods. *Years since last civil war* is not significant for any variable in any of the periods.

The regional dummies are all significant with a negative effect on the dependent variable's *egalitarian democracy* and *egalitarian,* relative to the west, for all periods, with the exception of one. Former soviet states are not significant in column four, with *egalitarian* being the dependent variable and the period being 1990-2013. This means that for all the regions for all periods, ethnic fractionalization does influence the dependent variables when the regions are compared to the west. The exception is the former soviet states who is not significantly different from the west after 1990.

Table 5: The effects of cultural division on egalitarian democracy and egalitarianism

VARIABLES	(1) 1960-2013 Egalitarian democracy	(2) 1990-2013 Egalitarian democracy	(3) 1960-2013 Egalitarian	(4) 1990-2013 Egalitarian
Cultural division	-0.10	-0.11	-0.09	-0.07
	(0.06)	(0.12)	(0.11)	(0.16)
GDP per capita (log)	0.00	0.02**	-0.02**	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Oil per GDP (log)	-0.02***	-0.01***	-0.01***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Trade per GDP (log)	0.01**	0.01	0.01	0.01
	(0.01)	(0.00)	(0.00)	(0.00)
Population (log)	0.01	0.02*	0.04***	0.03**
	(0.01)	(0.01)	(0.00)	(0.01)
Ongoing civil war	-0.02***	-0.02***	-0.03***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)
Years since last war	0.00	-0.00	0.00	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)
Sub-Saharan Africa	-0.48***	-0.37***	-0.42***	-0.29***
	(0.10)	(0.04)	(0.10)	(0.03)
Latin America	-0.39**	-0.29***	-0.39***	-0.30***
	(0.15)	(0.06)	(0.14)	(0.06)
South and South-East Asia	-0.45***	-0.40***	-0.41***	-0.31***
	(0.06)	(0.04)	(0.08)	(0.03)
Middle East and North-Africa	-0.52***	-0.49***	-0.39***	-0.34***
	(0.04)	(0.03)	(0.03)	(0.05)
Former Soviet States	-0.30***	-0.22***	-0.18**	-0.11
	(0.09)	(0.06)	(0.07)	(0.08)
Constant	0.45**	0.14	0.44***	0.33*
	(0.19)	(0.29)	(0.13)	(0.16)
Observations	5,814	4,012	5,814	4,012
Number of groups	147	147	147	147

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The regressions in table 4 also uses one of Fearon's variables, *cultural division*. Other than that, the dependent variables and time periods are the same as in the previous tables.

The first finding is that *cultural division* is not significant for either of the dependent variables or time periods. *GDP per capita* is not significant for *egalitarian democracy* for 1960-1990 but

has a significant positive effect from 1990-2013. For the dependent variable *egalitarian*, *GDP per capita* has a significant negative effect between 1960 and 2013. Lastly, in column 4, it is not significant.

Oil per GDP is significant and have a negative effect on the dependent variable in all the time periods. *Trade per GDP* is significant for *egalitarian democracy* between 1960 and 2013 with a positive effect. For *egalitarian democracy* 1990-2013 and *egalitarian* in both periods, the variable is insignificant. *Population* is not significant for *egalitarian democracy* but is significant and have a positive effect on *egalitarian*, for both 1960-2013 and 1990-2013. *Ongoing civil war* has a significant negative effect on the dependent variable for all the four columns. The opposite is true for *Year since last war*, which is not significant in any column.

For the regional dummies, Sub-Saharan Africa, Latin America, South & South-East Asia and the Middle East & North Africa, all have a significant negative effect on the dependent variable for all periods. The former Soviet states have significant negative effects on the dependent variable in column one two and three but is not significant in column four.

Using Fearon's measures for ethnic fractionalization, we do not produce any significant results in our models. Other than that, there's only slight differences between table 3, 4 and 5. *GDP per capita* behaves in the same manner, with the exception of being significant in the regression with the *egalitarian* dependent variable for the period 1990-2013 in table 3, but not in the other two. Finally, we see a difference in the former soviet states. The results have a significant negative effect on *egalitarianism* for 1990-2013 in table 3 but is not significant in table 4 and 5.

It is important to emphasise that table 2, 3 and 4 contains models using random effects, even though fixed effects are better suited for the models. For the models in table 3 and 4 the reason for using random effects is quite clearly that the main independent variable is time-invariant, meaning it does not change between time intervals, resulting in it being omitted had we used fixed effects. Random effects are therefore the best option. For the models in table 2, random effects are used to be able to compare the results with those of table 3 and

4. Comparing one model using fixed effects with one that uses random effects, are unwise as they measure different aspects of the unit variation.

8   Discussion

The literature on whether ethnic diversity is good or bad for economic growth and good governance is split in two. Alesina and Easterly claims ethnic fractionalization has a negative effect on economic growth and good governance. The artificial borders created by the old colonial powers forced people with little in common to unite in a single nation regardless of ethnicity, religion, culture, or language. This political environment has since been a breeding ground for grievances where every group is only looking out for their own interests. The result is inefficient governing, where the group in power seek to enrich their own people rather than the country as a whole (Alesina et al., 2003; Alesina et al., 2008; Alesina & La Ferrara, 2005; Easterly & Levine, 1997). On the other side of the debate, Collier argues that the implication between ethnic diversity and growth, does not lie in *ethnic diversity* itself. He differentiates between ethnically fragmented states and ethnically dominated ones. The fragmented being states with many smaller ethnic groups and the dominated ones being states with one majority ethnic group, and one or several smaller ones. His argument is that the many smaller groups in fragmented countries might act as a checks and balance system in the absence of the proper institutions. In the ethnically dominated states however, the majority group can impose policies benefitting the majority, without much regard for the minorities in the country (Collier & Hoeffler, 2004; Collier et al., 2001; de Soysa & Vadlamannati, 2017). There is however a very limited number of states that are ethnically dominated according to Collier. Thus, he concludes; ethnic diversity is not a problem for economic growth or good governance (with some exceptions).

The empirical results in this paper show a negative effect of ethnic fractionalization on both egalitarian democracy and egalitarianism between 1960 and 2013. This points in the direction of Alesina and Easterly, that ethnic diversity is a challenge for growth, democracy, and good governance. Yet the results for 1990-2013 are not significant. This implies that it might be Collier who is correct in his assessment that there is no effect of ethnic fractionalization on growth. It is plausible that both sides of the debate are correct. Ethnic fractionalization has a negative effect on egalitarian democracy and egalitarianism for the whole period, but no significant effect on the two for the last three decades, meaning that the effect of ethnic

fractionalization on the dependent variables were stronger in the second half of the 1900s than it was in the 1990s and 2000s.

With the colonial eras end around 1960, a lot of new states were formed, especially in Africa. As Alesina states, many of these new states could be called artificial because of their lack of national feeling and common ground. This led to ethnic conflicts as the different groups in the new nations struggled to build the institutions necessary to succeed and survive (Alesina et al., 2008). As Acemoglu and Robinson argues, several of the countries enjoying their newfound independence from the colonial powers, kept the extractive institutions instated on them. Institution designed not to build a strong economy or promote the citizens' rights, but to exploit the many for the benefit of the few. Whether it be a rich elite or the ruling group and their kin (Acemoglu & Robinson, 2013). Regardless, it was a period of conflict on the African continent while the young states established themselves. In this period, as it had always been before, the tribal communities and ethnic groups were of impeccable importance for the people. When some western leaders of governments half a world away decided they had to share a state with other groups whom they had nothing in common with, or whom they might have recently fought wars against, they would not magically become friends over night. The grievances they had for each other lived on, implicating the integration process into the new united country. It is not surprising that ethnic fractionalization had a negative impact on both economic growth, as others have found, and egalitarian democracy in the years after decolonization. The individual ethnic groups had no reason to trust each other, and therefore had an incentive to put the interests of their own groups above everyone else's.

The results from the models after 1990 do not show any significant relationship between ethnic diversity and egalitarian democracy or egalitarian institutions. Collier argues that grievances between groups have little influence on their actions, whether it be in creating policies or entering a civil war. He doesn't discredit that the grievances do exist, rather he argues they are of less importance than economic factors (Collier, 2007; Collier & Hoeffler, 2004; Collier et al., 2001). I'd argue that the newly formed states after the colonial era needed time to adjust to their new country. The ethnic groups had no reason to trust each other, or to promote policies to better the living conditions for everyone, because it did not seem possible at the time. The institutions put in place by the colonial powers persisted, intended

to extract wealth from the many for the benefit of the few. For the people this was all they had ever known, meaning that their ambitions after decolonization were to be the group in power, rather than the group being extracted. An alternative where there was no extraction of anyone might have seen impossible. And rightly so, institutions are not changed overnight. With time however, the people realize their common interests across ethnic groups, resulting in our variable *ethnic fractionalization* having no statistically significant effect on egalitarian democracy or egalitarianism after 1990. That is not to say that the former colonies are now in any way egalitarian, but which ethnic group a person belong to have no effect on the policies they support. Rather I would theorize it to be dependent on social standing, not ethnicity. However, the data used in this thesis does not include the necessary variables to allow us to draw such a conclusion.

It should be mentioned that the end of the colonial era was not the only historical event in the second half of the 20th century that caused the creation of new states. The end of the Cold War divided Eastern Europe into independent states, and we've seen a general increase in the proportion of civil war in the world in the years since (Fearon & Laitin, 2003; Gleditsch, 2016). From our models we see, not surprisingly, that civil war negatively affects egalitarian democracy and egalitarianism in both periods. It is plausible that ethnic fractionalization could work through civil war to diminish egalitarian democracy, because of ethnic conflicts. However, as Collier theorise, it might not be the level of ethnic diversity in itself that lead to conflict, but it can be a factor when other more influential criteria, such as economic funding, are met (Collier & Hoeffler, 2004). First, I will address the Eastern European states. Their independence from the Soviet Union did not have the same effect as the colonies independence from the colonial powers. Alesina might argue that this is because they are not *artificial states (Alesina et al., 2008)*. Many of the Eastern European states enjoyed independence before the Soviet Union, while some were part of larger empires. Not to say there were no friction between groups in society, but the frictions had been there for centuries, giving the people time to adjust (Kramer et al., 2020). The Eastern European states also had the advantage of Western integration, with many states being included in the European Union. A luxury the former colonies did not have. Thus, much of Eastern Europe avoided civil war through a combination of a long-shared history across several different

ethnic groups, and the prospect of growth and democracy. The cost of civil war simply too great for ethnic wars being worth it.

The war in Yugoslavia might be a counterargument towards the influence of ethnic diversity for civil war. It was the largest war fought on the European continent after World War two, until the recent invasion of Ukraine. Still, one could argue the cause for the Yugoslavian war was a war for independence from an oppressive regime, not a war for ethnic independence. If we are to believe Collier's assessment of the importance of economic and political factors in civil war, rather than ethnical ones, this does seem like a plausible answer. (Chomsky et al., 2018; Collier, 2007; Collier & Hoeffler, 2004; Fixdal, 2016; Kramer et al., 2020).

Europe was not the only part of the world that changed after the end of the cold war. The proportions of conflicts in the world being civil wars, rather than inter-state wars increased drastically (Gleditsch, 2016). Fearon and Latin (2003) argues that many of these civil wars have roots in ethnical and religious differences, with roots to the 1950s and 60s. If this was true, we would expect ethnic fractionalization to have a negative impact on egalitarian democracy after 1990, but no such statistically significant relationship is found in our models. Again, it seems plausible that the causes for civil war are mostly economic and political, using ethnic diversity as a means to rally the people, as Collier argues (Collier & Hoeffler, 2004). It is also plausible that ethnic fractionalization is indeed the cause of civil war in some instances, but as our model is based on a large number of countries, the few potential instances where ethnic fractionalization does have a negative effect on egalitarian democracy after 1990, won't skew the results in the model.

In the literature review I mentioned Robert Dahls (1998) thesis on democracy, and how he relates democracy and diversity. He believes that cultural diversity can be a hindrance to the development of democracy, because of a "us" and "them" mentality. Everyone wants to protect their own groups, while fearing that other groups want them harmed. The lack of trust between groups prevents political and social consensus, which in turn makes an equal society unachievable. One group would not trust another group with power, because they do not trust them to act in each other's best interests. Thus, they struggle for power while at the same time attempting to weaken the other groups position (Dahl, 1998). I would argue that

Dahls theory is relevant to explain, at least part of the reason for why ethnic fractionalization has a negative effect on egalitarian democracy in our model (table 2). As mentioned, the struggle between groups was very present in the years after decolonialization, making intergroup grievances an influential force in the country's politics. The groups did not trust each other. After 1990 however, when the new states had some time to stabilize themselves, the group dynamics changed and so did the cultural conflicts. Thus, diversity in itself was no longer a driving force for political division in the state, which is why we do not have statistically significant results for ethnic fractionalization and egalitarian democracy after 1990. This is not an argument that there is no ethnic or cultural conflict anymore, but rather that the level of fragmentation does not condition a state's ability to develop egalitarian democracy.

Table 4 presents regressions using Fearon's ethnic fractionalization variable as the main independent variable. As mentioned, there is no significant effect on either egalitarian democracy or egalitarianism either for the period 1960-2013 or for 1990-2013. The model is measuring the between effects between countries, and since it is time in-variant, it does not measure change over time. To compare it to the models with the HIEF dataset as the independent variable, we must look to table 3 where the regressions are also run using random effects. The effects of ethnic fractionalization from the HIEF dataset on egalitarian democracy and egalitarianism is significant for 1960-2013 and insignificant from 1990-2013. This means that there is a difference in using panel data as opposed to Fearon's time-invariant data.

The models in table 5 also use one of Fearon's measures as the independent variable, namely *cultural division*. As opposed to the previously used measures for ethnic diversity, this variable only measures the linguistical distance between groups. That is, how much they differ in regard to their linguistical *tree branches*. The results are not significant, meaning that we find no relation between the linguistical differences in a country and its ability to develop egalitarian democracy and egalitarian institutions. Although evident that multilinguistic countries do face some challenges in communication, both in governing and in social settings, the development of egalitarianism does not depend on it. It is plausible that simply speaking two different languages, is not sufficient to prioritize benefiting one's own group over others. Also, there is the issue with assuming differences or similarities of culture and ethnicity based

on language. Latin America is for example rather homogenous, measured with Fearon's cultural division measure. This is because large parts of the continent speak Spanish or Portuguese, languages quite close to each other in the linguistics tree. Measured in terms of ethnicity or race, Latin America is much more heterogenous (Alesina & La Ferrara, 2005; Fearon, 2003). At the same time, measuring linguistic differences in Sub-Saharan Africa, yields higher levels of fractionalization than ethnic diversity indices such as *ELF (Alesina et al., 2003; Easterly & Levine, 1997; Fearon, 2003).*

Choosing the right measure for ethnic groups is difficult. While measuring linguistic distance is a viable option in some instances, it is worse in others. Regardless, the results from table 5 are insignificant for *cultural division* as the independent variable, while *ethnic fractionalization* in table 3, is significant, at least for the full period of 1960-2013. While linguistically differences could be an influential factor for certain cases, it does not have a significant effect on either egalitarian democracy or egalitarianism in my models. From this we can derive that there are other forces than solely linguistical ones, that influence the dependent variables.

9   Conclusion

In the beginning of this thesis, I defined the research question:

How does ethnic fractionalization affect the development of egalitarian democracy

I also developed two hypotheses based on the previous literature and theory on the subject:

H1: States with a high level of ethnic fractionalisation over time, have a harder time developing egalitarian democracy and egalitarian institutions.

H2: The effect of ethnic fractionalization on egalitarian democracy and egalitarian institutions, is significantly weaker in more recent years (1990-2013)

To answer the research question, ethnic fractionalization does not hinder nor promote the development of egalitarian democracy. At least not after 1990. The level of diversity in a state does affect the development of egalitarian democracy and egalitarian institutions when the state is still young and there is no basis for inter-group trust, but as the state have time to stabilize, group conflicts become less of a condition for growth and democracy. Thus, we can conclude that hypotheses *H1* is partially incorrect. It is not necessarily ethnic fractionalization in itself that hinder the development of egalitarian democracy. However, if a state is weak without proper institutions or basis for trust between groups, then the level of heterogeneity can have a negative impact, as we saw in the years after decolonialization.

Hypothesis *H2* is correct. At least if we interpret *weaker* as meaning there is no effect. In the years between 1990 and 2013, the ethnical conflicts that dominated politics in the prior years were no longer what defined national politics. As the countries grew their economies, albeit slowly for the developing world, the structural composition of the countries changed. Association with a tribe becomes less important for support, as people start having their basic economic needs met. Economic and political differences become more important than ethnic ones, which is why there is no effect between ethnic diversity and egalitarian democracy. This is not to say that ethnic differences no longer matter for national politics, but on a global level it does not impede the development of egalitarian democracy or egalitarian institutions.

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11 Appendix

11.1 Appendix 1 Correlation matrix

Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) v2x_egaldem	1.000											
(2) v2x_egal	0.861	1.000										
(3) efindex	-0.332	-0.317	1.000									
(4) ef	-0.366	-0.353	0.817	1.000								
(5) cdiv	-0.260	-0.226	0.739	0.785	1.000							
(6) lgdppc	0.675	0.594	-0.406	-0.440	-0.293	1.000						
(7) loilgdp	-0.302	-0.262	0.106	0.146	0.165	0.072	1.000					
(8) ltradegdp	0.179	0.257	-0.015	-0.055	0.016	0.352	-0.023	1.000				
(9) civilwar	-0.198	-0.249	0.179	0.144	0.143	-0.231	0.095	-0.222	1.000			
(10) peaceyrs	0.399	0.411	-0.187	-0.246	-0.195	0.428	-0.151	0.361	-0.459	1.000		
(11) lpop	0.044	0.012	-0.051	-0.095	-0.077	-0.244	0.168	-0.527	0.298	-0.250	1.000	
(12) year	0.269	0.237	0.053	0.000	0.000	0.212	-0.023	0.333	0.066	0.282	0.128	1.000

11.2 Appendix 2 List of countries

Country		
Afghanistan	Democratic Republic of Congo	Kuwait
Albania	Democratic Republic of Vietnam	Kyrgyz Republic
Algeria	Denmark	Laos
Angola	Djibouti	Latvia
Argentina	Dominican Republic	Lebanon
Armenia	East Timor	Lesotho
Australia	Ecuador	Liberia
Austria	Egypt	Libya
Azerbaijan	El Salvador	Lithuania
Bahrain	Eritrea	Macedonia
Bangladesh	Estonia	Madagascar
Belarus	Ethiopia	Malawi
Belgium	Fiji	Malaysia
Benin	Finland	Mali
Bhutan	Gabon	Mauritania
Bolivia	Gambia	Mauritius
Bosnia-Herzegovina	Georgia	Mexico
Botswana	German Federal Republic	Moldova
Brazil	Ghana	Mongolia
Bulgaria	Greece	Morocco
Burkina Faso	Guatemala	Myanmar
Burundi	Guinea	Namibia
Cambodia	Guinea-Bissau	Nepal
Canada	Guyana	Netherlands
Cape Verde	Haiti	New Zealand
Central African Republic	Honduras	Nicaragua
Chad	Hungary	Niger
Chile	Indonesia	Nigeria
China	Iran	Norway
Colombia	Iraq	Oman
Comoros	Ireland	Pakistan
Congo	Israel	Panama
Costa Rica	Italy	Paraguay
Cote d'Ivoire	Jamaica	Peru
Croatia	Japan	Philippines
Cuba	Jordan	Poland
Cyprus	Kazakhstan	Portugal
Czech Republic	Kenya	Qatar

Latvia	Serbia
Lebanon	Sierra Leone
Lesotho	Singapore
Liberia	Slovakia
Libya	Slovenia
Lithuania	Solomon Islands
Macedonia	Somalia
Madagascar	South Africa
Malawi	Spain
Malaysia	Sri Lanka
Mali	Sudan
Mauritania	Swaziland
Mauritius	Sweden
Mexico	Switzerland
Moldova	Syria
Mongolia	Tajikistan
Morocco	Tanzania
Myanmar	Thailand
Namibia	Togo
Nepal	Trinidad and Tobago
Netherlands	Tunisia
New Zealand	Turkey
Nicaragua	Turkmenistan
Niger	Uganda
Nigeria	Ukraine
Norway	United Arab Emirates
Oman	United Kingdom
Pakistan	United States of America
Panama	Uruguay
Paraguay	Uzbekistan
Peru	Venezuela
Philippines	Yemen Arab Republic
Poland	Zambia
Portugal	Zimbabwe
Qatar	
Republic of Korea	
Romania	
Russia	
Rwanda	
Saudi Arabia	
Senegal	

11.3 Appendix 3 Countries is Sub-Saharan Africa (ssa)

Country	
Angola	Togo
Benin	Uganda
Botswana	Zambia
Burkina Faso	Zimbabwe
Burundi	
Cape Verde	
Central African Republic	
Chad	
Comoros	
Congo	
Cote d'Ivoire	
Democratic Republic of Congo	
Djibouti	
Eritrea	
Ethiopia	
Gabon	
Gambia	
Ghana	
Guinea	
Guinea-Bissau	
Kenya	
Lesotho	
Liberia	
Madagascar	
Malawi	
Mali	
Mauritania	
Mauritius	
Namibia	
Niger	
Nigeria	
Rwanda	
Senegal	
Sierra Leone	
Somalia	
South Africa	
Swaziland	
Tanzania	

11.4 Appendix 4 Countries in Latin America (latam) and Former Soviet States ()

Latin America	**Former Soviet States**
Argentina	Albania
Bolivia	Armenia
Brazil	Azerbaijan
Chile	Belarus
Colombia	Bosnia-Herzegovina
Costa Rica	Bulgaria
Cuba	Croatia
Dominican Republic	Czech Republic
Ecuador	Estonia
El Salvador	Georgia
Guatemala	Hungary
Guyana	Kazakhstan
Haiti	Kyrgyz Republic
Honduras	Latvia
Jamaica	Lithuania
Mexico	Macedonia
Nicaragua	Moldova
Panama	Mongolia
Paraguay	Poland
Peru	Romania
Trinidad and Tobago	Russia
Uruguay	Serbia
Venezuela	Slovakia
	Slovenia
	Tajikistan
	Turkmenistan
	Ukraine
	Uzbekistan

11.5 Appendix 5 Countries in South- and Southeast Asia(sasea) and Middle East and North Africa (mena)

South and Southeast Asia	Middle East and North Africa
Afghanistan	Algeria
Bangladesh	Bahrain
Bhutan	Egypt
Cambodia	Iran
China	Iraq
Democratic Republic of Vietnam	Jordan
East Timor	Kuwait
Fiji	Lebanon
Indonesia	Libya
Laos	Morocco
Malaysia	Oman
Mongolia	Qatar
Myanmar	Saudi Arabia
Nepal	Sudan
Pakistan	Syria
Philippines	Tunisia
Republic of Korea	Turkey
Singapore	United Arab Emirates
Sri Lanka	Yemen Arab Republic
Thailand	

11.6 Appendix 6 The Western Countries (dc)

Country
Australia
Austria
Belgium
Canada
Denmark
Finland
German Federal Republic
Greece
Ireland
Italy
Japan
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
United Kingdom
United States of America