



Inequality and Stability in Democratic and Decentralized Indonesia

**Mohammad Zulfan Tadjoeddin,
Athia Yumna, Sarah E. Gultom, M. Fajar Rakhmadi,
M. Firman Hidayat & Asep Suryahadi**

University of Western Sydney (Australia) & SMERU Research Institute (Indonesia)

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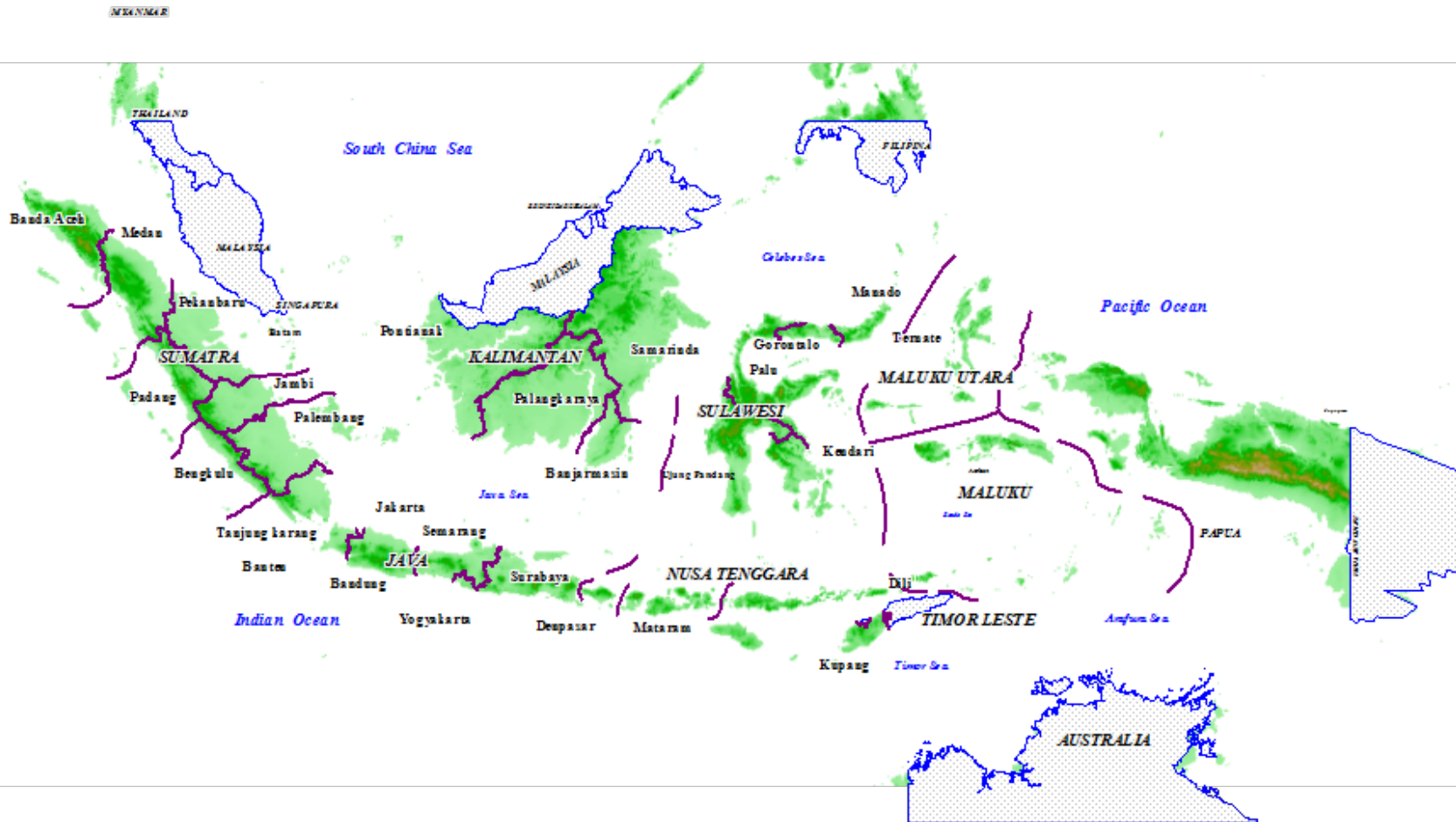
Outline

- 1) Background
- 2) Societal stability
- 3) Inequality and violent conflict
- 4) Empirical strategy
- 5) Results
- 6) Conclusion

Indonesia



250 mil. people (33 provinces – 497 districts)



(I) Background

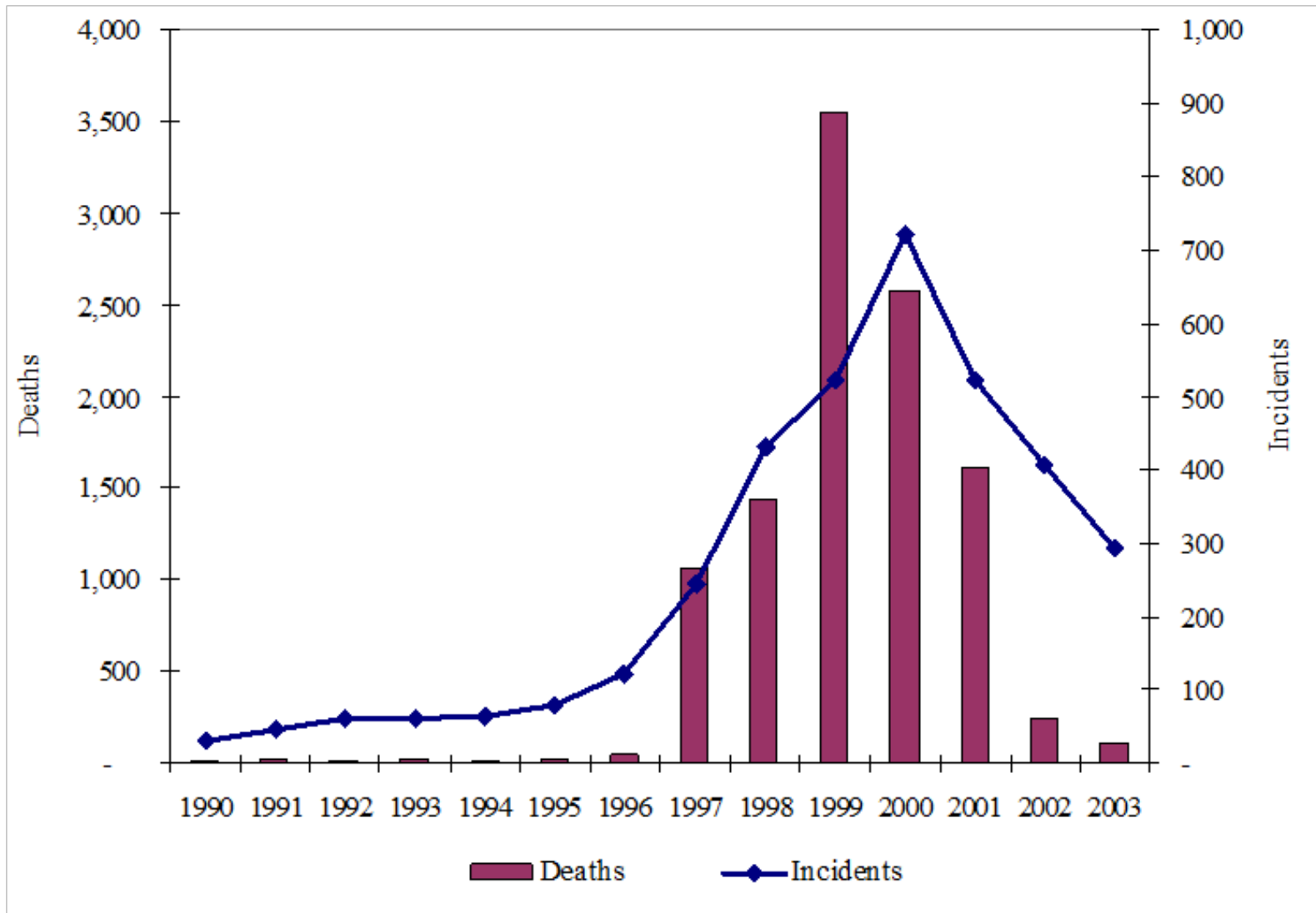
- **Rising inequality** in democratic & decentralized Indonesia
- The need to differentiate between **tackling inequality** and **poverty reduction**
- Two effects of inequality: (a) on economic performance, (b) on **societal stability**
- The democratic transition was a successful one, but it was **de-stabilising**

(2) Societal stability

- Highly **important** in a large and diverse country like Indonesia
- **Collective violence** during the democratic transition & decentralization reform (1998-2003)
 - **Separatist** violence
 - **Ethnic** violence
 - **Routine-everyday** violence (*small scale, sporadic*)
- This study concerns **collective violence during 2005-2012** in regions previously considered as high conflict.
 - **When the de-stabilizing effect of democratic transition has largely disappeared**

Collective violence 1990-2003

Source: UNSFIR-UNDP dataset



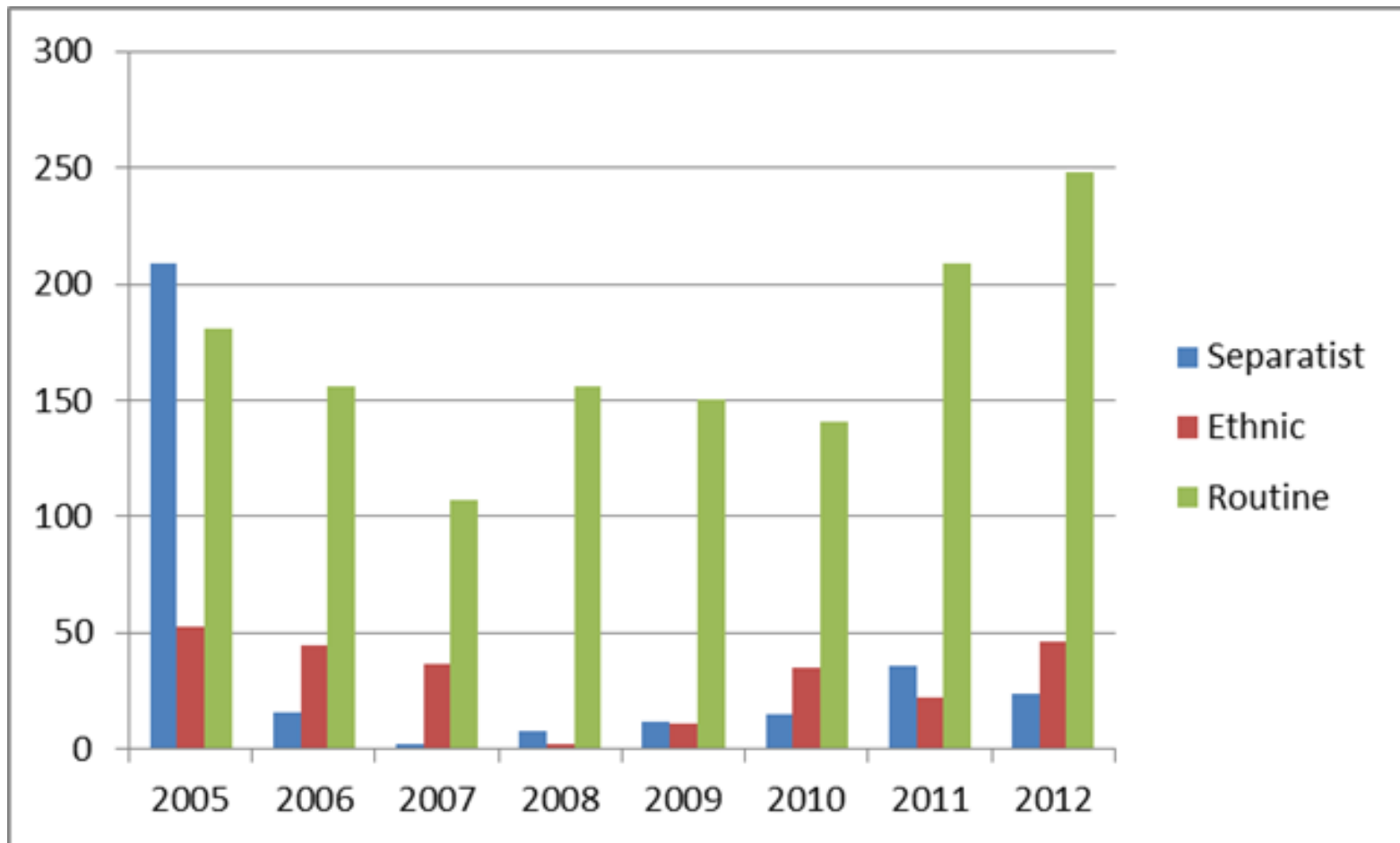
Incidents of collective violence, 2005-12

Source: SNPK



Deaths of collective violence, 2005-12

Source: SNPK



(3) Inequality and violent conflict

- Matching the correct categories
- Two types of *Inequality*:
 - i. vertical
 - ii. horizontal
- Two types of *violent conflict*
 - i. Large scale 'episodic' violence such as **civil war & ethnic conflict**
 - ii. Small scale 'routine' violence

(3) Inequality and violent conflict

- An age old concern
- The role of (**vertical**) inequality in **civil war** was largely dismissed the (Fearon-Laitin 2003; Collier-Hoeffler 2004)
- What matter is **Horizontal inequality** (Stewart, 2000, 2008 & Cederman, Gleditsch and Buhaug, 2013)
- But, what about **vertical inequality**?
 - **Vertical inequality** and (small scale and sporadic) **'routine' violence**

(4) Empirical strategy

- Model

Violence = inequality + others

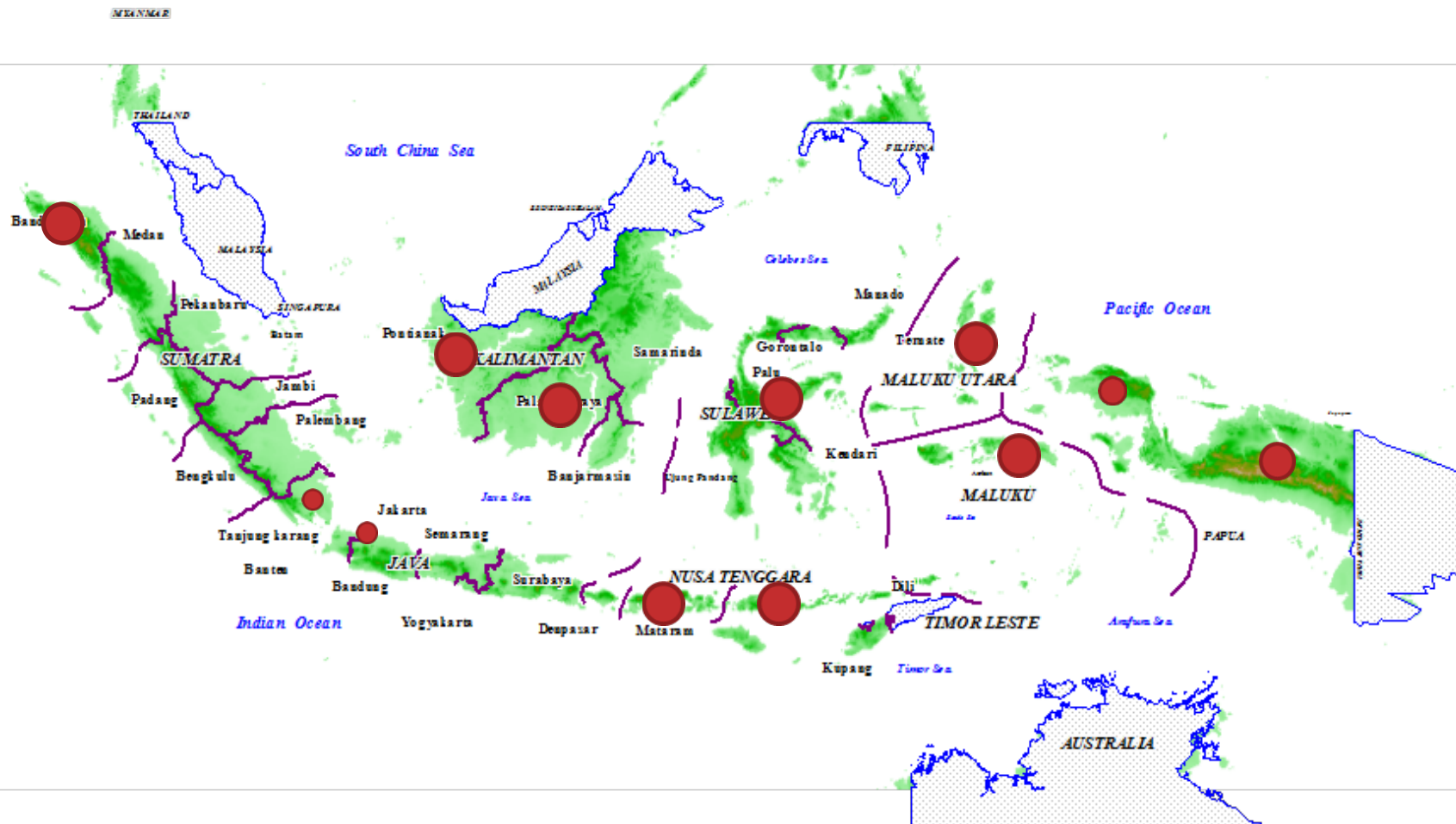
- Coverage

- Across district observation during 2005-12 (in 12 provinces previously considered as 'high' conflict areas)

- Data

- SNPK (Indonesian National Violence Monitoring System)
- Available at: www.snpk-indonesia.com
- Developed by the World Bank, based on the UNDP-UNSFIR dataset

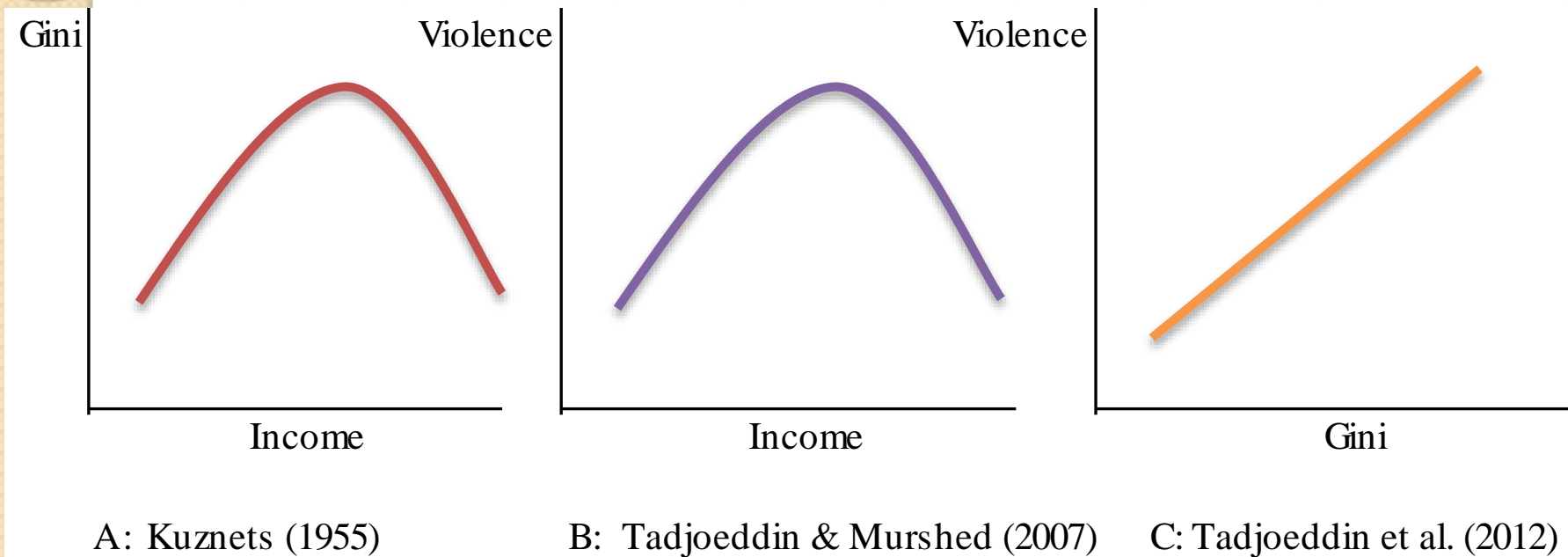
250 mil. people (33 provinces – 497 districts)



(5) Results: Routine violence

- Large and significant effect of vertical inequality on routine violence
- The effect has considered the Kuznets-type relationship between inequality (Gini) and income
- The inverted-U relationship between income and violence is confirmed

Inequality, income, violence



Vertical Inequality and routine violence (negative binomial regressions)

	Dep. Var: incidents of routine violence					
Variable	(1)	(2)	(3)	(4)	(5)	(6)
Gini	0.903	0.937				
Predicted_Gini			18.2***	15.7***		
Percapita RGDP	.024***	.023***			.058***	.051***
Percapita RGDP_squared					-3.0e-04***	-2.4e-04***
Fractionalization_ethnic	-0.496		-.582*		-.587*	
Fractionalization_religion		0.588		0.593		0.478
Growth of RGDP	-.885*	-.885*	-.841*	-0.838	-.85*	-0.849
Poverty	-.017*	-0.016	-.018*	-0.016	-.018*	-0.016
Years of schooling	0.069	0.048	0.069	0.046	0.049	0.03
Young population (15-24)	7.6*	7.71*	6.44	6.67	7.83*	8.08*
Urban dummy	1.02*	.894*	.977*	0.85	.995*	.877*
Population (million)	.567***	.588***	.412***	.442***	.526***	.555***
Cosntant	0.319	0.323	-4.2**	-3.53*	0.604	0.555
Province_fixed effect	yes	yes	yes	yes	yes	yes
Year_fixed effect	yes	yes	yes	yes	yes	yes
Over-dispersions	-.816***	-.807***	-.759***	-.746***	-.839***	-.822***
Observations	567	567	567	567	567	567

(5) Results: **Ethnic** violence

- Previous findings on routine violence are also found in the case of ethnic violence
 - Characteristics of post 2005 ethnic violence are closer to 'routine' violence
- But, the effect of **horizontal** inequality is **stronger** than that of vertical inequality on ethnic violence

Vertical inequality and ethnic violence

	Dep. Var: incidents of ethnic violence					
Variable	(1)	(2)	(3)	(4)	(5)	(6)
Gini	0.723	0.832				
Predicted_Gini			41.2***	33.4***		
Percapita RGDP	.039***	.037***			.105***	.086***
Percapita RGDP_squared					-6.0e-04***	-4.5e-04**
Fractionalization_ethnic	-2.07**		-2.29**		-2.26**	
Fractionalization_religion		2.89**		2.89**		2.77*
Growth of RGDP	-2.75**	-2.48**	-2.17*	-2.08*	-2.11	-2.01
Poverty	0.017	0.018	9.00E-03	0.011	0.013	0.015
Years of schooling	0.055	-0.031	-0.012	-0.091	-8.90E-03	-0.083
Young population (15-24)	0.478	1.41	-0.693	0.286	0.833	1.83
Urban dummy	1.69**	1.06	1.54**	0.941	1.56**	0.957
Population (million)	1.07***	1.21***	.709***	.868***	.914***	1.1***
Constant	-2.84	-2.65	-13***	-10.7***	-2.27	-2.16
Province_fixed effect	yes	yes	yes	yes	yes	yes
Year_fixed effect	yes	yes	yes	yes	yes	yes
Over-dispersions	.735***	.751***	.705***	.744***	.678***	.715***
Observations	567	567	567	567	567	567

Horizontal inequality and ethnic violence

Variable	Dep. Var: incidents of ethnic violence			
	(1)	(2)	(3)	(4)
HI (w_GCOV_ethnic)	4.24***			
HI (w_GCOV_religion)		6.09***		
HI (GGINI_ethnic)			7.22***	
HI (GGINI_religion)				15***
Fractionalization_ethnic	-2.56***		-2.73***	
Fractionalization_religion		2.49*		1.6
Per capita RGDP	.022***	.025***	.024***	.021***
Growth of RGDP	-1.5	-1.39	-1.58	-0.912
Poverty	3.40E-03	-1.30E-03	7.10E-03	3.40E-03
Years of schooling	0.174	0.173	0.117	0.085
Young population (15-24)	-1.46	-0.479	-0.33	-0.887
Urban dummy	1.13	0.245	1.37*	0.663
Population (million)	.854***	1.12***	.89***	1.06***
Constant	-3.02	-3.48*	-2.67	-2.6
Province_fixed effect	yes	yes	yes	yes
Year_fixed effect	yes	yes	yes	yes
Over-dispersions	.612**	.607***	.644***	.589***
Observations	567	567	567	567

(5) Results: **Violent crime**

- Previous findings on routine violence are also found in the case of violent crime
 - Resemblance between violent crime and 'routine' violence

Vertical inequality and violent crime

	Dep. Var: incidents of violent crime					
Variable	(1)	(2)	(3)	(4)	(5)	(6)
Gini	0.692	0.675				
Predicted_Gini			24***	21.8***		
Percapita RGDP	.025***	.023***			.073***	.066***
Percapita RGDP_squared					-4.3e-04***	-3.8e-04***
Fractionalization_ethnic	-0.198		-0.339		-0.36	
Fractionalization_religion		0.971		0.913		0.814
Growth of RGDP	-1.35***	-1.36***	-1.37***	-1.37***	-1.41***	-1.41***
Poverty	-.021**	-.021**	-.023**	-.022**	-.023**	-.022**
Years of schooling	.178***	.165***	.176***	.158***	.156***	.141**
Young population (15-24)	10.7***	10.5***	9.86**	9.89**	11.1***	11.1***
Urban dummy	0.509	0.381	0.401	0.269	0.417	0.293
Population (million)	.692***	.704***	.537***	.557***	.624***	.643***
Constant	-0.305	-0.184	-6.53***	-5.86***	-0.097	-0.07
Province_fixed effect	yes	yes	yes	yes	yes	yes
Year_fixed effect	yes	yes	yes	yes	yes	yes
Over-dispersions	-.766***	-.779***	-.761***	-.769***	-.81***	-.815***
Observations	567	567	567	567	567	567

Robustness checks

- Have controlled for
 - usual determinants of violent conflict based on the opportunity hypothesis
 - province and time fixed effects
- Using death measure of collective violence

(6) Conclusion

- Different types of inequality may differently affect different types of collective violence,
 - unpacking inequality and violence into several categorisation becomes critical
- Violence increasing effects of inequality that may harm societal stability
- Continuously increasing inequality is something to be worried about. Need to ensure that tackling inequality is included as an explicit focus in development agenda

Thank You

