Configuring the World

A Critical Political Economy

Readings Week Three: Fragmentation

The readings for the course are mainly formed by extracts from the draft chapters of the book by the same name which I was writing before the recordings started for the MOOC. The script of the MOOC was between April/May 2014 and recorded in May/June. A surprising amount of information was released in those months which I have not yet been able to incorporate into the text. In some respects, therefore, the MOOC is more up-to-date than the information in these drafts. Whenever this is the case, I will point to the details in the draft chapters. One final comment, some of the source referencing still needs completion (especially the bits that are familiar to me…of course, not necessarily to you) for which I offer my apologies. Finally, remember that all the statistics exclude countries with populations below 1.5 million.

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Inequality and Fragmentation

Introduction

In this chapter we will look at the coherence or homogeneity of societies, economically and culturally. On the economic side we will look at income differentials and we will take another look at the (slightly discredited) human development index. On the cultural side, we will examine the concepts of ethnicity, language and religion. This does not mean that will look specifically at the kind of language or the particular religion that is present in a country, but rather to see whether, and to what extent, there is a diversity within countries. The intention is to see, across a range of variables, whether a country is relatively homogeneous or whether it is highly fragmented. We have already seen that country averages do not necessarily tell the whole story.

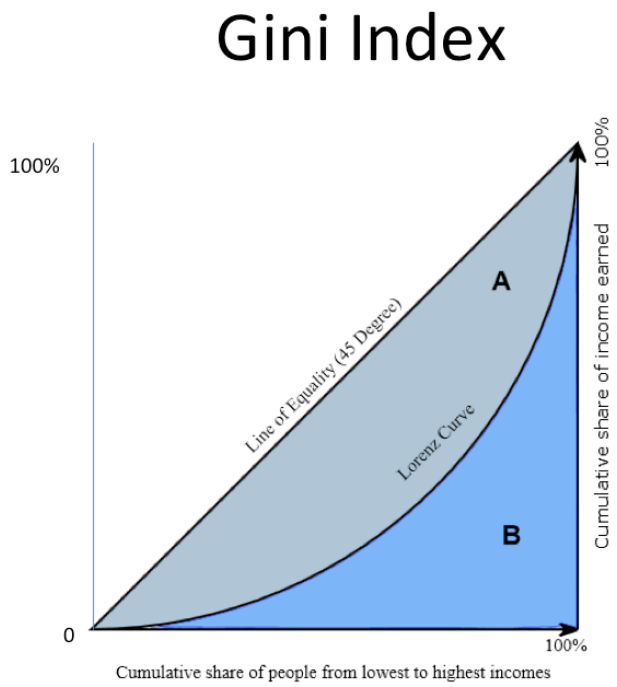
Income and Wealth Inequality

When Karl Marx published *Das Kapital* (1867) he launched the idea that exploitation of labour by the capital-owning class would ultimately lead to a fundamental crisis of capitalism. The ensuing chaos would trigger a 'class war' which, in its turn, would inevitably lead to the victory of the proletariat and the creation of a fairer communist society. Between 1917 and 1989 successive states have employed Marxist rhetoric justify and support their policies, and some still do today. Generations of students have bought into the idea, only to reject it once they had graduated and entered the labour force themselves. Yet glaring inequalities in the ownership of the means of production persist in the World, resulting in equally large disparities in earnings between countries, but also between individuals within countries. The 'class war', however, is noticeably absent.

Once again, we need first a statistical digression into measures of inequality. When the data is particularly fragile and one does not have access to a full range of data across the whole population, one can work purely with the top or bottom segments. Sometimes this might be quintiles (when the population is divided into five equal parts) or deciles (when it is divided

into ten). With this information, it is often possible to state what part of a country's income or wealth (since this is where this kind of measure is most often employed) is by the top ten or twenty per cent of the population, or, if you want to be particularly dramatic, the top one per cent. The obverse can also be done, with the bottom ten or twenty per cent. Occasionally one might find the two measures being combined, the proportion owned/earned by the bottom expressed as a percentage of that owned by the top. In this case, we have what is called a *Quintile Income Ratio*, or a *Decile Income Ratio*, depending on the groups chosen.

A far more sophisticated measure if inequality is what is known as a *Gini Index*. It juxtaposes two measures, the cumulative percentage of total income earned (or wealth held) by the population and the cumulative percentage of people earning that income or holding that wealth.



The horizontal axis measures the cumulative percentage of people from lowest to highest incomes/wealth, vertical axis measures the cumulative percentage of income/wealth held, with nought at the apex and 100 at the outer end. If one plots a line at 45 degrees, one obtains a line of complete equality. Anything less than complete equality produces a curve below the equality line, whereby, for example, the poorest ten per cent of the population command less than ten per cent of income/wealth whilst the richest ten per cent command much more than their share. This curve is known as a *Lorenz Curve* and we can now envisage the area below

the equality line divided into an area above the Lorenz Curve (A) and an area below it (B). The Gini Index is obtained by dividing the total area above the Lorenz curve (A) by the total area (A+B). The result will be within a range between 0 and 1, whereby the closer the distribution is to equality, the closer the index will be to 0, and the more unequal it, the closer the result will be to 1.

NOTE: At this point I need to seriously readjust my previous point because of the new publications. There are three recently published books that I want to consider first. Here they are, in order of publication

- R. Wilkinson and K. Pickett, *The Spirt Level. Why more equal societies always do better* (2009)
- J.E. Stiglitz, *The Price of Inequality. How Today's Divided Society Endangers Our Future* (New York, 2013)
- T. Pikkety, *Capital in the Twenty-First Century* (Cambridge Ma., London, 2014)

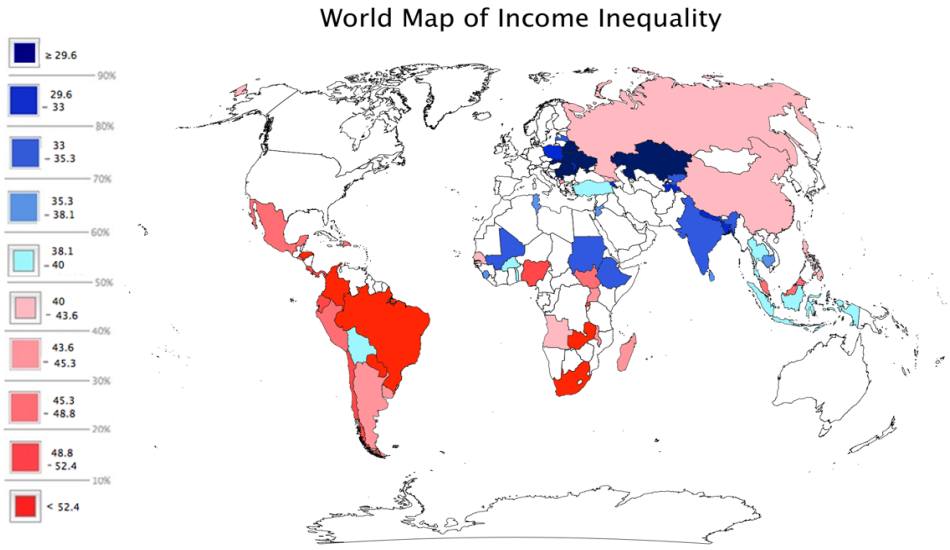
All three books concentrate on the richer countries in the world. *The Spirit Level* concentrates mostly on the OECD countries but tends to select them seemingly randomly to support his case, which is developed in a series of crude graphs and correlation exercises. Simply selecting different countries is often sufficient to invalidate a particular comparison. These comparisons are indeed far-reaching and extend to measures of crime and health as well as the more mundane economic variables. One criticism that has been made of their analysis is why not just raise the incomes at the bottom end of the spectrum, but this is explicitly rejected by the authors. *The Price of Inequalit*y concentrates on the United States, and it highlights specifically the rapid increase of income and wealth concentration in the hands of the top one per cent in America, particularly in the last thirty years. He challenges the free-market view that these super-rich 'deserve' their riches and points to the negative impact of inequality on fairness, trust and civic society. He is also very cogent on the impact of inequality on economic growth. *Capital in the Twenty-First Century* concentrates on a Handful of developed economies over the span of the twentieth century, but particularly Britain, France and the United States. He, too, is interested in the top decile, or even the top one per cent and he argues that levels of inequality have returned to those prevailing at the start of the twentieth century, and predicts

that the situation id=s destined to worsen further, again with negative implications for economic development. His work, too, has been criticised by some cavalier approach to his historical statistics and for ignoring primary non-income contributions to welfare and expenditure. Having reviewed that discourse, I want to review the OECD data (and arguments) contained in

- OECD, *Divided We Stand: Why Inequality Keeps Rising* (Paris, 2011)

Which also includes comparable data on the emerging economies (BRICS, Argentina and Indonesia). And I would finish that off with a map of income inequality in these countries.

From there I would pick up on what I was writing before the MOOC came along and overtook my life. I had just decided to pull income inequality out of my HDI/poverty discussion and bring it more centrally into the discussion on trust. The World Bank has also been responsible for preparing a Gini-index, measured on household expenditure surveys. These are not comparable with the data employed in the OECD surveys. The compilers of the index admit that it is, what I would call, a 'dirty data-set', but they argued that if they aimed at perfect compatibility, they would have to eliminate too many countries, and that if they tried to 'correct' the data they might be inserting even more biases than the ones they were trying to eliminate. There are two main issues. The first is that there is not distinction between single earner households and multiple earner households (and the inequality tends to be reduced in multiple earner households). The second issue, is that it takes no account of non-income benefits, such as free education or primary health care. The compiler warn "we therefore caution researchers who use these data to interpret the results carefully" (Deliger and Squire, 1996). The Index is expressed in a range of one to zero, with the lowest number expressing the greatest degree of homogeneity and the highest showing the greatest diversity. We have taken data from only the years 2010 and 2011, which gave us data for only 60 countries.



It is not surprising that reformist rhetoric, often with a Marxist slant, still permeates discussions in Latin America. Countries in Latin America are more unequal in most dimensions than comparable countries in the OECD or Asia. Inequality is blamed for hampering efforts to stimulate economic growth and to reduce poverty. Embedded within the pattern of extreme inequality were traditions of patronage and clientalism and the domination of the state by elite interests of a few wealthy individuals or corporations (Hoffman and Centeno, 2003; de Ferranti, Perry and Ferreira 2004).

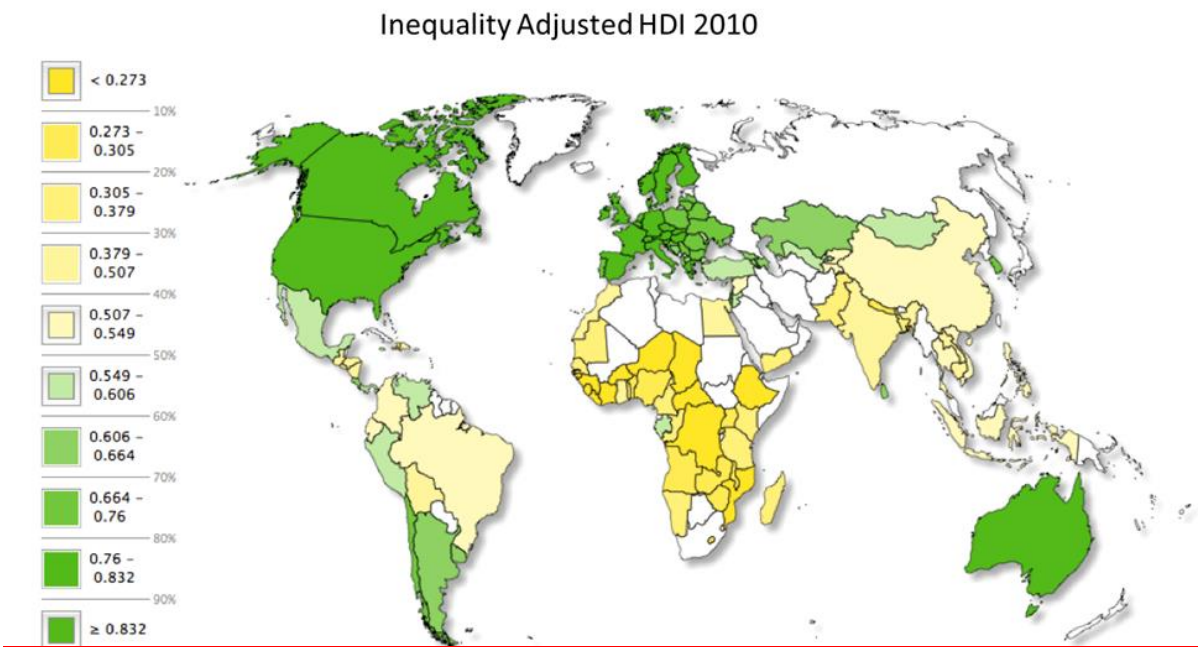
To some extent, national data for income distribution might be no more than the sum of regional data, reflecting differences in factor endowment and also reflecting the impact of growth poles pulling in resources at the expense of a periphery. Both of these are well-known mechanisms in economic geography. For example, a comparative study into the income inequality in China and Indonesia at the end of the 1990s between demonstrated that the main source of inequality in Indonesia lay *within* regions, whereas in China the main source lay in differences *between* regions (Akita 2003). However, the subsequent surge in economic growth in China, especially in the cities in the East of the country has contributed to growing income disparities in the cities, as well as a growing regional disparity (Sakamoto and Yan, 2012). Similarly, as recent study of household incomes in Chili has shown that the largest share (over 70 per cent) of income inequalities was explained by differences within regions rather than between them (Paredes, Iturra and Lufin, 2013).

HDI Inequality

As we saw earlier, the data on national income is particularly fallible when it comes to its compilation in poorer countries, and the income inequality data is an offshoot of that data collection exercise. In its raw form, the data is particularly prone to under-reporting and to non-recording of non-market from of consumption. When one attempts to standardise it for household size, and to include income transfers and subsidies, the difficulties in estimation are merely compounded. To these problems, one needs to add the consideration that income, by itself, does not guarantee access - let alone equality of access - to such public goods as health services and education. And so, we come back to the considerations that led to the creation of the Human Development Index (HDI) which we introduced and criticised. One criticism of the HDI concerned the use of average data to construct the index. It goes without saying that not everyone experiences the average and that even if we can redefine the average, in the direction of the mode or the median, we still do not know the total spread.

The UNDP, acknowledged the validity of these criticisms but usually replied that the data required for such an analysis was simply not available. For example in 1990 only 34 out of the 180-odd countries in the world at that time actually had data on income distribution. Since then, however we have accumulated more and more data and therefore in 2010, as part of the celebration of the twentieth anniversary of their Human Development Reports, the UNDP, turned its attention to the question of inequality.

Whilst the Gini Index is the most common, the UNDP has employed a variant known as the *Atkinson Index*. You don't really need to know this, but I would be remiss if I didn't tell you!! The Atkinson Index establishes the same income distribution curve as the Gini index, but then also calculates the *mean*, which is also the level that each individual in that society would need to achieve the same level of welfare. It calculates how much income would have to be sacrificed to attain a more even distribution. The effect of using the Atkinson index is to place more emphasis on inequality at the lower ends of the scale, compared with the Gini Index.



With the more sophisticated data at their command, the UNDP calculated the Inequality indices for each of the four indicators used for the HDI (one each for life and the standard of living and two for education). It then reduced the original HDI calculation by the amount of inequality observed and combined them into a single index in the same way as for the original HDI calculation. Aside from the criticisms of the HDI made earlier in this chapter, we can add one further comment here. These inequality measures are each taken separately and although the result is an average, it fails to capture the experience of those who face multiple inequalities – they have low incomes *and* little schooling *and* experience ill-health and early deaths.

For 2010, the UNDP was only able to calculate the I-HDI for a total of 134 countries, and several richer countries were missing – Japan, Hong Kong, Singapore and all of the oil-rich Arab states.

Most Equal		Least Equal	
Country	**I-HDI**	**Country**	**I-HDI**
Norway	0.894	Congo DR	0.183
Australia	0,864	Niger	0.200
Sweden	0.859	Chad	0.203

Netherlands	0.857	Central African Republic	0.209
Germany	0.856	Sierra Leone	0.210
Ireland	0.850	Guinea Bissau	0.213
Switzerland	0.859	Guinea	0.217
Denmark	0.845	Mozambique	0.220
Slovenia	0.840	Burkina Faso	0.226
Finland	0.839	Liberia	0.251
Austria	0.837	Ivory Coast	0.265
Canada	0.832	Ethiopia	0.269
Czech Republic	0.826	Haiti	0.273
Belgium	0.825	Nigeria	0.276
USA	0.821	Benin	0.280

Source: UNDP Database

The list of the top-15 countries is very similar to the overall HDI list, though the order is different. Hong Kong and Japan are missing for lack of data, as too are South Korea and New Zealand. Their places are taken by two richer European countries - Austria and Finland – and two former Communist countries - Czech Republic and Slovenia. Overall the list is dominated by medium-sized European states. The other end of the scale presents a depressing story, dominated by African states. The sad fact is that countries with the worst human development experience are also characterised by the greatest degree of inequality.

One would expect the poor to harbour resentment towards the rich, but that is not enough to translate to conflict. The 'poor' themselves are not homogeneous and usually lack the human and financial resources to channel their resentment onto political action. It may certainly erode trust within a society, but to spill-over into something more decisive, it requires a more potent driver, and this is often to be found in deeper and longer smouldering resentments (Estaban, Mayoral and Ray, 2012)

Ethnicity

In the 19th century the concept of ethnicity and genetics suddenly became very popular. Darwin's theories of evolution, combined with the renewed drive towards imperialism, gave momentum to the idea that there was a definite racial hierarchy in the world and that, at the top were the white European races and the Americans. The idea took hold the advanced nations of Western Europe and North America owed their superiority not simply to their political, military or economic power, but that these were manifestations of their higher position in the Darwinistic hierarchy. These convictions led to attempts to deal with the concept of ethnicity in a scientific way. There were efforts to establish objective criteria, established by measuring the size of foreheads, the size of noses, the size of lips etc. in order to contribute to a definition. Many societies dabbled with these ideas and practices such as sterilising minority. Marginalised peoples or those with mental handicaps persisted deep into the twentieth century (Bashford and Levine, 2010).

Nazi Poster to facilitate the identification of Jews

http://www.diehards-hq.co.uk/WWII_Timecapsule/node/4

In the run-up to the First World War, Germany was still a model of civilization, ranked equally with the French and British models. Its poets, its music, its arts and philosophy were universally celebrated. The rise of fascism and the racial virulence that accompanied it were

anticipated by few. This is a poster warning Germans to look out for Jews among their neighbours. This was considered necessary because in Germany the Jews were not just grouped in ghettos or local enclaves. On the contrary, many Jews were highly regarded bankers, artists, and scientists in the community itself. As such they were hiding, lurking, pretending to be Germans. Nazi ideology held a racial hierarchy in which the Aryan race were dominant and certainly above the Slav races to the East (who were destined to become the semi-slave 'colony' of the new German Reich, or Empire) and below them were the Jews (Weindling, 1993). The idea of the Nazis to identify them, to mark them, to isolate them, and then later on to exterminate them. The extermination part was not widely known until the end of World War Two when the Allied victory revealed the full horror of what had passed (Lipstadt, 2012). So Nazi Germany gave ethnic research an even worse name. It was a great shock to the world that a nation could so degenerate into this ethnically obsessive discourse and, even worse, action, that would lead to the millions of deaths. But removing ethnicity from scientific discourse did not stop it leaving its bloody imprint of the pages of history.

Within two years of the end of the war, the independence and partition of India led to violence, expulsions and death in what was a mixed Muslim/Hindu society. About 15 million people on both sides were driven from their homes. The death toll has never been established but estimates range between 200,000 and one million people. And all in the name of history, religion, culture and ethnicity (Pandey, G. (2001). Let us fast forward to Central Africa in 1994. This time it is Rwanda that witnessed scenes of complete and utter carnage. Within one hundred days between 500,000 and one million Tutsi's and moderate Hutu's were hacked and burned to death in the name of tribal loyalties and ethnicity (Mamdani, M. 2014). And, before we think that in Europe this ethnic violence is a thing of the past, let us go to the town of Srebrenica in July 1995. The area had been a protected Muslim enclave in Serbian territory, in the civil war that had raged on- and off from 1991 to 1995. The UN had arranged safe-havens for endangered populations, the one in Srebrenica protected by 600 Dutch troops. But it turned out not to have been much protected and certainly not very safe. When the area was abandoned to its fate, the women and young children were bussed to safety, and the remaining 7000-8000 young men were either executed or hunted down in the surrounding word and killed. Their bodies were later recovered, identified (if possible) and buried (NIOD

2002). In circumstances such as these, ethnicity is not an abstract concept, but a matter of life and death.

Ethnicity, then, has rather acquired a bad name, to put it mildly. It was rather surprising; therefore, when in 1997 two World Bank economists constructed an Ethno-Linguistic Fragmentation (ELF) Index to help explain "Africa's growth tragedy" (Easterly and Levine, 1997). Although most of the material they used had been collected by Soviet ethnographers in the 1960s, the ELF Index was pressed into service by other economists and social scientists in a whole raft of statistical experiments. If critics paused to assess the Index, it was usually to point to the out-of-date data and the unclear basis upon which the variables had been defined. In 2003, therefore, another World Bank team created an improved ELF Index, constructed from the 650 ethnic groups, 1055 major linguistic groups and about 294 separate religious groups that they identified and categorised. All that was then required was to see how many of them there were in each country and to construct an index measuring the degree of fragmentation in each. Before then, we have to look at what a Fragmentation Index involves.

How fragmented is a society? In the example below, we have three countries, each with five ethnicities. Most people would agree that the society on the left is far more homogeneous than the one on the right. In the former case 95 per cent of the population has the same ethnicity, whereas in the latter the society is evenly split into five equal groups. The challenge is to express this in a single number; to capture the extent of fragmentation in a way that would allow comparison.

Examples of Fractionalisation

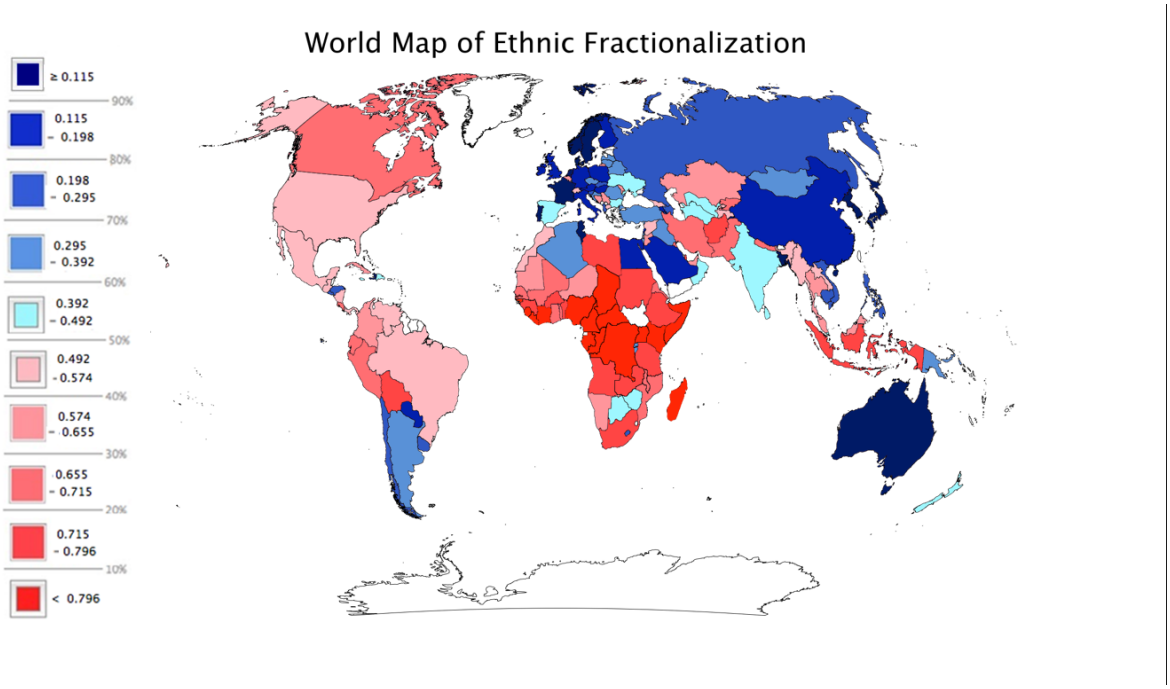
For this social scientists use the **Herfindahl-Hirschman Index**, developed for that purpose in the 1940s. Most people shorten it to the *Hirschman Index* because it's easier to spell Hirschman than it is to spell Herfindahl. It is incredibly easy to calculate, but fortunately most

people using it have done that already for you. The first thing to note is that it is an *index* which means that it is trying to capture the entire range of experience and reduce it to a number between zero and one hundred, or between zero and one. The first step is to convert all the variables into percentages (adding up to one hundred). The second step is to square each number; in other words you multiply each number by itself. Next, one adds them all together and divides the total by one hundred. That will give a result in the range 0-100, and if one prefers 0-1.0, then divide by one hundred a second time. And that is all it is! Thus to return to the example we used at the beginning. The homogenous country on the left would add to 9032, (95x95=9025 plus 2x2=4, plus1x1, 1x1 and 1x1) which when divided twice by 100 would give a result of 0.9032. The fragmented country on the right would add to 2000 (20x20 repeated five times), which would give a result of 0.2. One word of warning, some people (including most of those cited in this Chapter) prefer to subtract the result from one. This would leave our homogeneous country with a score of 0.0968 and our fragmented country with a score of 0.8. There is not much you can do about this, except to check first. It's quite a useful index and it offers a simple measure of the degree of fragmentation or concentration (or fractionalisation – an ugly word) within a group.

The ambition of Alesina and his team was to separate and then to quantify the ethnic, linguistic and religious diversity of the world (Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg, 2003). Their work has been used subsequently in all the major studies trying to establish a causal link between the degree of fragmentation in a society and a whole range of societal issues. It is a very authoritative index and it is important, therefore, to see what is behind this data and whether it is as solid as is actually claimed. But first, let us examine the results. A word of caution, they do deduct the result of the Herfindahl-Hirschman Index from one, so that the higher the number, the more fragmented it is.

Alesina and his co-authors admit that ethnicity is a "vague and amorphous concept", a statement with which most of us would agree. Despite the fact that they admit that they cannot quite define concept, they do not abandon the project but instead contrive to produce an index (an objective measure) which can be used for comparative analysis and incorporated into explanatory statistical models. We have already seen how difficult the concept is to

operationalize. The authors have to decide which priority to give different measures – race, lineage, culture, language and religion – and to decide how to deal with mixed parenthoods and cross cultural identities. They then have to decide whether to rely on self-identifiers or external identifiers, and to look at the contexts in which the question was asked, such as whether political pressures or discrimination might make it better to 'blend' into the (local) majority or whether illegality in status might make it better to lie. It is easy very often to disguise your ethnicity (Posner, 2004)



Most Homogeneous		Most Fragmented	
Country	**Ethnicity**	**Country**	**Ethnicity**
North Korea	0.0392	Uganda	0.9302
Japan	0.0119	Liberia	0.9084
South Korea	0.002	Madagascar	0.8791
Tunisia	0.0394	Congo DR	0.8747
Bangladesh	0.0454	Congo	0.8747
Portugal	0.0468	Cameroon	0.8635
Norway	0.0586	Chad	0.862
Sweden	0.06	Kenya	0.8588

Hong Kong	0.062	Nigeria	0.8505
Denmark	0.0819	Central African Rep.	0.8295
Australia	0.0929	Ivory Coast	0.8204
Haiti	0.095	Sierra Leone	0.8191
France	0.1032	Somalia	0.8117
Netherlands	0.1054	Guinea Bissau	0.8082
Austria	0.11	Gabon	0.796

Source: Alesina ea. 2003

Everyone knows what ethnicity is. However, as soon as you start prodding the concept, it begins to disintegrate. Most people take race or colour as a starting point, but when you question this, it almost immediately spills into culture. For example, is an African the same as an American-African? Are they the same ethnicity, or not? Does a black American share the same ethnicity as a white American? They might well share the same cultures, but they do not share the same skin colour, and because of that they may experience the same culture in very different ways. Ethnicity, therefore, is a very difficult concept to operationalize. It certainly involves race (biological features, physiological features) but it is also related to socio-cultural aspirations. A further complication is that ethnicity is both a self-identifier and an external identifier. In other words, ethnicity is a label employed to identify yourself and also one that other people use to identify you and these identifiers can shift according to the context, and according to time (Fearon 2003, 197-200). In Africa, for example, often the only visible sign of your ethnicity is in your dress or in your dialect. You can change that quite quickly if you wish and if you feel the need to. In many African societies, at the surface, people assimilate quite easily because their cultures are quite close and it is easy to adapt to a different culture. In other words, it is difficult to get results, and difficult to interpret them, especially in one is not sure of the context (Posner 2004). So it's difficult to get the results and even if you have results, even if people have told you what their identity is, it's very difficult to interpret those results because you're not sure what the content of their intention is in their answers. In the words of one critic, ""Contrary to the assumptions of most scholars who seek to test for the effects of ethnic diversity on growth, there is no single 'correct' accounting for ethnic groups in a country, and thus no single 'correct' fractionalization index value."(Posner 2004, 850)

How do Alesina and his co-authors deal with these problems? At one level, they try to so by separating ethnicity and language, although the definition of language brings a whole new set of questions (which we will look at later in this chapter). At a second level, they do not deal with these problems at all, because they do not do their own research. Instead they build on the work of others. Most of the data stemmed from the decade prior to publication, but some stemmed from twenty years earlier. They do claim to cross-reference the sources for consistency and, where there is a conflict, to take the more homogeneous alternative. But ethnicity is not something upon which you vote. The fact that the result seems to converge does not automatically make them correct. It could mean that they all have the same biases, all use the same basic source and all make the same assumptions. For Alesina e.a. the key source remains *Encyclopaedia Britannica* which itself embraces no uniform system of classification. Much of its data stems from census returns and other counts, which raises two issues – the different circumstances that may influence self-identification and the legal nationality status in different countries. We have said enough on the first of these objections, but on the second one could reflect on this little known fact.. Since the Second World War, the Dutch have been ruled by foreigners. This is because the definition of *allochtone* (foreigner) rests on having one foreign parent. This had been the case for Wilhelmina, Beatrix and Willem-Alexander, and it will remain so for his daughter when she ascends the throne.

A second problem lies in the extent of cultural difference. In other words, how far do you cut the cake when you are looking at ethnicity? Are they far apart or are they really very similar? Italy, for example, appears as a relatively ethnically homogenous country, but one could question the closeness in identification between North and South Italians. Similarly, in Africa, many of these so-called ethnicities are fairly close to each other. By contrast, in Latin America the ethnicities are less fragmented but the distance between the dominant ethnicity and the tribal ethnicities is much larger than exists in Sub-Saharan Africa. Simply counting ethnicities, therefore, tells you little about how far apart they are culturally or ethnically (Fearon 2003).

Another criticism of the ideas behind the Index is that it does not matter how many ethnicities there are in a country, what matters is the way they might interact. For example, it is possible

to envisage a situation of relative homogeneity but where the minority group is quite distinctly different and had become marginalised in society. In this case, it would be ethnic dominance, rather than fragmentation, that would be the operational factor in any further analysis (Collier and Hoeffler, 2004) If we return to the examples of fractionalisation earlier in this chapter, and look at the country with five groups of twenty per cent each, the situation where each of these groups lived separately in a different part of the country, completely isolated from the others, than if they all lived together, side-by-side in mixed communities. If these groups lived together, presumably their own identity vis-à-vis that of their neighbours would presumably matter less than their definition vis-à-vis outsiders (Posner 2004, Uslander, 2010) In a second paper, Alesina takes this criticism on board in a later paper and corrects for it for about ninety countries by constructing the data at sub-national level to provide a measure for 'segregation'. Unfortunately, although the data is resented in a series of scatter grams, they do not publish the database itself, so that it is impossible to control for any individual country (Alesina and Zhuravskaya, 2008).

One final criticism was to raise the question of 'mobilisation', particularly in the case of Africa. It goes to the heart of the question: why does ethnic fragmentation matter? It matters, of course, because different groups may have different aspirations and because this, in turn, will have an impact on society. But if that is the case, it is argues, why not go straight to the question of political mobilisation (Chandra and Wilkinson, 2008). For example, Kenya can be divided into nine ethnicities but most of the distinctions do not matter. On the other hand, the ethnicities cluster around three politicized ethnic groups, so that if one is looking at the impact of fragmentation on Kenya, it is these three groups that mobilise politically that matter, because that is how people identify themselves for political action (Posner 2004). The rest may be worth knowing, but it does not alter this fundamental situation.

Language

If ethnicity is difficult concept to operationalise, it has been suggested that language may hold the answer. Since the core of the problem with fragmentation is communication between groups, then language may offer an alternative way of measurement, literally. Indeed, one author deliberately uses the term "cultural fractionalisation" to refer to linguistic diversity

(Fearon 2003, 211-214). Having seen what a mine-field the measurement of ethnicity is, one could be forgiven for thinking that matter will be more tranquil when we turn to languages. Surely it is only a question of finding out what language people speak. Let us start with the concept of one's mother tongue. Is that the language that one speaks at home, or is it the language that is most generally used? They are not necessarily the same thing, especially in (first- or second- generation) migrant families, but not just there. There are multilingual societies, in which people are genuinely bi-lingual. In Belgium, for example, many citizens could converse in both French and Flemish and although the country is becoming politically more polarised, is that really because of language or because of the political issues for which language has become a convenient metaphor (Witte and Van Velthoven, 1999)? Similarly, in many African societies, language groups tend to be fairly close and people often switch between languages (Posner, 2004). Multi-linguality provides situations that cannot be covered by asking which *one* language is used.

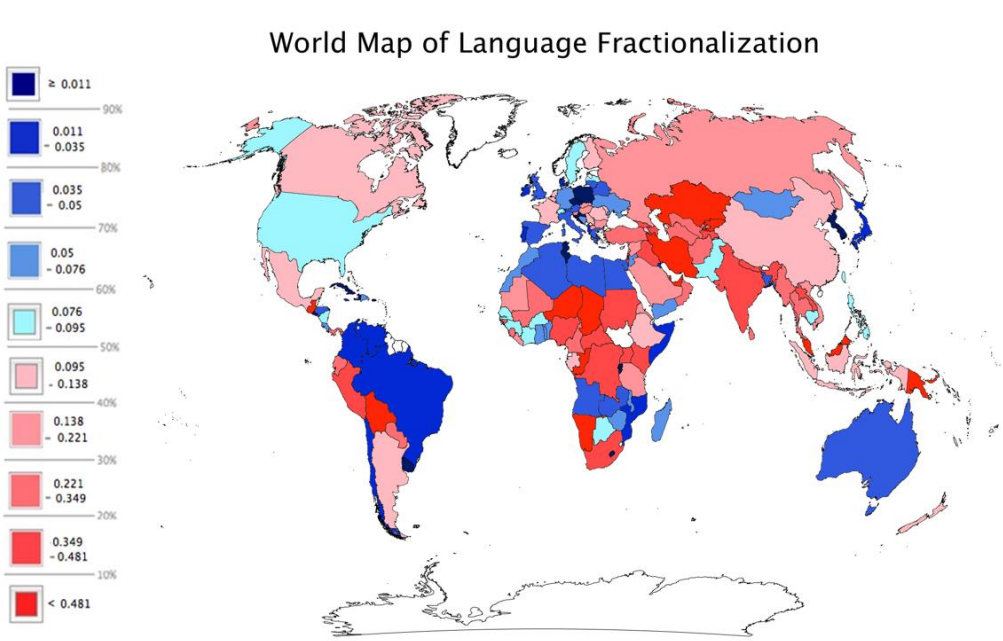
This brings us conveniently to another, more general problem. Where languages are very close, the question arises at what level does one try aggregate languages? When does a language become a dialect, or a dialect become a language? This a vital issue in constructing an index purporting to be an accurate (and useful) measure of linguistic diversity. Usually linguists use a criterion of 'mutual intelligibility'. Using this concept means that one does not count a speech as a separate language if it can be understood from another language. If we look at the main Scandinavian languages, the Norwegians are the best at understanding both Swedish and Danish, whilst the Danes are the worst (though most can manage) but the levels of comprehension varied by location (neighbouring regions being better able to understand each other) and by age (where mutual-intelligibility among the youth is declining). Most Scandinavians can understand each other, yet they will each claim to speak a different language, and not dialects of languages and the three are still usually listed as separate languages (Gooskens 2007). The idea of mutual intelligibility is good in theory but when you start using it in practice, it becomes again difficult to operationalize. Where exactly do you put the line in terms of this intelligibility? Does this understanding have to be two ways, or can it be one-way? Moreover, the 'ability' to understand another language to some extent also depends on the willingness to do so (Posner 2004). If people do not want to understand a

language, they will define it as an ethnically different language and, once this idea had been internalised, it will create a mental barrier against understanding.

It is clear that the question of language versus dialect is central to any effort, first to count them (and their speakers) and then to measure the degree of fragmentation. And there is a massive difference in data selection. Let us start with the Alesina article with which we began this chapter. He and his associates plundered *Encyclopaedia Britannica* and the *CIA Factbook* to isolate 1055 language groups. The rest are merely dialects. On the other hand, since 1951 an international army of linguists, grouped under the *Ethnologue project* has been engaged in collating the World's living languages and the 2013 edition of their handbook come to a total of no less than 7105. To be fair, these linguists are enthusiastic collectors of languages and the project is aimed at helping to preserve as many as possible, but the discrepancy is too large to be dismissed by reference to some form of language fetishism. Of the languages listed, 682 have some form of official recognition, a further 2502 are described as vigorous (whereby the language is used for face-to-face communication by all generations) and another 1534 are classified as developing (where the language is in vigorous use, with literature in a standardized form being used by some users, though this is not yet widespread). These 4718 languages are in use by 98.9 per cent of the world's population. The remained have small cohorts of users, and as such are unlikely to impact on the calculation of a diversity index (Ethnologue Project Website).

There is clearly a problem in reconciling the 1055 language groups identified by Alesina and his group and the 7105 identified by the Ethnologue project. Somewhere between the two there is a slide from language to dialect, and defining that line is far from easy. At the centre of the definitional problem lies the issue of 'language distance' but this is familiar terrain to linguists who deal with this phenomenon through the use of 'language trees' to cluster 'families' of language and to measure the distance between, say Italian and French and Italian and Chinese. If we apply the language distance to 'weight' the languages defined in the Ethnologue project, we resolve the crude overclustering in the Alesina Index. Let us take one example. According to the Ethnologue project Papua New Guinea is the most linguistically fragmented country on Earth. With over 862 languages, Papua New Guinea hosts 13.2 per

cent of the World's languages and the Ethnologues calculates a fractionalisation score of 0.990. You can't get more fragmented than that. However, by grouping languages, Alesina calculates Papua New Guinea's fractionalisation score as 0.3526, which would make it linguistically less fragmented than the Netherlands (0.5143). By introducing the notion of distance, Papua New Guinea finally emerges with a score of 0.598 and the Netherlands with a more believable 0.137. Overall the result of the weighted index is to decrease the degree of diversity in Central Africa, which has a large number of languages most of which are rooted in different versions of Bantu. On the other hand, it increases the diversity in Latin America, where most people speak Spanish or Portuguese, but there is a large distance between those and the many minority languages which share no roots with the European languages, and themselves come from very diverse roots. (Desmet, Weber and Ortuño-Ortín, 2009). One final comment on the sources used for the construction of the weighted diversity index, the Ethnologue database refers only to 'native languages' and therefore offers excludes languages used by the migrant population.



Most Homogeneous		Most Fragmented	
Country	**Language**	**Country**	**Language**
Rwanda	0.001	Bolivia	0.650
Burundi	0.001	United Arab Emirates	0.623
South Korea	0.003	Papua New Guinea	0.598
El Salvador	0.004	Suriname	0.595
Swaziland	0.005	Chad	0.591
Tunisia	0,005	Qatar	0.545
Poland	0.006	East Timor	0.540
Puerto Rico	0.006	Niger	0.540
Lesotho	0.007	Malaysia	0.525
Uruguay	0.007	Kazakhstan	0.521
Croatia	0.010	Guatemala	0.518
Brazil	0.011	Singapore	0.515
Jamaica	0.011	Iran	0.512
Portugal	0.011	Congo	0.511
Japan	0.014	Namibia	0.488

Source: Desmet, Weber and Ortuño-Ortín, 2009

What is interesting here is that most of the diverse countries are near the Equator, and many people have commented on this. To be more precise, most actually lie in the forest belts on the Equator, in the jungles in India and in Africa. There are various theories about why these areas particularly should still be highly fragmented in linguistic terms. One of the theories says that it rains a lot in these areas (they obviously haven't been to Holland), that they are therefore particularly productive in fruits and other produce, and that, as result the peoples living there did not face periodic subsistence crises. This, in turn, meant that they could live in relative isolation and, because of this, they did not have to trade with other areas in order to sustain their existence. As a result, they were not exposed to other languages. That is one theory. The other theory is that it is difficult to find other people in a jungle. When people are living in groups, they tend to be fragmented around the outside of the jungle and within the jungle itself; they do not meet other people either (Nettle 1998). And, again, they do not

come into contact with other languages. It is an interesting reflection that, if one uses the Ethnologue classification, 17 countries in the World have 3000 (out of the 7000) of the World's languages.

Another interesting observation is that rich countries are not particularly diverse in languages. It is true that they are far from the equator, but few ascribe their relative linguistic homogeneity to that. One argument is that these nations are characterised by a high intensity of economic and cultural interaction and for this to occur, there has to be a dominant language. Most people learn to accept this need and learn to speak it (possibly along-side a local language). Over the last couple of hundred years, this tendency was accentuated by deliberate strategies on nation building that stressed the need to a single national language and that constructed universal education systems to cement this language (and the other cultural accruements to nationhood) in place. National languages are sometimes fairly recent phenomena. France, for example, only became linguistically unified in the 19th century and in Italy, when Florence was briefly the capital of a unifying country (1865), the provincial language of Tuscan was chosen as the national language (Gubbins and Holt, 2002).

Religion

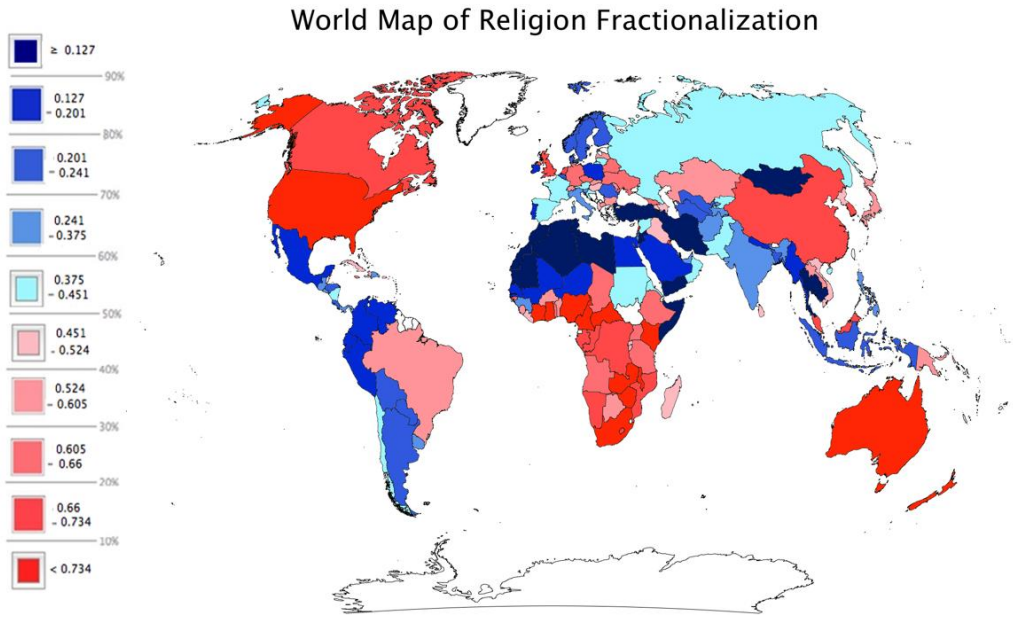
Religion can invoke string emotions among believers. It is a subject that not only influences its adherence in this world, but carries over for eternity in the next. It many ways, it touches the core of a person's existence and self-identification more than ethnicity or language. Religious divisions may, therefore, trigger strong, and under some circumstances even violent, emotions. Leaving aside the question whether there is a God or not (and which belief system He favours), it is a fact that He is perceived, and worshipped, in many different ways. When a person's relationship with his/her God moves from a singular relationship to a collective one, we label the relationship as a 'religion'. If we continue at this level of analysis, we can define a religion as containing a shared belief system (in a supernatural being or existence) that is exercised through a set of shared rituals. In this respect, therefore, one can see religion as another form of social construction. Note, that we are looking at is societal divisions along religious lines, and not for the impact of specific religions (Iannaconne 1998; Bednarik and Filipova, 2009).

The problem, then, is how to measure religious diversity. One way is to ask people, but this is often difficult. For some people, religion is a personal (and private) relationship between oneself and one's maker and something that is not readily divulged while, for others, the nature and context of this relationship might be something to be declared with pride. Other people hold firm to the principle of the separation of church and state, or church and public opinion surveyors. And, for still others, religious identification may be a source of discrimination and persecution. A further complication lies the ambiguity between formal religious identification (as a child) and current religious practice, and the definition of the border as to when one ceases to be a 'member' of a religious denomination. This last problem prevails when one asks the church itself about its own adherents. Most counts conducted by churches tend to work on the principle that the only way to leave the church is to leave this earthly existence at the same time, and they work on the assumption that once one is 'in', it is for life.

A second way of measuring religion would be to turn to visible component of the social construction, namely that attendance at the associated rituals, by measuring church, mosque or temple attendance and the observation of associated religious festivities. However, in many communities, especially smaller ones, religious ceremonies have a wider social importance. Attendance, therefore, may be more part of a group-bonding ritual that an outward expression of religious conviction. Equally, non-attendance may lead to social exclusion and discrimination in employment and access to public good (Berggren and Bjørnskov, 2009). If religious attendance is not synonymous with the strength of religious conviction, one should perhaps also consider whether religion plays an important part in one's life at all. We will raise this question again when assessing the data.

The simple problem in looking at religious diversity or fragmentation, is that reliable is data is scarce. Questions on religion are rarely contained in census questionnaires (because of the sensitive nature of the church/state interface) and one could doubt whether such a question would be answered truthfully anyway. The only other source is evidence from religious bodies themselves, but as we have already observed, they tend to over-count their own adherents. Nonetheless, these are the only sources that we have! Having said that, we are still left with

the problem of which data to use. Alesina and his colleagues rely almost exclusively on the data set compiled by *World Christian Encyclopaedia*, which is unlikely to be overzealous in correcting for over-counting by Christian churches. However, there are a few other problems attached to their data, though mostly of local significance. In the first place, the Encyclopedia counts Syncretic cults, common in Africa, Central America and the Caribbean, that combine cults of African origin (Yourba and baKongo) with Catholic beliefs and rituals as Christian. Similarly, it also tends to be blind towards Animist cults, particularly common in sub-Saharan Africa, which it tends to conflate with the religion represented by the dominant (usually Christian) church. Unfortunately the one source that takes account of these distinctions in the construction of their own index, go on to conflate all Christians into one single category (Mantalvo and Reynal-Querol, 2005, 295-299). Thus there is little choice but to consider the Alesina details. N=147:



Most Homogeneous		Most Fragmented	
Country	**Religion**	**Country**	**Religion**
Yemen	0.0023	S. Africa	0.8603
Somalia	0.0028	USA	0.8241
Morocco	0.0035	Australia	0.8211
Turkey	0.0049	Malawi	0.8192
Algeria	0.0091	New Zealand	0.811

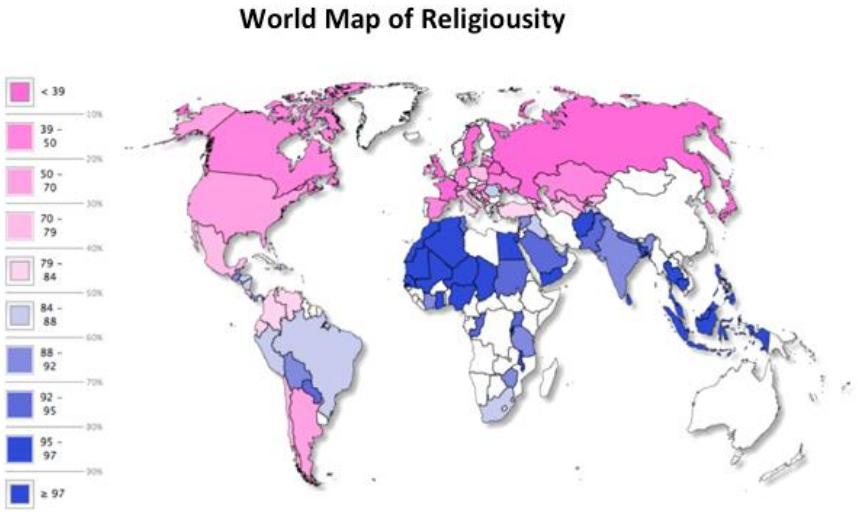
Tunisia	0,0104	Ghana	0.7987
Mauritania	0.0149	Central African Republic	0.7916
Libya	0.057	Lebanon	0.7886
Jordan	0.0659	Kenya	0.7765
Mongolia	0.0799	Ivory Coast	0.7551
Qatar	0.095	Zambia	0.7459
Cambodia	0.0965	Cameroon	0.7338
Gambia	0.097	Netherlands	0.7222
Thailand	0.0994	Lesotho	0.7211
Iran	0.1152	Dem. Rep Congo	0.7021

Source: Alesina ea. 2003

If we look at the most fragmented countries, they appear to fall into (overlapping) two categories. On the one hand, we find there several Western countries where four centuries of deconstructing and reconstructing Christianity had led to a plethora of religions. On the other hand, there are represented Sub-Saharan countries, themselves the target in the past of different denominations of Christian missionaries, where there also exists Muslim religions and native beliefs. By contrast, the list of homogeneous countries is dominated by Muslim countries and two Buddhist countries.

Since diversity of religion is being investigated not for its own sake, but as a potential input into other social and economic analysis, we have to question the validity of the data and the validity of such an exercise. We have already observed that religion is (also) a social construct and that membership or not of a church, or even the intensity of religious observance, carries with it real benefits and penalties in other areas of daily life. Another mechanisms that has been suggested is the relationship between church and state. On the basis of a (relatively small) sample of states it has been suggested that greater religious pluralism is related to higher church attendance. In societies where the state creates a religious monopoly, there are fewer competing churches, which contributes to lower participation. (Barrow and McClaeary 2003). One way to discover the degree of religiosity is to ask a sample of the population about the importance they attach to religion in their daily lives. Thus is exactly what the gallop polling

organisation did in 2009 for the citizens of 114 countries. The global median was that 84 per cent of adults questioned found that religion did form an important part of their daily lives (Crabtree 2010). N=96:



Most Religious		Least Religious	
Country	**Religion %**	**Country**	**Religion %**
Yemen	99	Sweden	17
Sri Lanka	99	Denmark	19
Niger	99	Hong Kong	24
Malawi	99	Japan	24
Indonesia	99	UK	27
Bangladesh	99	France	30
Mauritania	98	Belarus	34
Burundi	98	Russia	34
Thailand	97	Albania	39
Morocco	97	Hungary	39
Egypt	97	Latvia	39
Afghanistan	97	Germany	40
Senegal	96	Switzerland	41
Philippines	96	Canada	42

Niger	96	Lithuania	42

Source: Crabtree 2010

One thing that stands out among the more religious countries is that none of them could be considered rich. One theory suggests that it is the very precariousness of daily existence that reinforces an attachment to the spiritual and supernatural. But perhaps it is not religiosity but secularism that needs to be explained. Perhaps, despite the overwhelming arrogance with which we carry and propagate our secular models of society, it is we, at this juncture of time and space who are the exception. This process of secularisation has been accelerated over the past three hundred years by increasing urbanisation, which has broken the social control that is evident in smaller social units. The anonymity of city life acts as a cloak for non-conformity. A second force is the development of rationalism, from the so-called Enlightenment onwards, which has led to the search for physical evidence for natural phenomena often ascribed previously either to fate or to the unseen hand of a superior force. And if we did not come to these ideas ourselves, we were introduced to them by universal education and the shaping of the school syllabus. A third force is simply one of modernisation, whereby we are exposed to more sources of information and, therefore, more likely to question established authorities (Inglehart, 1997). So, counting religions says nothing by itself, of the potential impact of religious differences on society.

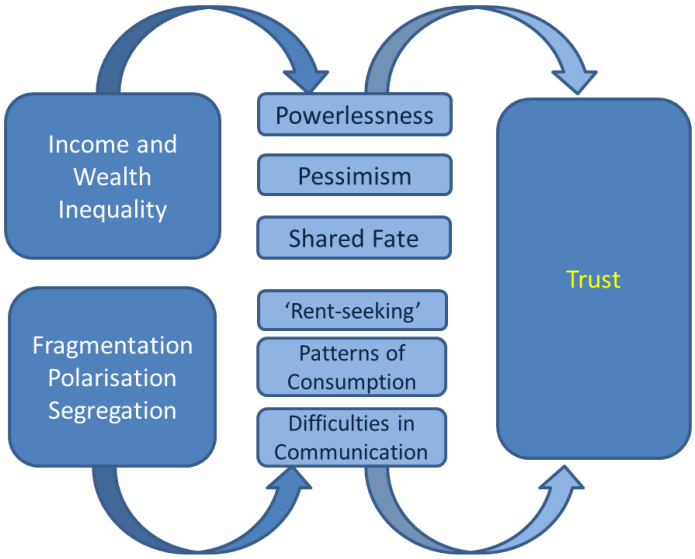
Causes and Consequences

It is always easy with back-projection to view a situation of dysfunctional government or economic stagnation and to find some societal disconnect that can be used as an explanation. The object of the exercises in quantification that we have reviewed has been to establish whether gradients in inequality or fragmentation are statistically comparable to gradients in the performance in other variables, such as trust, governance or growth. These measures, it must be remembered also reflect a choice of mechanism – are we interested in general inequality over society or interested in polarisation at the extremes or in fragmentation, or marginalisation/dominance or in segregation? In each case there will be a separate measure available for the calculation. It will be no surprise to learn that surveys of the literature confirm that different fragmentation indices, whether utilising different data sets or different measures, yield different results and that where the results are positive, there lurks the

suspicion that the choice or design of the measure was partly to produce the result wanted (it is very difficult to publish scientific papers that disprove something that no one had thought of in the first place). Thus we will dispense with the statistical models and exercises, and concentrate on the mechanisms by which these phenomena affect levels of trust in society.

Income and wealth inequality may be expected to influence trust levels in several ways. At one level, the 'poor' in society may look towards the 'rich' and feel a degree of powerlessness, not to say resentment, that will prompt them to pull back from civic engagement. Put another way, if society is more equal, its members will look towards each other with a degree of mutual recognition. This will generate an image of a 'shared fate' which will, in its turn make its members feel more disposed towards common action to solve problems, which will engender trust (Uslaner and Brown, 2005). It has been argued that, once incomes in a country have risen above a certain level, income inequality affects not only the poor, but also the rich. Humans have evolved in small hunter-gatherer communities and have been 'programmed' to function in conditions of social equality. In larger, modern, urbanised, competitive, hierarchical societies, they are exposed to stresses involving self-esteem and self-worth which gnaws at the foundations of trust and well-being (Wilkinson and Pickett, 2010). It should be noted that both the theory and the evidence for this more extreme version of the relationship have been savaged by their critics (Saunders 2010; Snowden 2010).

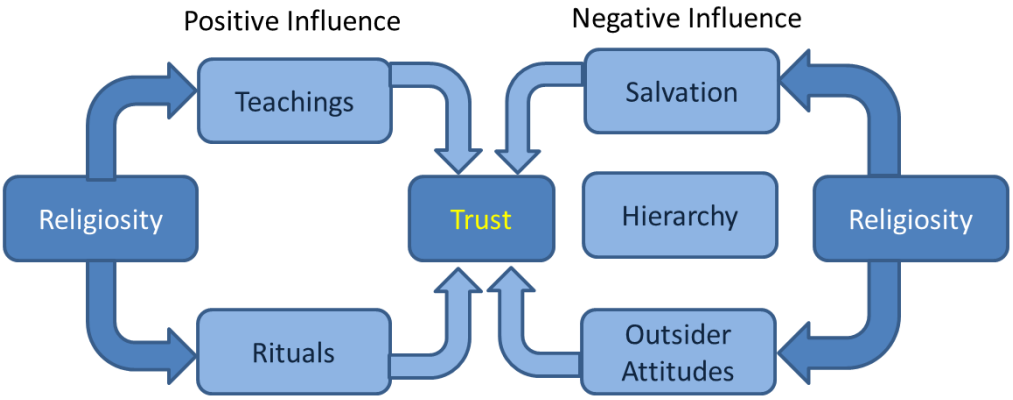
Influence of Inequality and Fragmentation on Trust



In a fragmented society different ethnic groups will exhibit different material cultures that will demonstrate themselves in different styles of clothing and tastes and prohibitions of food. This will react directly on trust by reinforcing images of difference. Similarly, differences in languages will inhibit communication, most obviously in direct person-to-person exchange. But the differences go deeper, since different language groups will access different news media and get exposed to different political messages and this will enhance and perpetuate cultural differences that inhibit the construction of trust. These factors will also affect economic performance not only through the trust mechanism, but also directly by fragmenting markets, raising transaction costs and inhibiting labour productivity (Alesina and La Ferrara, 2004). In a polarised society, the dominant group will tend to use its power to shape policies in its own interests, whether they be defined by class (and income) or ethnicity and culture. If sufficiently powerful, or long-lived, it may even do so at the expense of property rights and civil rights, and even democracy itself. Moreover such dominate groups may promote a 'culture of intolerance' directed against potential dissenters in whatever form and unleash regimes of fear and repression. None of this, of course, is consistent with enhancing trust (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1999, 226-234).

Finally, looking at religiosity, the links to trust can run in two directions. On the positive side, religious teachings emphasise the benefits of generosity and reciprocity towards others and disapprove of anti-social behaviour such as dishonesty and theft, often reinforced with the prospect of sanctions in the after-life. These teachings are internalised and passed through generations and they contribute to expectations of similar behaviour in others. Another mechanism lies in the repeated attendance at rituals which help create a shared sense of community and thereby enhance trust.

Influence of Religiosity on Trust



On the other hand, it is possible to envisage mechanisms that militate against trust creation. The first is that religious teachings prescribe a route to salvation of its members and provide the believers with a 'sacred umbrella' that is not shared by non-believers and members of other faiths. This will create a clear divide between 'insiders' and 'outsiders', reinforcing 'bonding' trust at the expense of 'bridging' trust. A second link runs through the attitudes of the outsiders themselves to the spectacle of groups, united by exclusive belief systems, engaged in strange and unfamiliar ceremonies and rituals. There will be a tendency of them to greet religious observers with suspicion and distrust (Berggren and Bjørnskov 2009). Finally, we must add Putnam's link to hierarchy in religions (stronger in some than in others) which, through the promotion of vertical bonds of duty and loyalty undermine the incentive to form horizontal bonds (Putnam, Leonardi and Nanetti, 2004)

Before leaving this chapter, there is one issue that we need to address. All the analysis assumes that inequality and diversity are *endogenous*, that they derive and can be explained entirely from within the explanatory model, but this is not entirely true. Income inequality may derive purely from the operation of the capitalist market economy in a given resource environment, but it may equally be the outcome of societal preferences deriving from other historical and cultural factors. It may well be these factors that explain not only differences in redistributive policies but also the differences in trust levels which produced them (Katzenstein 1985) Equally some of the ethnic and linguistic diversity may have stemmed from geographical considerations, where early in history, land endowment and resources determined whether populations settled and acquired layers of cultural attributes, and

whether it migrated and formed a more dispersed pattern of ethnic identities (Michalopoulos 2012).

However many ethnic differences within countries, especially in Africa, came from the definition of the borders defining the territorial spread of nations. These were drawn by imperialist powers with scant regard for the tribal composition of the areas. Moreover, the very intensity of ethnic divisions may lie not so much in statistical variables as fractionalisation or polarisiation, but in the way in which colonial institutions favoured some tribes above others or the way in which colonial land settlement displaced existing populations (Easterly and Levine 1997, Leeson 2005). Moreover, societal cleavages tend to intensify in their effects when they are bound up with distributional conflicts, which brings the discussion back to the nature and degree of inequality (Lichbach 1989).

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