Ethnic Favoritism: An Axiom of Politics?

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Introduction

Posner (2005) on ethnic politics in Zambia:

- "The lesson that the President will favor his own ethnic group has become, for many Zambians, an axiom of politics."

Introduction

Empirical studies on a single African country, e.g., Kenya:

- Kramon and Posner (2012): Educational attainments across ethnic groups.
- Burgess et al. (2015): Road building across districts with different ethnic compositions.
  $\Rightarrow$ Favoritism under autocracy, but not weak democracy.

Empirical studies on multiple Sub-Saharan African countries:

- Franck and Rainer (2012): Infant mortality and educational outcomes in 18 countries.
- Kramon and Posner (2013): Pattern varies dramatically across policy areas in 6 countries.
  $\Rightarrow$ No general claims about ethnic favoritism based on empirical findings for a single policy area.

Introduction

We offer a novel approach for studying ethnic favoritism:

1. Beyond Sub-Saharan Africa: Large and diverse sample of 139 multi-ethnic countries
2. Broad measure of ethnic favoritism: Nighttime light intensity in the political leader's ethnic homeland

Introduction

Structure of the Presentation:

- Related Literature
- Data
- Empirical Strategy
- Empirical Findings
- Conclusions

Related Literature

- Developmental effects of ethnic divisions:
  - Easterly and Levine (1997), La Porta et al. (1999), Alesina et al. (2003), Alesina and Zhuravskaya (2011), Francois et al. (2014a,b), Alesina et al. (2014), and more
- Role of political leaders:
  - Jones and Olken (2005), Dreher et al. (2009), Besley et al. (2011), and more
- Ethnic favoritism:
  - Bates (1974), those mentioned earlier, and more
- Regional favoritism:
  - Hodler and Raschky (2014)
    - Main similarity: nighttime light intensity
    - Main differences: Research question (ethnicity vs. birthplace); findings on constraints on favoritism

Data

Units of observation: Subnational ethnographic regions

- Ethnographic map is GREG, which digitalizes the classical Soviet Atlas Narodov Mira from the 1960s.
- 2,022 subnational ethnographic regions from 139 countries.
- 3/4 of regions with 1 ethnic group; 1/4 with 2 ethnic groups.
- 11.55 ethnic groups and 14.55 ethnographic regions in an average country.

Data

Data on the political leaders' ethnicity:

- Identity of political leaders from Archigos database.
- We add the ethnicity of all political leaders (1988–2011).
- We match their ethnicity to the GREG categories.
- Dummy variable $LeaderEthnicity_{ict}$
  - Coded as 1 if ethnographic region i is inhabited by the ethnic group of a political leader who was in power for at least 30 days in country c in year t.
  - Coded as missing if foreign ethnicity (7), no information (3), or no match to GREG categories (3).

Data

Data on nighttime light intensity:

- US Air Force Weather Satellites measure light intensity.
- NOAA provides annualized nighttime light intensity on a scale from 0 to 63 for pixels of less than 1 km^2 for 1992–2012.
  - Evenings during the dark half of the lunar cycle in seasons when the sun sets early.
  - No observations affected by cloud coverage, northern/southern lights, fires, etc.
- Advantages of the nighttime light data:
  - Changes are quite strongly correlated with changes in GDP (Henderson et al. 2012, Hodler and Raschky 2014).
  - Measured in the same high quality all over the world.
  - Available for ethnographic regions (when using GIS software).
  - Likely to capture policy changes in many policy areas.
    - New roads, medical centers, etc.
    - Higher transfer payments or lower taxes
- Dependent variable $Light_{ict}$: Logarithm of average nighttime light intensity in ethnographic region i (plus 0.01).

Data

Summary statistics:

Variable	Observations	Mean	Standard Deviation (overall, between, within)	Min.	Max.
$Light_{ict}$	39,737	-1.53	2.37, 2.30, 0.58	-4.61	4.08
$LeaderEthnicity_{ict}$	39,737	0.21	0.41, 0.39, 0.12	0	1
GDP_{ct}	37,734	8.24	1.16, 1.13, 0.29	5.03	10.88
$Polity_{ct}$	39,157	0.62	0.32, 0.28, 0.14	0	1
$StateAntiquity_{c}$	37,895	0.50	0.23, 0.23, 0.00	0.02	0.96
$Fractionalization_{c}$	39,591	0.52	0.23, 0.23, 0.00	0.01	0.93

Empirical strategy

- Main specification:

$$Light_{ict} = \alpha_i + \beta_{ct} + \gamma LeaderEthnicity_{ict} + \epsilon_{ict}$$

- γ is identified by countries with ethnic transitions, i.e., with leadership transitions that change the leader's ethnicity.
  - 125 ethnic transitions (of 490 leadership transitions)
  - 40 countries with ethnic transition(s); mean 3.13, median 2
  - Outliers: Bosnia and Herzegovina 20, Switzerland 12
  - Ethnic transitions in all regions of the world except MENA

Empirical strategy

Information on ethnic transitions (1991–2011):

	Countries	Leadership transitions	Ethnic transitions	Ethnic fraction.	Polity scores	State antiquity	Ethnog. regions
Entire sample	139	3.53	0.90	0.48	3.00	0.45	14.55
Countries with ethnic transitions:							
Total	40	4.38	3.13	0.67	3.08	0.37	19.13
in EAP	6	4.67	2.50	0.50	4.48	0.36	35.33
in ECA	2	11.50	10.50	0.55	3.23	0.49	11.00
in LAC	4	3.50	1.50	0.69	7.89	0.50	10.50
in SA	3	5.00	4.00	0.63	2.19	0.70	44.67
in SSA	22	3.14	2.50	0.76	1.20	0.27	14.05
in "RW"	3	8.67	5.33	0.45	10.00	0.60	15.33

Empirical findings

Main results

	(1)	(2)	(3)	(4)
$LeaderEthnicity_{ict}$	0.089***		0.094***	0.081***
	(0.029)		(0.030)	(0.029)
$LeaderEthnicity_{ict-1}$		0.085***		
		(0.027)		
Region fixed effects	yes	yes	yes	yes
Country-year dummy variables	yes	yes	yes	yes
Bosnia and Switzerland excluded?	no	no	yes	no
Birthplace circles removed?	no	no	no	yes
R-squared	0.468	0.480	0.467	0.468
Observations	39,737	41,645	39,497	39,737
Number of countries	139	139	137	139

Notes: Dependent variable is $Light_{ict}$, but in column (4) calculated after removing circular areas with a radius of 10km around the birthplaces of political leaders. Standard errors are adjusted for clustering at the country level. ***, **, * indicate significance at the 1, 5 and 10%-level, respectively.

Empirical findings

Main results

- Being the ethnic homeland of the political leader increases nighttime light intensity by 9.3%.
- Assume a linear relationship between changes in nighttime light intensity and changes in GDP, and an elasticity of 0.3 (Henderson et al. 2012, Hodler and Raschky 2014).
- Being the ethnic homeland of the political leader increase local GDP by around 2.8%.

Empirical findings

Addressing potential endogeneity concerns

- Potential endogeneity: Ethnic groups that become more economically active may also become more likely to provide the next leader.
- Look at ethnographic regions that are not yet the leader's ethnic homeland, but will shortly become the (new) leader's ethnic homeland.

Empirical findings

Addressing potential endogeneity concerns

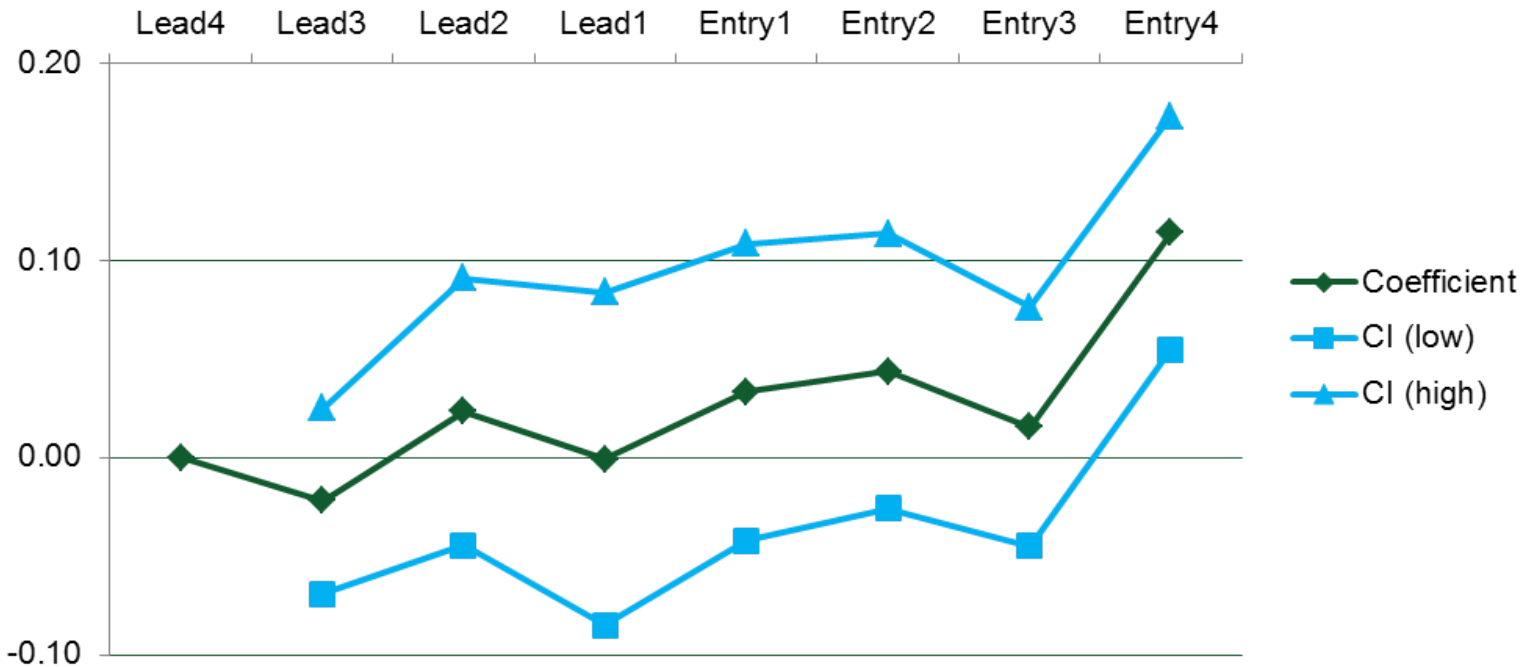
	(1)	(2)	(3)
$LeaderEthnicity_{ict}$	0.099***	0.105**	0.105**
	(0.032)	(0.043)	(0.043)
$Pre1dummy_{ict}$	0.027		
	(0.033)		
$Pre3dummy_{ict}$		0.041	0.035
		(0.026)	(0.023)
$Pre3trend_{ict}$			0.005
			(0.020)
Region fixed effects	yes	yes	yes
Country-year dummy variables	yes	yes	yes
R-squared	0.455	0.415	0.415
Observations	37,244	33,136	33,136
Number of countries	139	139	139

Notes: Dependent variable is $Light_{ict}$. Standard errors are adjusted for clustering at the country level. ***, **, * indicate significance at the 1, 5 and 10%-level, respectively.

Empirical findings

Addressing potential endogeneity concerns

- Ethnic transitions (in 8-year windows without "noise"):



Empirical findings

Ethnic favoritism across the world

	(1)	(2)
$LeaderEthnicity_{ict} \times EAP_c$	0.034	0.034
	(0.074)	(0.074)
$LeaderEthnicity_{ict} \times ECA_c$	0.029**	0.057***
	(0.013)	(0.000)
$LeaderEthnicity_{ict} \times LAC_c$	0.086**	0.086**
	(0.040)	(0.040)
$LeaderEthnicity_{ict} \times SA_c$	0.280**	0.280**
	(0.130)	(0.130)
$LeaderEthnicity_{ict} \times SSA_c$	0.067**	0.067**
	(0.026)	(0.026)
$LeaderEthnicity_{ict} \times RW_c$	0.036*	0.051***
	(0.021)	(0.010)
Region fixed effects	yes	yes
Country-year dummy variables	yes	yes
Bosnia and Switzerland excluded?	no	yes
R-squared	0.469	0.467
Observations	39,737	39,497
Number of countries	139	137

Notes: Dependent variable is $Light_{ict}$. Standard errors are adjusted for clustering at the country level. ***, **, * indicate significance at the 1, 5 and 10%-level, respectively.

Empirical findings

Determinants of ethnic favoritism

Possible determinants:

- GDP_{ct}: Real GDP per capita from PWT 8.0, in logs
- $Polity_{ct}$: Polity score from Polity IV project
  - Normalized to 0–1; higher scores indicate stronger institutions
- $State\ Antiquity_{c}$: Index by Bockstette et al. (2002)
  - Measure of state history based on frequency of governments above the tribal level (e.g., nation states, kingdoms, empires) from 1–1950 C.E.
  - Proxy for government efficacy, as leaders in countries with longer state history can rely on better and more established bureaucratic structures
- $Fractionalization_{c}$: Index of ethnic fractionalization by Alesina et al. (2003)

Empirical findings

Determinants of ethnic favoritism

	(1)	(2)	(3)	(4)	(5)
$LeaderEthnicity_{ict}$	0.161	0.173**	0.004	-0.132**	-0.131
	(0.157)	(0.072)	(0.045)	(0.066)	(0.219)
$LeaderEthnicity_{ict} \times GDP_{ct}$	-0.010				-0.009
	(0.019)				(0.019)
$LeaderEthnicity_{ict} \times Polity_{ct}$		-0.117			-0.065
		(0.083)			(0.091)
$LeaderEthnicity_{ict} \times StateAntiquity_{c}$			0.226*		0.270*
			(0.136)		(0.146)
$LeaderEthnicity_{ict} \times Fractionalization_{c}$				0.323***	0.339**
				(0.102)	(0.158)
Region fixed effects	yes	yes	yes	yes	yes
Country-year dummy variables	yes	yes	yes	yes	yes
R-squared	0.471	0.468	0.469	0.468	0.468
Observations	37,734	39,157	37,895	39,591	36,168
Number of countries	128	137	126	137	118

Notes: Dependent variable is $Light_{ict}$. Standard errors are adjusted for clustering at the country level. ***, **, * indicate significance at the 1, 5 and 10%-level, respectively.

Empirical findings

Ethnic favoritism and sustainable development?

	(1)	(2)	(3)
$LeaderEthnicity_{ict}$	0.099***	0.101***	0.102***
	(0.033)	(0.035)	(0.035)
$Post1dummy_{ict}$	0.062		
	(0.049)		
$Post3dummy_{ict}$		0.019	0.067
		(0.044)	(0.051)
$Post3trend_{ict}$			-0.051**
			(0.024)
Region fixed effects	yes	yes	yes
Country-year dummy variables	yes	yes	yes
R-squared	0.469	0.452	0.452
Observations	39,565	36,570	36,570
Number of countries	139	139	139

Notes: Dependent variable is $Light_{ict}$. Standard errors are adjusted for clustering at the country level. ***, **, * indicate significance at the 1, 5 and 10%-level, respectively.

Conclusions

- We study ethnic favoritism across the globe using an output measure that captures the aggregate distributional effect of a wide range of policies.
- New insights on the prevalence and determinants of ethnic favoritism:
  1. Ethnic favoritism is not simply an African phenomenon, but prevalent in poor and rich countries across the world.
  2. Constraining effects of democratic institutions are weak.
  3. Ethnic favoritism increases in state history and, therefore, arguably in government efficacy.
  4. Ethnic favoritism does not contribute to sustainable development.
- In short: Ethnic favoritism is a global axiom of politics.