

UNITY IN DIVERSITY: SOCIOECONOMIC ASPECTS AND GROWTH OF CONFLICT IN INDONESIA

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ABSTRACT

The world has experienced an increase in conflict and tension over the years. Indonesia, a country with a high degree of ethnic diversity and income inequality, has had the same experience. These conditions have inspired many studies on conflict globally, but the findings vary. Debate continues on whether conflict is due to social factors, such as ethnic diversity, or economic conditions, such as income inequality. This study aims to examine the relationship between ethnic diversity and income inequality in relation to the intensity of conflict in Indonesia by using the Village Potency Statistics 2011 combined with the Population Census 2010 and the National Social Economic Survey 2010. Econometric estimations using ordinary least squares and zero inflated negative binomial regression confirm that a U-shaped correlation exists between the ethnic fractionalization index and the intensity of conflict and a positive correlation between income gap and the intensity of conflict. Moreover, this study shows that the economic aspects have a greater influence on conflict than the social aspects. This study motivates the government to carefully manage diversity in Indonesia so that potential conflicts could be reduced or mitigated.

Keywords: Conflict; Ethnic diversity; Income inequality; Indonesia

1. INTRODUCTION

The Human Security Report Project in 2012 reported that the number of conflicts between and within countries has been increasing constantly since the end of World War II. According to Acemoglu and Robinson (2012), an upward trend in conflicts around the world was observed from 2000 to 2012. Furthermore, more than 1,000 conflicts a year occurred between and within countries. These conflicts resulted in a large number of deaths, killing almost 100,000 people every year. Many conflicts happened because of different views based on ideology, politics, national identity, or ethnicity (for details, see Horowitz, 2002). Using cross-country data, Putnam (2007) found that the main challenge in modern society is the increasing ethnic diversity that can lead to issues regarding social cohesion and conflict. Although many studies on conflict focus on social aspects as the main driver, economists have a different view. Esteban and Schneider (2008) elaborated upon the investigations reported in many popular magazines about global tension; they found that conflicts or wars between and within almost all Middle East countries were caused by

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polarization, which is the income gap generated by unfair distribution of resources. However, studies on conflict using cross- and within-country data show inconsistent findings and parameter instability on the main source of conflict (Brauer 2007). Collier and Hoeffler (2004) and Lian and Oneal (1994) found that ethnic/political diversity and inequality are insignificant determinants of intense conflict, while Alesina et al. (2003), Alesina and Perotti (1996), and Esteban and Ray (2012) concluded that both inequality and ethnic diversity are sources of conflict.

As the largest and most diverse country in Southeast Asia, Indonesia has experienced a similar trend of increasing conflicts. Based on data from the National Violence Monitoring System (NVMS), a constant upward trend has been observed starting from 2004 (specifically, four cases in 2004, 27 in 2008, 101 in 2011, and 257 in 2014).^{*} With a large population of 237.6 million people, Indonesia is home to 1,331 different ethnic groups, 746 regional languages, and 6 legal religions (Statistics Indonesia, 2015). Owing to this high level of diversity, Indonesia has experienced many ethnic conflicts, including the anti-Chinese riots in Jakarta in 1998, the Dayak and Maduranese conflict on Kalimantan Island, and an ethnic and religious conflict in Maluku and Poso from 1998 to 2001. However, Indonesia accepted diversity hundreds of years ago and has recognized this issue through the motto *Bhinneka Tunggal Ika*, which means “unity in diversity.” Although maintaining stability in a region with diverse ethnicity, economic development, and cultures is a challenge, some locals support Indonesia’s nation-building program, which includes, for example, the culture of *pela gandong* (peace resolution) in Maluku.

Additionally, Indonesia has struggled with economic inequality in the last two decades. Economic growth has not always been inclusive as inequality continues to worsen. The Gini coefficient has increased from roughly 0.33 in 1996 to 0.39 in 2017. A wider income gap between the richest and the poorest is continuously increasing. In 1996, the richest had 6 times more income than the poorest, while in 2014 the richest had 10 times more income than the poorest. Rising inequalities and wider income gap can be a catalyst for social jealousy and collective behavior such as widespread social protests that have occurred recently in Indonesia (Dartanto et al., 2017).

The phenomena of ethnic diversity and income inequality may have intensified tension and conflict in Indonesia in recent years. However, Barron et al. (2004) found that the presence of religious groups and traditional *adat* institutions are associated with the probability of higher conflict, and inequality is not a significant determinant of conflict. The present study will then examine this relationship and explore further the main source of conflict using the most comprehensive data combining the 2011 Census of Village Potential, the 2010 Population Census, and the 2010 National Social Economic Survey. This study hopes to provide greater insights into the extent by which ethnic diversity leads to conflict creation. The following questions will be addressed: Is there any significant correlation between income inequality and conflict? Which socioeconomic determinant correlates positively or negatively with conflict? The current literature on this issue, especially in Indonesia, is limited. Most studies on conflict discuss its determinants from social and economic aspects separately. This study, which focuses on Indonesia, aims to bridge the research gap by conducting a comprehensive and integrated analysis of socioeconomic aspects as determinants of conflict. Lessons learned from Indonesia may contribute significantly to global

^{*} In 2017, the *Jakarta Post* reported that the main reasons for Indonesian tension were differences in religion and ethnicity.

knowledge and may become a reference in minimizing potential conflicts in other societies characterized by diversity and inequality.

2. RESEARCH METHODS

This study uses econometric methods to estimate the correlation between ethnic diversity as a social factor and income gap as an economic factor in the intensity of conflict in Indonesia. The econometric model is based on the following equation by Collier and Hoeffler (2004):

$$Conflict_i = \beta_0 + \beta_1 EFI_i + \beta_2 EFI_i^2 + \beta_3 IncomeGap_i + \sum_{m=1}^M \beta_m SocialFactors_{mi} + \sum_{n=1}^N \beta_n SocialFactors_{ni} + \varepsilon_i, \quad (1)$$

where

- Conflict : intensity/number of each type of conflict (includes total conflicts, conflicts between civil groups, conflicts between villages, and conflicts between ethnic groups)
- EFI : ethnic fractionalization index (EFI), which measures ethnic diversity at the city/district level by counting 1–sum of each ethnic group on a population in the region (for details, see Ananta et al., 2015)

$$EFI_{ji} = 1 + \sum_{j=1}^n S_{ji},$$

where S_{ji} = proportion of ethnic group j ($j=1, 2, 3, \dots, n$) in region i

- Income gap : ratio of income share of the top 10% to that of the bottom 10% (adjusted Palma ratio)
- Social factors : total number of social institutions and proportion of villages that have elected village councils (BPD)
- Economic factors : Human Development Index (HDI), which includes the proportion of school dropouts, proportion of electricity access, proportion of poor people, proportion of slums, proportion of unemployed people, proportion of formal sector workers, proportion of expenditure on alcohol consumption, a dummy variable for district/city, and amount of land diverted to other economic activities in the region
- i : refers to city and district in Indonesia, $i = 1, 2, 3, \dots, 460$.

EFI, along with income gap, may have an influence on intensity of conflict. In the previous section, the researcher mentioned that the income gap may affect the emergence of war (Cramer, 2003). This finding is supported by Collier and Hoeffler (2004) and Anderton (2003), who observed that the income gap is the cause of severe grievances (such as high inequality, society division, and class separation or “class antagonism”), which all lead to conflict creation. This study observes that the relationship between ethnic diversity and conflict is non-linear (U-shaped). This hypothesis follows the idea of Masella (2013) that ethnic conflict, which causes most of the conflicts in Indonesia, also plays a role as a driver of nation building. Social and economic factors are considered as variables that influence conflict intensity because these two variables are inseparable elements in society.

This study standardized the dependent variable of “conflict” into several types of group conflicts (Table 1). Ethnical conflict is a clash between groups of different backgrounds or associated cultures. Village conflict is a clash between groups from different regions, associated with technical or social issues (such as land dispute) as triggers. Civil group conflict refers to horizontal clashes between groups associated with certain aspects other than region and ethnicity. Table 2 explains the independent variables.

Table 1: Dependent Variables and Data Description

Dependent Variables	Description
Total conflict	Number of conflicts that occurred in the district or city from April 2010 to April 2011
Conflict between civil groups	Number of conflicts between civil groups (group versus group within a village) that occurred in the district or city from April 2010 to April 2011
Conflict between villages	Number of conflicts between different villages that occurred in the district or city from April 2010 to April 2011
Conflict between ethnic groups	Number of conflicts between ethnic groups that occurred in the district or city from April 2010 to April 2011

Source: Authors

Table 2: Independent Variables and Data Description

Independent Variables	Description	Sources	Expected Sign
Main Variables			
Ethnic Fractionalization Index (EFI)	Level of ethnic diversity in a region	Population Census 2010 calculated by Arifin et al. (2015)	Negative/ Positive
Income Gap	Ratio of income share of the top 10% to that of the bottom 10%	Social and Economic National Survey (SUSENAS) 2010 calculated by author	Positive
Social Aspects			
Total Number of Social Institutions	Social institutions in a region including sports clubs, religious clubs, and social activities	Village Potency (PO-DES) 2011	Negative
Proportion of Villages that have Elected Village Council/ <i>Badan Permusyawaratan Desa</i> (BPD)	Proportion of villages that have Elected Village Council (BPD) in a region	Village Potency (PO-DES) 2011	Negative

Independent Variables	Description	Sources	Expected Sign
Economic Aspects			
Human Development Index (HDI)	A summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living	National Social Economic Survey (SUSENAS) 2010	Negative
Proportion of People Who are Not Going to School Again (<i>Putus Sekolah</i>)	Total number of people who are not going to school again/Total labor force in a region	National Social Economic Survey (SUSENAS) 2010	Positive
Proportion of Electricity Access	Households with access to electricity/Total households in a region	National Social Economic Survey (SUSENAS) 2010	Negative
Proportion of Poor People	Total number of poor people/Total population in a region	Statistics Indonesia (BPS) 2010	Positive
Proportion of Slums	Total number of households in slum areas/Total number of households in a region	Village Potency (PO-DES) 2011	Positive
Proportion of Unemployed People	Total number of unemployed/Total labor force in a region	National Social Economic Survey (SUSENAS) 2010	Positive
Proportion of Formal Sector Workers	Total number of formal sector workers/Total labor force in a region	National Social Economic Survey (SUSENAS) 2010	Negative
Proportion of Expenditure on Alcohol Consumption	Total expenditure on alcohol consumption/Total expenditure in a month (average for every region)	National Social Economic Survey (SUSENAS) 2010	Positive
Dummy City/District	1: City 0: District to show the municipality	Village Potency (PO-DES) 2011	Negative
Percentage of Land Diverted to Other Economic Activities in a Region	Percentage of land diverted to other economic activities in a region	Village Potency (PO-DES) 2011	Positive

Source: Authors

As the dependent variable is a type of count data, two possible estimation methods can be used: ordinary least squares (OLS) and zero inflated negative binomial (ZINB) (Greene, 2007). OLS regression is suitable for count outcome on dependent variables such as intensity of each conflict with classic assumptions. However, many issues arise in using this method. For example, if excess

zeros exist or the number of regions with zero conflict is a large amount, then bias could occur in the estimation. The second issue is that OLS cannot address overdispersion of the data. If many zeros exist in intensity of conflict, avoiding the bias from OLS can be addressed by the other methods of non-parametric regression.

Owing to the possibility of “true zeros” and “excess zeros” in the PODES 2011 data, ZINB regression is the most suitable method. ZINB is considered as an alternative method because it considers the overdispersion between “true zeros” and “excess zeros.” The zero inflated regression model is a regression model with two distinct data generation processes. As the data is at the city/district level (or region in this study), i stands for the region where $i = 1, 2, 3, \dots, n$. For every region i , two probabilities of zeros occur: the probability of “true zeros” is π_i and the probability of “excess zeros” is $1 - \pi_i$. The distribution of “excess zeros” is assumed to be a negative binomial with mean δ_i . According to Greene (2007), ZINB has the following equations:

$$Y_i = 0, \text{ with probability } \pi_i, \quad (2)$$

$$Y_i \sim \text{negative binomial}(\delta_i, k) \text{ with probability } 1 - \pi_i, \quad (3)$$

where Y_i = intensity of conflict which had zeros, either 0 as count data or 0 as negative binomial.

$$Pr(Y_i = 0) = \pi_i + (1 - \pi_i)(1 + k\delta_i)^{-1/k}, \quad (4)$$

where k = overdispersion parameter.

$$Pr(Y_i = y_i) = (1 - \pi_i) \frac{\sum(y_i + \frac{1}{k})}{\sum(y_i + 1) \sum(1 + k)} \frac{(k\delta_i)^{y_i}}{(1 + k\delta_i)^{y_i + \frac{1}{k}}}, \quad (5)$$

where y_i = the intensity of conflict which had value 1, 2, 3, ..., n.

From these equations, we know that two distinct data generation processes exist, where equation (4) is the first process and equation (5) is the second process. This process reduces the overdispersion distribution better than Poisson, negative binomial, or zero inflated Poisson regression; therefore, ZINB regression is the most preferable non-parametric method to estimate the model in this study.

3. RESULTS AND DISCUSSION

3.1. U-Shaped Relation Between Ethnic Diversity and Conflict

Table 3 shows the estimation of OLS and ZINB results. Models 1 and 2 are estimated using OLS, while Model 3 and 4 are estimated using ZINB. The choice of estimation procedure depends on the nature of data. We found zero value of village and ethnic conflict in some districts/cities; therefore, the most efficient estimation uses ZINB instead of OLS. Our estimations confirm that the correlation between EFI and intensity of conflict is U-shaped for all types of conflicts. EFI had a negative impact on the intensity of conflict from the smallest point to the turning point. EFI also

had a positive impact from the turning point to the highest point. This result is proven consistent by the two methods, OLS or ZINB regression, even though a difference exists in significance because of the inflation of the number of villages. Based on mathematical differential methods, the turning point is 0.32 for total conflict, 0.35 for conflict between civil groups, and 0.31 for conflict between villages and between ethnic groups.

EFI has a U-shaped relationship with all types of conflicts and has a significant impact on the intensity of total conflict, conflict between civil groups, and conflict between ethnic groups. However, EFI does not significantly affect the intensity of conflict between villages. This fact is not surprising because many conflicts between villages have different characteristics compared with the other type of conflicts. Civil and ethnic groups are formed by a sense of belonging as a group, but people within a village unite because of geographical boundaries. If a conflict happens, the reason is different. EFI is the measurement of how diverse a region is based on the ethnic identity that shows a sense of belonging, so it will significantly affect the intensity of conflict between civil and ethnic groups, which are based on ethnic identity. Conflict between villages usually happens because of an event or moment that affects the welfare of the villagers; in such cases, EFI is not relevant.

The classification of low/high categories of EFI is based on research by Arifin et al. (2015), which drew upon the work of Esteban and Ray (2011). This classification is based on the percentage of the largest ethnic group in every province. The classification fits Indonesia's case, which has EFI values ranging from 0.01 to 0.94. If the largest ethnic group accounts for 79%–99%, then the province has EFI ranging from 0.01 to 0.32 (turning point), which is low. If the percentage of the largest ethnic groups is less than or equal to 79%, then the province has an EFI ranging from 0.32 to 0.94. The classification of low/high intensity of conflict is based on the distribution of data and the classification from the National Disaster Management Authority (BNPB), which defined low intensity as less than or equal to 10 conflicts and high intensity as more than or equal to 30 conflicts.

Table 3: Regression Results

	(1)	(2)	(3)	(4)
	OLS - Total Conflict	OLS - Civil Groups	ZINB - Villages	ZINB - Eth- nic Groups
Main Independent Variables				
EFI	-14.08* (8.507)	-12.39** (4.943)	-0.890 (0.974)	-4.837** (2.397)
EFI ²	22.01** (9.217)	17.46*** (5.655)	1.494 (1.129)	6.951*** (2.270)
Income Gap	1.719** (0.826)	0.882** (0.421)	0.129* (0.069)	0.255** (0.118)
Social Aspects				
Total Number of Social Institu- tions	0.002 (0.001)	0.001 (0.001)	0.000* (0.000)	0.001 (0.001)
Proportion of Villages that have Elected Village Council (BPD)	-0.791 (2.732)	-0.430 (1.340)	-0.0640 (0.332)	-0.778 (0.494)

Economic Aspect				
HDI	0.327 (0.245)	0.173 (0.159)	0.0373** (0.015)	0.0281 (0.025)
Proportion of People Who are Not Going to School Again (<i>Putus Sekolah</i>)	22.46 (21.16)	12.12 (11.83)	1.319 (1.159)	2.686 (2.419)
Proportion of Electricity Access	-11.45** (4.773)	-7.79*** (2.975)	-0.891 (0.562)	-0.438 (1.753)
Proportion of Poor People	22.75* (11.72)	14.27** (7.010)	0.266 (1.174)	0.423 (3.475)
Proportion of Slums	76.97* (43.31)	35.10* (21.27)	17.46*** (6.073)	21.92* (11.70)
Proportion of Unemployed People	16.36* (9.322)	13.41** (5.618)	2.383* (1.366)	1.922 (3.595)
Proportion of Formal Sector Workers	-17.86* (10.15)	-5.030 (5.926)	-5.19*** (1.564)	-7.761* (4.232)
Proportion of Expenditure on Alcohol Consumption	2.010 (3.477)	0.304 (1.649)	0.947* (0.518)	-1.199 (1.655)
Dummy City/District	-1.356 (2.088)	-0.749 (1.068)	-0.0157 (0.336)	-0.186 (0.592)
Area of Land Diverted to Other Economic Activities in the Region	0.011*** (0.003)	0.009*** (0.002)	0.000 (0.000)	0.002*** (0.000)
Constant	-31.34 (23.35)	-18.28 (14.81)	-2.836* (1.682)	-1.377 (4.600)
R-squared	0.187	0.190		
Prob > F	0.000	0.000	0.000	0.000
N	460	460	460	460

Robust standard errors in parentheses: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.010$.

Some provinces have low EFIs but high intensity of conflict and vice versa. Central and East Java are examples of provinces that have low EFIs but high intensity conflict. In Central Java, the percentage of the largest ethnic group (Javanese) is 97.7%; thus, it can be categorized as a homogeneous society. According to the theory of conflict proposed by Dahrendorf (1958), the main source of conflict in a region can be social differentiation such as ethnic diversity. In the case of Central Java, the other ethnic groups considered as minorities are afraid of the “authority allocation” in society. Authority becomes important for ethnic groups because the concept of ethnicity in Indonesia is the sense of belonging and identity of the group members. The dominant group wants to demonstrate its existence in society by using authority. Minorities, by contrast, are afraid that the majority ethnic groups will dominate them and manage all the social systems. Therefore, this condition can generate conflict. Collier and Hoeffler (2004) called this condition “grievance” because minorities gripe about the possibility of domination by the larger ethnic groups. EFI increases until the turning point (0.32) because at this point, minorities are no longer minorities as the percentage of the largest ethnic group decreases, thereby resulting in an increase in EFI. Therefore, society becomes more heterogenous and the intensity of conflict is reduced until the turning point of EFI.

As EFI increases from the turning point to the highest EFI, the intensity of conflict increases because of a condition called “plurality competing dominance.” As society becomes more heterogeneous, domination becomes an empty concept. This condition creates competition between ethnic groups to gain authority and then become dominant. Maluku, North Maluku, West Papua, and Papua are examples of this condition. Many ethnic groups live in these provinces; thus, the EFI is high. This condition tends to increase conflict as the ethnic groups compete to gain dominance.

The ideal condition for correlation between EFI and the intensity of conflict is when the EFI is low/high and the intensity of conflict is still low, which is the case in Yogyakarta and the Riau Archipelago. This condition could possibly occur if nation building has been practiced well. Yogyakarta and the Riau Archipelago are provinces with *kesultanan* or kingdoms that organize the social systems in society. Yogyakarta is a special region governed by the *kesultanan* Ngayogyakarta, with the king as governor. The Riau Archipelago is not a special region but it also had a *kesultanan* called *Kesultanan Siak*, which was highly respected by the people. This *kesultanan* became the institution followed by society because the king was considered a holy leader and people respected him.

In Yogyakarta, residents refer to themselves as “Yogyakarta people” rather than Javanese or other ethnic groups even though 97.7% of the population is Javanese and the rest consist of other ethnic origins. Similarly, in the Riau Archipelago, the people identify themselves as Melayu rather than other ethnic groups even though ethnic diversity is high (EFI = 0.82 and the percentage of Melayu is only 30.2%). People in Riau feel this way because of the existence of institutions that all the members of society believe in, and nation building has been practiced well. Consequently, the social system is harmonious despite the social heterogeneity. Therefore, ethnic diversity does not generate conflict.

3.2. *Positive Impact of Income Inequality on Intensity of Conflicts*

Table 3 shows that the income gap, as a measurement of income inequality, has a positively significant effect on the intensity of total conflicts, conflict between civil groups, between villages, and between ethnic groups. Despite this, the characteristic of civil groups and ethnic groups is different from those of villages, but the result is still consistent. This fact shows that the income gap as a main economic aspect has a more significant effect on the increased intensity of all types of conflict, as opposed to EFI as a measurement of sense of belonging. This finding confirms the Marxist theory that “class antagonism,” which arises from gaps between classes, is the main source of conflict in society. The variable of income gap is calculated as the ratio of income share of the top 10% and income share of the bottom 10%; this fact shows a more comprehensive measurement for income inequality than other indices. If income increases, so does the intensity of all types of conflicts and vice versa.

An income gap can create conflict because it divides society based on income share. Sometimes, the behavior of a class in society affects other classes, thereby resulting in class antagonism. As with ethnic diversity, the income gap is the main source of conflict because power-related problems occur in resource allocation. Collier and Hoeffler (2004) pointed out that sometimes the top class, which has the top 10% share of the income, tries to dominate the others because its members have more resources than the bottom class. This condition is called “greed.” The bottom class responds to the greed of the top class with “grievance.” Members of the bottom class are afraid of their

position in society, so they feel that social cohesion is costly because if social cohesion exists, then the top class would dominate and the bottom class would have no role in society. Therefore, creating conflict is considered the best way to prove the existence of the bottom class.

3.3. *Social Aspects: Double-sided Impact of Community and Democracy*

The concept of the impact of social variables on specific phenomena, such as conflict, is ambiguous (Nooteboom, 2007); social institutions that show the social capital of a society can be defined as a set of largely informal relationships that may help achieve collective goals. However, if informal relationships cannot help achieve these goals, then social institutions create relationships without trust, and the members tend to violate the social rules. This condition can create conflict.

The empirical evidence shows that the number of social institutions has a positive impact on the intensity of all types of conflict, although it is only significant for the intensity of conflict between villages. This condition happens because the social institutions have different views of each other that arise from different ideologies or values in each social institution. If the differences are obvious and contradict the other institutions' views, then the relationship between the social institutions lacks trust, which can increase the intensity of total conflict within the society. However, the presence of social institutions have no significant impact because they often have no bargaining power in society; they are only institutions that gather people within a formal institution. The function of social institutions to gather people within a formal institution is positively significant to the intensity of conflict between villages. This situation can occur because the presence of social institutions intensifies the relationship between villagers because they feel they have similar views with others involved in the social institutions. If other villages have social institutions with different views, and if the number of social institutions increases, then the intensity of conflict between villages will also increase.

The level of democracy has a negative impact on the intensity of conflict because it makes governance more efficient (Rodríguez & Daza, 2012). The second control variable in social aspects is the proportion of villages in the city/district with a BPD. This variable is a proxy of democracy at the village level. In Indonesia, the BPD is the legislative institution in the governance system at the village level and the village leader selects the members of the BPD through a discussion method called *musyawarah*. Every BPD member is a representative of a social group; therefore, the members consist of cultural leaders (*pemangku adat*), religious leaders (*ulama*), and community leaders (*ketua Rukun Warga/RW*). The members hold strong positions in the village and thus manage the social system.

According to the results, if the proportion of villages in the city/district that have a BPD increases, then the intensity of all types of conflict will also decrease, but the decrease is not significant. This situation can happen because the members have strong positions in the village; however, the legal rules set by the central legislature (called *Undang-undang Desa*) or Law Number 6 of 2014 on Village states that the BPDs have no authority to resolve certain types of conflict even if the members could help because they have strong positions in the village. This finding suggests the need for a harmonization process between the social institutions to achieve society's goals instead of only their own goals. Thus, a legal ruling is necessary for the BPDs to have authority to resolve conflict between civil groups, villages, and ethnic groups. These efforts may help reduce tension in Indonesia.

3.4. *Economic Aspects: Opportunities and Grievances*

Difficult access to basic infrastructure elements, such as education, has a positive effect on the intensity of conflict. Ease of access to education is measured by the proportion of people who are school dropouts. If this proportion increases, then the intensity of conflict also increases. The reason is that people without access to education will have less opportunity to become productive. As this condition occurs, tension may arise due to income inequality. Collier and Hoeffler (2004) found that grievance from people with a low level of education is the main motivation for conflict. Such people are likely to complain to the legal authority or government that they exist and that the government must consider their situation.

Access to basic infrastructure elements, such as electricity, has a negative significance on the intensity of total conflict and conflict between civil groups but no significance on the intensity of conflict between villages and ethnic groups. The reason may be that electricity is mostly used at the household level, which has more influence on civil groups compared with other levels. If access to electricity is low, then total conflict, especially conflict between civil groups, is likely to intensify. Electricity becomes a crucial factor because it can generate productive activity. If the proportion of households with access to electricity increases, then the intensity of conflict will decrease as people become productive. This condition suggests that access to basic infrastructure must be improved to reduce tension in Indonesia.

The regression result shows that poverty also has a positive effect on the intensity of all types of conflict. People living in poverty may create conflict through grievances as a form of asserting their existence to the government. If the proportion of poor people and households in slum areas doubled, then the number of people who complain will also increase. This condition will intensify the conflict. However, the proportion of poor people has a positive significance on the intensity of total conflict and conflict between villages because poverty alleviation strategies are usually implemented at the village level, which then causes a positively significant effect on the intensity of total conflict, especially conflict between villages. The proportion of households in slum areas has a positively significant impact on all type of conflicts. This condition can occur because the quality of housing is a matter that concerns every member of society. If the proportion of households in slum areas increases, then it will tend to increase the intensity of all types of conflict.

Job opportunities also have a significant impact on the intensity of conflict. The proportion of unemployed people has a positive significance on the intensity of all types of conflict except those between ethnic groups. If the proportion of unemployed people increases, so does the number of people who have no productive activity. As shown by the grievance that arises among school dropouts, this condition will increase the intensity of conflict. On the other hand, the proportion of formal workers has a negative significant impact on the intensity of all types of conflict, except conflict between civil groups. The reason is that formal sectors have stricter rules than informal sectors, so workers must comply with rules and do not have time to gripe as unemployed people do. This condition will reduce the intensity of conflict. This finding suggests that improving jobs could reduce tension in Indonesia.

4. CONCLUSIONS

From the empirical evidence, we can conclude that ethnic diversity and income inequality do matter with regard to tension in Indonesia. This study found a U-shaped correlation between ethnic diversity and the intensity of conflict. This result indicates that ideal conditions exist for the relationship between ethnic diversity and the intensity of conflict. Regardless of whether ethnic diversity is low or high, the intensity of conflict can still be low. This condition could occur if all Indonesian people would understand the need for nation building. The most effective way to strengthen nation building is by emphasizing the motto *Bhinneka Tunggal Ika* because ethnic diversity is part of the Indonesian heritage that should be accepted by all Indonesians. Stakeholders should not ignore this fact and should continuously mitigate sources of conflict in Indonesia.

Income inequality has a positively significant impact on the intensity of conflict. Economic aspects have more influence on the intensity of conflict than do social aspects. Based on the results of the control variables, one way to reduce income inequality is to improve the provision of public goods. Ease of access to basic infrastructure elements, such as education and electricity, is another way to reduce income inequality. In addition, more job opportunities must be made available by the government, and the role of community and governance at the village level must be strengthened. All of these efforts can reduce tension in Indonesia.

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