

## The Impact of Rising Inequality on Conflict and Crime in Indonesia: What Does the Evidence Say?



SMERU

### Key Messages

- Inequality has been on the rise in Indonesia during the last decade.
- Rising inequality is harmful for the societal stability because it increases the probability of routine violence, ethnic violence, and violent crime.
- Rising inequality must be urgently addressed in development agendas to ensure that Indonesia continues to grow and sustain a stable democracy.

### Inequality and Societal Stability

Inequality can have a strong impact on societal stability. Equitable and sustainable prosperity is needed for societal stability and, conversely, societal stability is often a requirement for prosperity. Thus, the importance of societal stability for the ethnically diverse and hugely populated Indonesia cannot be overlooked.

Indonesia is a young democracy that went through an economic as well as political transition in 1997/1998. Although democracy is seen as a non-violent mechanism for conflict resolution, the practice of democracy in low and lower-middle income countries is often complicated by violence, even civil war (see Hegre et al., 2001; Synder, 2000). To a large extent, the Indonesian experience is similar to other developing nations, as the country's move toward democracy was accompanied by a significant eruption of violent conflict.

Violent conflict or group/collective violence in contemporary Indonesia could be broadly categorized as either episodic or routine (Tadjoeddin and Murshed, 2007; Tadjoeddin 2014). The former consists of separatist and ethnic violence, while the latter focuses on group brawls and vigilante violence. While episodic violence is typically associated with a high number of deaths and a relatively low number of incidents, the routine variety is characterized by a high number of incidents but minimal deaths.

### Indonesia's Violent Movement Towards Democracy

A surge in separatist and ethnic violence marked Indonesia's transition to democracy in the late 1990s and early 2000s. Separatist violence was largely confined to the outer regions of Aceh and Papua. Inter-ethnic violence, on the other hand, rampaged Maluku, Poso in Central Sulawesi, Sambas in West Kalimantan, Sampit in Central Kalimantan and several other places, with clear patterns of regional concentration.

Episodic violence, which can include both separatist and ethno-communal violence, has had a major economic impact and internally displaced many people, while routine violence tends to cause minor damage and is less likely to displace inhabitants. During the peak of the transition, while routine violence occurred in almost all areas of Indonesia, episodic violence was concentrated in a few regions in the outer islands.

By combining the data from Indonesian National Violence Monitoring System (NVMS)<sup>1</sup> with other socioeconomic datasets, SMERU's research was able to examine the possible effect of vertical inequality (among households and individuals) and horizontal inequality (across ethnic groups or regions) on societal stability, in democratic and decentralized Indonesia (post 2004).

## Shifts in the Type of Violence

The data shows that there is a clear shift in the type of collective violence in contemporary Indonesia. During the peak of democratic transition in the late 1990s and early 2000s there tended to be more episodic violence (in terms of number of deaths), while in the post democratic transition, there tended to be more routine violence (both in terms of number of incidents and deaths).

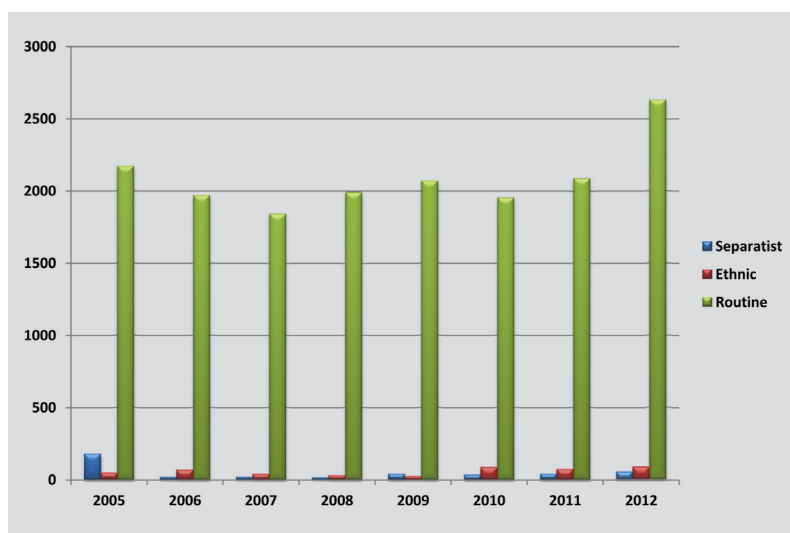
Between 1990 and 2003, ethno-communal violence accounted for 89.3% (or 9,612 casualties) of total deaths in (non-separatist) collective violence, yet this contributed only 16.6% of incidents, while the rest, (i.e., routine violence) accounted for 10.7% of deaths but 83.4% of total incidents (see Table 1).

**Table 1. Collective Violence (excluding separatist violent) in Indonesia, 1990–2003**

Category	Deaths	%	Incidents	%
Ethno-communal	9,612	89.3	599	16.6
Routine	1,146	10.7	3,009	83.4
<b>Total collective violence</b>	<b>10,758</b>	<b>100</b>	<b>3,608</b>	<b>100</b>

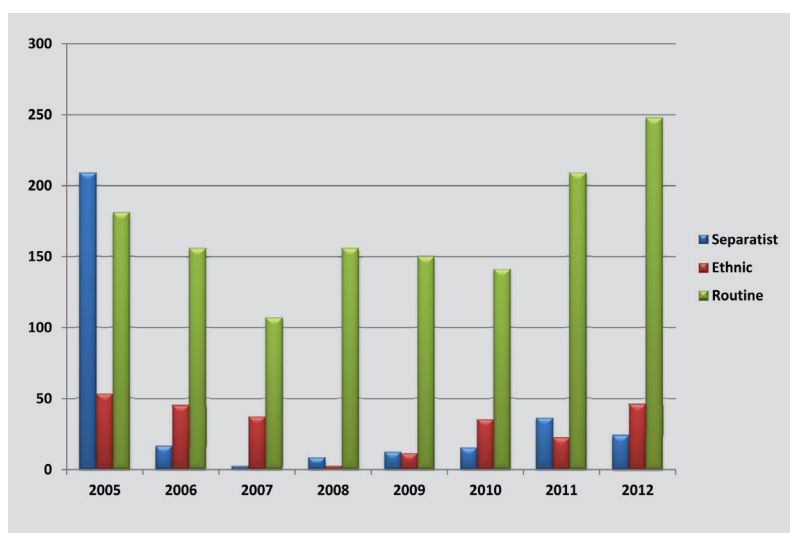
Source: Varshney, Tadjoeeddin, and Panggabean (2008).

Figures 1 and 2 present the aggregate trends of collective violence during 2005–2012, which is the period after major episodes of separatist and ethnic violence during the peak of the transition had largely ended. The data is for regions previously considered as “high conflict” during the peak of the transition, as these were rampaged by separatist and ethnic violence. These regions include Aceh, Lampung, Jakarta, and some districts/municipalities in West Java (Bogor, Depok, and Bekasi), Banten (Tangerang), West Nusa Tenggara, East Nusa Tenggara, West Kalimantan, Central Kalimantan, Central Sulawesi, Maluku, North Maluku, Papua, and West Papua.



**Figure 1. Incidents of collective violence 2005–2012**

Source: Author's calculation based on the NVMS data, 2005–2012.



**Figure 2. Deaths due to collective violence 2005–2012**

Source: Author's calculation based on the NVMS data, 2005–2012.

From both accounts, i.e., death and incident, routine violence has been by far the most dominant form of collective violence since 2005.

SMERU's study focuses on the period 2005–2012 for 14 regions mentioned above as it represents a period when the racket of episodic violence during the peak of democratic transition had been more or less settled. Through the study's estimation, SMERU establishes the link between inequality and societal stability.<sup>2</sup> The following are the results.

**“During the peak of democratic transition in the late 1990s and early 2000s there tended to be more episodic violence, while in the post democratic transition, there tended to be more routine violence.”**



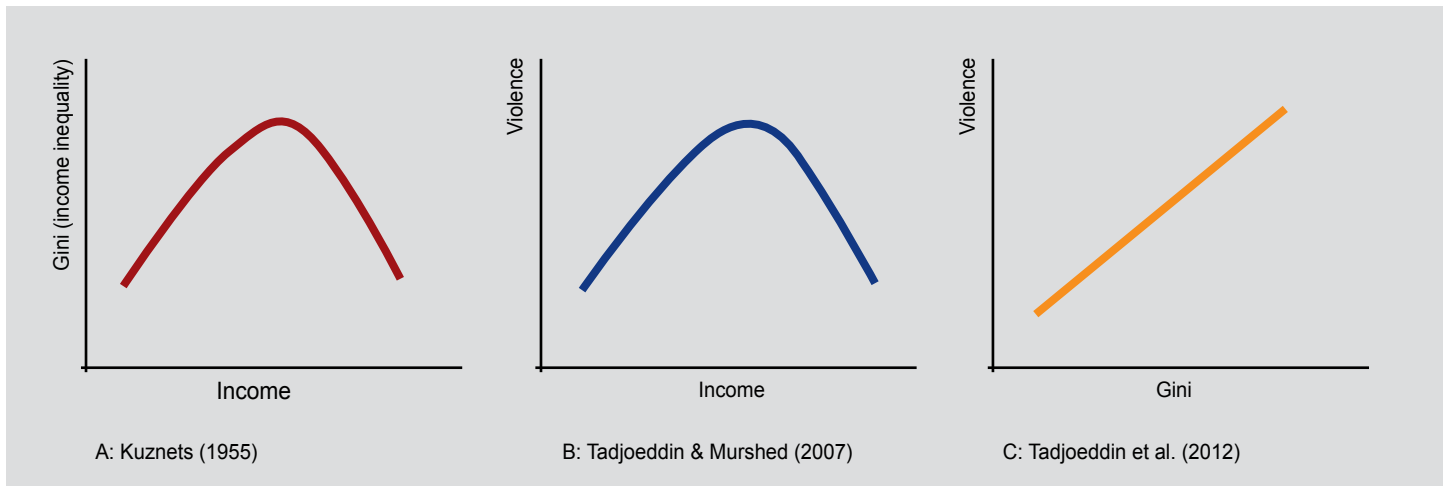


Figure 3. The Relationship between Income, Inequality, and Routine Violence

### 1) Routine Violence

Vertical inequality is found to be positively correlated with incidents of routine violence. In other words, the higher the disparity between households or individuals, the higher the chance of routine violence. We also find a highly significant inverted U-shape relationship between income and violence. This indicates that an increase in prosperity may encourage predatory behavior in the form of private violence (akin to our concept of routine violence), which may manifest as grievance of the less fortunate or greed of the more fortunate. Once growth progresses further, violence has to decline to sustain the security of investment, and the state has to perform regulatory functions. If everyone is lifted up to a certain level, they would be less envious and less prone to routine violence.

Hence, the three-way relationship among three variables, i.e., income, inequality, and routine violence, is confirmed and can be summarized in Figure 3.

### 2) Ethnic Violence

SMERU's research identified that the characteristics of post-2004 ethnic violence are closer to 'routine' violence, while ethnic violence during the transition era was clearly episodic. The study has found that both horizontal and vertical inequality are closely linked to ethnic violence. Nonetheless, the predictive power of horizontal inequality is much stronger than that of vertical inequality. It means that the impact of inequality on ethnic violence is more noticeable if we use the variable of inequality between ethnic or religious groups rather than inequality between individuals or households.

### 3) Violent Crime

Lastly, in this study we consider the relationship between inequality and violent crime. Our hypothesis on the relationship between inequality and violent crime is similar to that of routine violence as the two have close resemblance. Although routine violence must contain a criminal dimension, it cannot simply be

labelled as crime since its collective nature points to a deeper social context. In essence, violent crime is more confined to individualistic criminal behavior and, compared to routine violence, has less social context.

Previous findings on routine violence are also found in the case of violent crime. In accordance with violent crime, we find statistically significant crime increasing effect of higher vertical inequality and a inverted-U shaped relationship between crime and income.

### Policy Implications

Rising inequality is harmful for societal stability. However, different forms of inequality may affect different types of collective violence in varying ways. Thus, unpacking inequality and categorizing violence is critical for governments to appropriately address these issues.

This new evidence shows that continuously increasing inequality is something to be concerned about. Thus, we have to ensure that tackling inequality becomes an explicit focus in the government's development agendas. ■



The SMERU Research Institute is an independent research institute that conducts professional and proactive research and public policy assessment, and provides accurate and timely information using an objective analysis of various socioeconomic poverty problems that are considered urgent and important for the people of Indonesia.

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<sup>1</sup> The NVMS or SNPK (Sistem Nasional Pemantauan Kekerasan) collects data on incidents of collective violence and violent conflict as well as violent crime (see [www.snkp-indonesia.com](http://www.snkp-indonesia.com)).

<sup>2</sup> In this study, stability is proxied by two variables, collective violence and violent crime, as dependent variables and inequality proxied by Gini ratio (a standard economic measure of inequality) is our main independent variable. Violence data are taken from the NVMS, while the vertical and horizontal Gini ratios are calculated from the National Socioeconomic Survey (Susenas) and the Population Census.