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The political economy of ethnic mobilisation: comparing the emergence, consolidation, and radicalisation of ethnic parties in post-colonial Sri Lanka and Malaysia

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The paper focuses on the emergence, consolidation and radicalisation of ethnic parties in Sri Lanka and Malaysia. It finds that the degree of inter-ethnic violence is a function of their pattern of mass ethnic mobilisation. More specifically, ethnic parties will resort to mass violence and spark intra-state ethnic conflict when ethnic group leaders rely on critical masses of ethnic group supporters whose economic well-being, in turn, depends on controlling the state in order to allocate material resources to themselves.

**Keywords:** Sri Lanka; Malaysia; ethnic party; ethnic mobilisation

Introduction

The post-colonial period in developing countries has led to three discrete sets of transitions: from foreign-controlled economic systems to domestic-controlled ones; from authoritarian political regimes to democratic ones; and from multi-ethnic empires to states formed, or at the very least, affected by the politics of national self-determination. Although all three transitions have been examined within the field of political science, there have been few attempts to analyse how these processes have interacted. In this article, by focusing on the emergence, consolidation, and radicalisation of ethnic parties in Sri Lanka and Malaysia, I show that the degree of inter-ethnic violence in the political mobilisation of ethnic minorities in these post-colonial democracies results from the strategic interaction between ethnic group political leaders and individual ethnic members subject to existing organisational constraints and the existence of tangible and material selective incentives. Put differently, ethnic parties will radicalise their strategies and turn to violence when their
mobilisation drives have been captured by critical masses of supporters whose economic well-being depends on control over the state and the material resources it can allocate.

To illustrate my argument, I proceed as follows: I define what I mean by ethnic groups, ethnic mobilisation, and ethnic parties. I then present existing theoretical arguments about how ethnic parties emerge, consolidate, and radicalise in the post-colonial period and how they may or may not lead to violent ethnic conflict. Subsequently, I illustrate my own theoretical approach which seeks to generate a predictive analytical framework and then test it in the aforementioned cases. Finally, summarising my argument and findings, I present avenues for further theoretical work and research projects.

Definitions

Following Weber (1978), I define ethnic groups as

those human groups that entertain a subjective belief in their common descent because of similarities of physical type or of customs or both, or because of memories of colonisation and migration; this belief must be important for the propagation of group formation; conversely, it does not matter whether or not an objective blood relationship exists. (p. 389)

Not only must this notion of a shared collective identity remain, but it must form the basis for ethnic group membership. As Horowitz (1985) argues, the conceptual implication of such a definition is that ‘ethnicity is based on a myth of collective ancestry...some notion of ascription, however diluted, and the affinity deriving from it is inseparable from the concept of ethnicity’ (p. 52). Accordingly, ethnic group members in their attempts for identity formation must recognise other members of their ethnic group as such, i.e. as co-ethnics. In essence, ethnic group members can exist only insofar as they create and maintain boundaries between their own ethnic group and other ethnic groups.

Consequently ethnic mobilisation becomes ‘the process by which groups organise around some feature of ethnic identity (for example skin colour, language, customs) in pursuit of collective ends’ (Olzak, 1983, p. 355). Since any form of political mobilisation becomes a ‘process by which the group goes from being a passive collection of individuals to an active participant in public life’, then ethnic mobilisation must become the process by which ethnic group members utilise their ascriptive characteristics in order to enter the arena of political participation (Tilly, 1978, p. 69). Even though the demands of the ethnic mobilisation drive may be numerous (including enhanced ethnic group representation in the political decision-making process; the elimination of severe political, economic, and social discrimination; the improvement of
the ethnic group’s living standards), the goal of ethnic mobilisation is to translate individual ethnic group members into committed activists, capable of withstanding the rigours and costs of creating, accumulating and maximising the political resources that are necessary for the achievement of the ethnic group’s goals.

Following Chandra and Metz (2002), I define an ethnic party as a ‘party that overtly represents itself to the voters as the champion of the interests of one ethnic group or a set of groups to the exclusion of another or others, and makes such a representation central to its mobilising strategy’ (p. 5). As such, the emergence, institutionalisation, and persistence of the ethnic party reflect its ability to become the sole, or at least the most prominent, representative organisation of the ethnic group within the context of the democratic regime. It has to not only target its constituent ethnic group in terms of membership, participation, and mobilisation, but it has to do it in a fashion that will generate increasing returns to scale, thus creating network effects, i.e. that will make each new additional member more valuable to the existing members while increasing the party’s ability to procure resources. Put differently, it has to strive to become the only ethnic party for its ethnic group. That is, it has to evolve, in the argument of Brass, into ‘that one political organisation [which is] dominant in representing the demands of the ethnic group against its rivals’ (Brass, 1991, p. 49). Accordingly, in the context of multi-ethnic democratic regimes, whether new or old, consolidated or fragile, post-colonial or post-colonial, the ethnic party becomes the most effective and efficient organisational weapon for the institutionalisation and longevity of the ethnic mobilisation drive.

The existing literature

In the post-colonial experience two sets of arguments have sought to explain whether the emergence, institutionalisation, and persistence of ethnic parties leads to violent ethnic conflict: either they focus upon the ability of ethnic parties to effectively institutionalise and aggregate ethnic group members’ interests and goals, thus reducing the chances for violent ethnic conflict or they highlight how ethnic parties increase the rigidity of the party system and solidify electoral and partisan divisions along ethnic lines, thus increasing the chances for violent ethnic conflict. In the former set of arguments, the greater the participation of ethnic parties in the party system and the greater their ability to represent ethnic group members, the greater the chances are for inter-ethnic peace. In the latter set of arguments, it is almost the exact opposite, thus pointing to a need for cross-cutting inter-ethnic party coalitions.

Interestingly enough, both sets of arguments posit a linear causal relationship that resembles a necessary condition between ethnic parties
and the onset of violent ethnic conflict. What is missing from both sets of arguments is a causal mechanism that renders the causal relationship between ethnic parties and the onset of violent ethnic in a sufficient condition setting that also provides us with a predictive capacity. Moreover, what is required is a set of arguments that can account for different outcomes in terms of the dependent variable of violent ethnic conflict when presented with similar levels of the ethnic party variable, as in the cases of Sri Lanka and Malaysia. These two countries experienced very similar historical legacies, as a result of British colonialism, and underwent very similar institutional transformations in their immediate and foundational post-colonial moments as nascent multi-ethnic democracies. Indeed, while both countries have experienced the emergence, institutionalisation and persistence of ethnic parties, they have differed in terms of the occurrence of violent ethnic conflict: while Malaysia has experienced decades of peaceful inter-ethnic relations, Sri Lanka has been mired in more than two decades of violent ethnic conflict.

My argument

Analytically, I attempt to solve this puzzle by stressing the level of economic liberalisation, in any post-colonial country, as the catalytic event that affects the emergence, institutionalisation, and persistence of ethnic parties. I do so in a five-stage process: (1) activating ethnicity and making it relevant for individual ethnic group members, (2) politicising ethnicity, (3) organising ethnic groups, (4) institutionalising ethnic groups into ethnic parties and finally, and (5) counter-mobilisation and persistence of ethnic parties. Accordingly, I analyse the dynamics between economic liberalisation and the propensity for ethnic conflict as a collective action problem (Hechter, 2000). The implications of this analytical approach are threefold: (1) how do members of ethnic groups decide or not to participate in organised collective behaviour, (2) how do these decisions translate into collective outcomes, and (3) how does economic liberalisation affect these two aforementioned questions. In short, what is the relationship between micromotives and macrobehaviour (see Chong, 1991, p. 1; Schelling, 1978)?

Economic liberalisation, as a set of economic policies with asymmetrically distributed short-term effects, activates the individual’s understanding of how ethnicity affects his material well-being because of pre-existing ethnic division of labour. Political entrepreneurs attempt to utilise this process in order to politicise ethnicity and transform it into a reliable and efficient basis for ethnic group cohesion and collective behaviour. Yet, they are faced with the ‘free rider’ problem (see Olson, 1971, pp. 1–2). Medium-level economic liberalisation provides political entrepreneurs not
only with enough resources, often in the form of discrete state economic policies, to match their followers’ demands for selective incentives, but to also make credible promises about the viability of such selective incentives. Accordingly, economic liberalisation at a medium level solves the ‘free rider’ problem of collective action.

However, the need for organisation forces political entrepreneurs to tap into existing social mobilisation resources in order to accelerate the organisation of their groups and minimise their costs. When they do not have any pre-existing organisational resources, they are forced to create them at their own expense and often under stringent time constraints. As such, organisation precedes mobilisation. And this point cannot be over-emphasised. Ethnic group leaders who rely upon pre-existing social networks of mobilisation, be they be religious or social, will experience a much higher need to accommodate the demands of the leaders and members of these pre-existing networks of mobilisation. Successful collective mobilisation requires not only ethnic group coherence and organisational efficacy, but also a readiness to act and an increasing level of ethnic group discipline. It requires the creation of an ethnic party. As such, political entrepreneurs begin to increasingly rely upon a ‘critical mass’ of ethnic group members. This ‘critical mass’ sub-group is aware of the political entrepreneurs’ needs and extracts ever increasing selective incentives from them. Selective incentives that are increasingly asymmetrical become concentrated upon these ‘critical mass’ members.

The provision of these selective incentives has two effects: (i) it increases the chances that economic liberalisation will remain at medium levels since it is at these medium levels that political entrepreneurs can credibly provide their followers with the selective incentives that they demand, and (ii) it institutionalises this commitment to the appropriation of the selective incentives within the ethnic party, increasing the chances that it will persist. The successes of the original political entrepreneurs resonate in elite settings with a powerful demonstration effect. Counter-mobilisation emerges from other intra-ethnic political entrepreneurs, who are vying for power, leading to a competitive intra-ethnic bidding war for more support from ethnic group members. Consequently, economic policy-making assumes an increasing level of zero-sum decisions, boundaries among ethnic groups become rigid and exclusionary and inter-ethnic bargaining assumes an increasingly indivisible aspect. By rendering inter-ethnic bargaining an indivisible process, ethnic political entrepreneurs are effectively guaranteeing the use of violence by and for their members and the commencement of a cycle of violence that will increasingly harden ethnic group boundaries and solidify extant ethnic group leaders in their positions.
Evidence from Sri Lanka

Between 1815 and 1925, much like the other British colonies, the Sri Lankan economy was operating as the model liberal economy. Its market-based economy was characterised by minimal state intervention, high trade openness, and integration in the international economy, secure property rights, and high levels of foreign direct investment (see Arasaratnam, 1964, p. 155; Bandarage, 1983, pp. 59–64; de Silva, 1977, pp. 64–65). In addition to its specialisation in tea cultivation, the commercialisation and private, and for the most part European, ownership of the agricultural sector had expanded into the rubber and coconut product areas and a proto-manufacturing sector, based on labour-intensive production, was emerging in Colombo (Bandara, 1998, p. 72; Peiris, 1996, p. 114; Ponnambalam, 1981, p. 7; Waters, 1986, p. 4). In effect, by the mid-1920s, Sri Lanka had fully become a three-commodity exporting economy, exemplifying all the characteristics of a colonial-era ‘dual economy’ (Ponnambalam, 1981, p. 11).

The upshot of this high level of economic liberalisation was that caste mattered more than ethnicity because it was caste, through its effect in terms of occupational segmentation and asset ownership, which determined economic well-being and, as such, political preferences (Arasaratnam, 1994, p. 50; Bush, 2003, p. 48; Jayawardena, 1984, p. 79; Moore, 1997, p. 339; Pfaffenberger, 1982, pp. 92–93; Roberts, 1982, p. 133; de Silva, 1997, p. 190). Accordingly, political mobilisation occurred through caste. Unlike ethnicity, caste was intimately connected to issues of income distribution and could, and indeed did, serve as a powerful conduit for the creation of inter-ethnic political coalitions that focused on economic issues (Russell, 1978; de Silva, 1999, p. 96, 1981, p. 78; Waters, 1986, p. 7; Wilson, 2000, p. 20).

However, in order to deal with the persistent and deleterious income effects of the Great Depression, the British began replicating in Sri Lanka the increasingly interventionist and budget-increasing macro-economic innovations that the Keynesian revolution had implemented in Great Britain. Commencing with the reforms of 1936 and lasting until the end of the war in 1945, by reducing the level of economic liberalisation, from high to medium, the British effectively endowed the colonial state with selective incentives. They rapidly increased spending on social welfare policies to deal with the declining incomes which resulted from the Great Depression, established price controls for important consumer staples, increased spending on educational policies by significantly expanding the number of public schools, especially in the vernacular languages (Jennings, 1951, pp. 111, 177). Responding to the incentives of multi-party competition, ethnic Sri Lankan political entrepreneurs rose to the challenge. They utilised their electoral success to allocate resources to their supporters, thus constructing bases of electoral support: they implemented
irrigation networks and land settlement projects and got significant food subsidies for daily food staples (Nithiyandan, 1999, p. 57). They used the increased expenditures to implement discrete economic policies that increased the incomes of their voters. They used the expansion of the welfare state to increase the upward mobility of their supporters while enhancing their ability to withstand competitive pressures from left-wing political challenges. For the first time since its establishment, capturing the colonial state became an electorally powerful proposition.

As such, by placing Sri Lanka at a medium level of economic liberalisation, the British enabled the politicisation of ethnicity. The high degree of competition in the Sri Lankan party system, required the emergence of a sharing rule that could concentrate the allocation of selective incentives while differentiating among supporters and opponents. It was only then that both Sinhalese and Tamil political entrepreneurs sought to actively use ethnicity as a political variable. Moreover, and consistent with my argument, it was only under conditions of medium economic liberalisation, that both sets of ethnic political entrepreneurs could successfully engage in the politicisation of ethnicity: the Sinhalese political entrepreneurs did so through delivering selective incentives to their supporters because they could control the legislative process since they had the majority, and the Tamil political entrepreneurs could do so because they could credibly promise increased allocation of selective incentives only by leading a successful ethnic mobilisation drive. As such, on the eve of independence in 1948, Sri Lanka found itself with a vibrant and democratic political system. As long as the economy stayed at a high level of economic liberalisation, preventing the ethnicisation of the economy, both Tamil and Sinhalese ethnic collective action would remain marginal. And the departing British colonial administrators were committed to that: between 1944 and 1948 they scaled back state spending from the island as the war effort declined, reduced state spending on social welfare and educational policies, undid trade restrictions and price controls, and changed the level of economic liberalisation, which had resulted from the pressures of the Great Depression and WWII, from medium to high.

In the 1948–1952 period the Sinhalese-led United National Party (UNP) received support from the Tamils and ethnic collective drives – whether by Tamil political entrepreneurs such as the Tamil-led Federal Party (FP) or by their Sinhalese counterparts such as the Sri Lankan Freedom Party (SLFP) – were not electorally successful, and the inter-ethnic Left continued to do well (Wilson, 1977, p. 298). However, when the UNP government attempted to maintain a high level of economic liberalisation, by reducing drastically state intervention in the form of food subsidies and land settlement projects, it stopped short in terms of implementation. This enabled intra-ethnic competition at the political entrepreneur level: it enabled the anti-Tamil-Congress
Tamil political entrepreneurs to strengthen the FP as a viable intra-Tamil opponent to the Tamil Congress because of its ties to the UNP and it provided the newly established SLFP to gain traction within the Sinhalese electorate (Ponnambalam, 1983, p. 84; Wilson, 2000, p. 4).

The institutionalisation of these ethnic parties required the consolidation of successful ethnic collective action drives. By promising a medium level of economic liberalisation, whereby the Sri Lankan state would allocate a significant level of selective incentives, the SLFP’s leader Bandaranaike could overcome the free rider problem in Sinhalese ethnic mobilisation. By using the Sinhala-Only claim, he demonstrated how ethnicity could serve as the sharing rule behind the allocation of these selective incentives (Kearney, 1967, p. 80). Unlike his UNP counterparts, who already had failed their Sinhalese supporters in the allocation of selective incentives, Bandaranaike could promise not only more selective incentives, but he could also promise their allocation in a more exclusive and targeted fashion.

Yet, his path to power was not automatic. Bandaranaike promised selective incentives in both the 1952 and 1956 elections. What made the difference in the 1956 elections was that he combined the promise of selective incentives along ethnic lines with the use of mobilisational resources. Bandaranaike chose the Buddhist Sinhalese networks not simply because they were religious networks which could mobilise the faithful. Rather, he chose them because they were nationally dispersed, with multiple and regular diffusion contact points for his platform, and were staffed with intense campaigners (Spencer, 1990, p. 56; Wriggins, 1960, pp. 344–345). Without this organisational structure, he could not have won the 1956 elections: closely following my argument, organisation had to precede mobilisation.

Yet, these contours of the newly independent Sri Lankan polity and economy enabled the level of economic liberalisation to be decisive in determining whether the colonial era’s ethnic division of labour and the recent politicisation of ethnicity could determine post-colonial ethnic political mobilisation. At a high level of economic liberalisation, continued efforts to use ethnicity as the basis of political mobilisation would prove to have the same success that they did in the pre-1936 era. At a low level of economic liberalisation, minority group political entrepreneurs would face insurmountable obstacles in generating collective action among their members because they could not credibly promise their ethnic brethren that control over the state could change their material situation, given the paucity of resources that a state in an economy with high economic liberalisation would have. It was at medium levels of economic liberalisation, where control of the state would be important because of its size and scope, that the use of an already politicised ethnicity within the context of an ethnic division of labour would enable ethnic political mobilisation across ethnic groups.
The 1956–1965 period was strikingly different in terms of the level of economic liberalisation from the 1948–1956 period. The Bandaranaike, leading the SLFP to consecutive victories in the 1956 and 1960 elections, reduced the level of economic liberalisation to a medium one. By doing so, they institutionalised the use of the state as a reservoir of selective incentives. An economy at a medium level of economic liberalisation implies that control over the state determines the asymmetric allocation of benefits and losses that result from the regulated operation of the marketplace. Not only can the state intervene and provide a variety of transfers and subsidies to those adversely affected by market developments, but it can also intervene pre-emptively and seek to enhance the chances for upward economic mobility of specific groups (Kearney, 1964, p. 130; Navaratnam, 1991, p. 157; Wilson, 1988, p. 47). Last, but not least, at a medium level of economic liberalisation control over the state can allow for the allocation of significant level of material resources which enhances the credibility of the competing political entrepreneurs (Arasaratnam, 1986, p. 45).

However, in a competitive party system, such a level of economic liberalisation increases the incentives for voters to demand more from political entrepreneurs. Hence, the systematic provision of selective incentives by the Sinhalese political entrepreneurs increased intra-Sinhalese bidding wars for political support while increasing the chances that the critical mass of supporters would become instrumental in the continued drive towards ethnic mobilisation.

These critical masses, characterised by their importance in the deployment of ethnic collective action and by their centrality in the existing networks of mobilisational resources, increased the asymmetric concentration of resources upon them. Realising their importance, these critical masses, in turn, advocated that the overall level of economic liberalisation stay at medium levels. Hence, commencing in the 1956 successful electoral drive of the SLFP, which campaigned on platform that combined the allocation of selective incentives with a strategic reliance on the Sinhalese Buddhist religious networks, Sri Lanka’s post-independence political economy changed dramatically.

Overall, while the 1960 elections were about rewarding the critical mass in the form of concentrated selective incentives, the 1965 elections were about the appropriate policy mix of these selective incentives. Unlike the SLFP, the UNP committed itself to a more strategic approach, both in terms of the size of the selective incentives and in terms of the recipients. While the UNP, much like the SLFP, rewarded the Sinhalese critical mass, it did so more efficiently (Jupp, 1978, p. 94; Kearney, 1973, p. 125).

Yet, to do so necessitated keeping the Sri Lankan economy at a medium level of economic liberalisation. The high level of Sinhalese intra-ethnic bidding allowed the Sinhalese critical masses to demand and achieve the
continuation of medium-level economic liberalisation policies. Unlike the expectations of instrumentalist, the Sinhalese critical mass could determine the extent and direction of changes in the level of economic liberalisation. Put succinctly, once ethnic political entrepreneurs rewarded critical masses for their mobilisational efficacy, they became their hostages.

While it engaged the Tamils in a governing coalition, the UNP government demonstrated that intra-ethnic counter-mobilisation could prevent the actual implementation policies that rewarded inter-ethnic coalitions. When push came to shove, when the ethnic balance of selective incentives was debated, it became palpable that at medium levels of economic liberalisation, selective incentive decisions were perceived in a zero-sum manner. As such, the UNP would rather lose power than allocate sufficient selective incentives to its Tamil counterparts in the FP (Agashe, 2001, p. 173). Finally, the absence of viable mobilisational resources demonstrated that the Tamil political entrepreneurs could not engage in ethnic collective action, even in the presence of ethnically determined selective incentives (Nithiyandan, 1987, p. 130; Wilson, 1988, pp. 107–109).

The 1970–1977 experiment in leftist economic management left the Sri Lankan economy at a low level of economic liberalisation. At such a low level of economic liberalisation, the Sinhalese political entrepreneurs could target the allocation of selective incentives to specific segments of the Tamil population. When the SLFP political entrepreneurs implemented import restrictions on agricultural commodities such as chillies, onions and potatoes, which favoured the Tamil agricultural producers and increased their incomes, they were able to generate a significant level of support from a key element of the Tamil ethnic mobilisation drive. Despite calls from the Tamil youth movement, the Tamil farmers remained steadfast in their unwillingness to engage in radical action (Ponnambalam, 1983, pp. 146–147). Similarly, when the SLFP political entrepreneurs implemented policies that favoured the economic interests of the Eastern Province Tamils, such as land settlement support, irrigation subsidies, and access to more social welfare services, and they were able to decrease the organisational links between the Eastern and Northern Province Tamils which had long had an impact on the Tamil ethnic mobilisation drive.

Moreover, Tamil political entrepreneurs could not overcome the credibility problem that resulted from the SLFP’s control over the state and its significant level of selective incentives. Being outsiders in an increasingly exclusivist resource allocation system, where even Sinhalese UNP political entrepreneurs could not get access to the allocated selective incentives, hurt the credibility of the Tamil political entrepreneurs. When their SLFP counterparts could promise public-sector employment, preferential trade policies, access to credit and increased upward mobility, what could the Tamil political entrepreneurs offer in comparison? (Kearney, 1973, p. 55). Ethnic group aspirations for devolution
and even secession could not find fertile ground within the Tamil community because it was increasingly becoming apparent that, at a low level of economic liberalisation, control over an interventionist and selective-incentive-laden state was what truly mattered. And herein, lied an important distinction in the inter-generational conflicts within the Tamil population: whereas the younger Tamil members were pushing for more secessionist and violent solutions since they did not have the same resources as their older brethren and were promised an increasingly discriminatory future by their Sinhalese counter-parts, their older counterparts were not actively supporting in the 1970–1977 because a significant percentage of them were benefiting from the economic policies of the SLFP government and their existing resources could buffer them from Sinhalese decisions.

However, this Sinhalisation of the state meant the increasing rigidity of Tamil ethnic group identity and the emergence of mobilisational resources. The importance of this development cannot be overemphasised. For the first time in modern Sri Lankan political history, the Tamils built effective mobilisational resources that provided the organisational glue for the establishment and successful operation of ethnic mobilisation drives. In this regard, the mobilisational resources that the Tamil youth organisations brought with them in the Tamil ethnic collective action drive would prove to be invaluable, thus rendering the younger Tamil political entrepreneurs eminently important in the Tamil ethnic mobilisation drive (Dissanayaka, 1983, pp. 30–31; Whitaker, 1997, pp. 257–262).

The period between 1977 and 1983 fits my theoretical argument. The partial implementation of economic liberalisation policies, which increased Sri Lanka’s level of economic liberalisation from low to medium, meant that the Sri Lankan state contained a significant and sufficient level of selective incentives. Indeed, while the Jayawardene administration did increase the level of economic liberalisation by engaging in trade and financial liberalisation and promoting integration in the international economy, it also implemented an aggressive infrastructure construction programme that increased the fiscal footprint of the state significantly (Shastri, 1997). While the International Monetary Fund and the World Bank promoted this set of policies as market-based panacea, they failed to notice how much room for state control over the economy they were accompanied with. Moreover, the mix of the particular economic policies implemented enabled those in control of the state to determine the allocation of benefits and losses that resulted from the short-term income effects and sectoral consequences of this mix of policies.

Given the pre-existing amount of intra-ethnic competition and bidding wars among political entrepreneurs, then it quickly became necessary for Sinhalese political entrepreneurs to concentrate selective incentives upon the Sinhalese critical mass and to concentrate losses upon the Tamils. Consequently, the
Sinhalese UNP political entrepreneurs, cognisant of the need to outbid their SLFP opponents in terms of selective incentives, actively distributed selective incentives to their ethnic brethren: public-sector jobs, public investment in infrastructural projects in Sinhalese-majority areas, preferential access to policy-makers, and tailored policies to meet specific demands by the Sinhalese critical masses. Conversely, the UNP Sinhalese political entrepreneurs consistently rejected any appeals for the allocation of selective incentives to Tamil areas: there was limited, if any, real support for public investment projects even under the District Development Council legislation, an institutionalised unwillingness to incorporate Tamil demands within the policy-making process, and a constant insistence upon forcing the Tamil sectoral interests to bear the full and upfront costs of changes in the mix of economic policies, especially in the agricultural sector (Manogaran, 1987, pp. 163–164; Tiruchelvam, 1984, p. 188; Wilson, 1988, p. 167). If the UNP political entrepreneurs had engaged in a full-blown, across-the-board economic liberalisation drive, then the short-term income consequences would have claimed Sinhalese sectoral interests as well.

Yet, unlike previous periods of medium-level economic liberalisation, it quickly became obvious that the Tamils had built a viable network of mobilisational resources that enabled Tamil collective action. As it quickly became apparent, unlike the previous period of medium economic liberalisation when Tamils were not able to engage in ethnic mobilisation, despite the existence of multiple individual-level incentives because of the lack of organisational networks, during the 1977–1983 period, Tamil political entrepreneurs had access to the mobilisational resources which had been built during the 1970–1977 period. Bridging the Northern and Eastern Province intra-Tamil divide and coordinating an inter-caste coalition for ethnic collective action these mobilisational resources were diffusing a message of political discrimination and economic marginalisation while mobilising the Tamil population.

Moreover, the intra-Tamil political entrepreneur competition for the satisfaction of the Tamil critical mass meant that the bidding wars that emerged would push them towards violent acts. No longer was the Tamil ethnic mobilisation under the exclusive control of the educated, affluent and upper-caste vellala Tamils of Jaffna and Colombo. The emergence of the rural and lower-caste Tamil political entrepreneurs such as Prabhakaran signalled the emergence of an intense, elite-level intra-Tamil political competition for leadership of the Tamil ethnic mobilisation drive. Not only did this competition limit the options of the Tamil political entrepreneurs by increasing the chances for the adoption of increasingly radical demands, but it also highlighted that, in a medium-level economic liberalisation economy, ethnic mobilisation revolved around the issue of control over the state in order to allocate selective incentives. Accordingly, as the inability of the traditionally empowered Tamil political entrepreneurs, such as Amirthalingam, to deliver selective incentives to the
Tamil critical masses became chronic, the appeal of the more radical elements of the Tamil leadership increased. Consequently, so did the use of violence.

These violent acts led to the July 1983 riots when Sinhalese UNP political entrepreneurs used their mobilisational resources to coordinate the actions of their ethnic brethren in a strategic fashion. Confronted with the Tamil attacks, Jayewardene could have responded in a more restrained and judicious manner since he could have dealt with the weakened SLFP opposition. However, the intra-UNP political entrepreneurs with their support base among the Kandyan Sinhalese farmers and the urban small-scale entrepreneurs who were dominating their more liberal-oriented intra-UNP competitors, prevented Jayewardene from reacting in an autonomous fashion (Arasaratnam, 1986, p. 77; Hoole, Somasundaram, & Thiranagama, 1990, pp. 373–374; Meyer, 1984, p. 143). However, the presence of the intra-Sinhalese and intra-UNP elite-level competition meant that he had no other option but escalation. Only escalation could increase Jayewardene’s control over the UNP and the state and only escalation could increase the UNP’s cohesion over the SLFP.

Yet, the Sinhalese did not join in these violent actions because they hated the Tamils; rather, they joined because they were provided with a panoply of incentives. Per usual, when the ethnic mobilisation drive includes the threat of bodily harm and death, then the level of selective incentives to be allocated increases commensurately and the demand for the maintenance of the pre-negotiated sharing rule increases in intensity. Hence, the Sinhalese who participated in the Colombo riots demanded material resources, jobs and access to state subsidies and were led by Sinhalese UNP leaders. As such, they were not the spontaneous outbursts of ancient hatreds, of a primordially determined form of long-standing inter-ethnic tensions that were finally coming to fruition. They were actively organised and implemented on the basis of attacking the Tamils’ economic resources. These attacks were implemented by rank-and-file JSS (Jathika Sevaka Sangamaya, National Workers Association) members, coordinated by the UNP Minister of Industry Cyril Matthew, often targeting the properties of Colombo-area Tamil merchants (Bush, 2003, p. 50; Deshapriya, 2001, p. 150; De Votta, 2004, p. 152; Rogers, 1987, p. 597). By accommodating these demands, the Sinhalese UNP political entrepreneurs were effectively institutionalising the zero-sum nature that is inherently necessary for any violent ethnic conflict. As such, the July 1983 riots led to the onset of violent ethnic conflict.

**Evidence on Malaysia**

During British rule all Malaysian political developments were occurring in an economic environment of high economic liberalisation. Much like the other British colonies, by the early 1920s, the Malaysian economy was operating as the model liberal economy. Its market-based economy was characterised
by minimal state intervention, high trade openness and integration in the international economy, secure property rights, and high levels of foreign direct investment. In addition to its specialisation in tea cultivation, the commercialisation and private, and for the most part European, ownership of the agricultural sector had expanded into the rubber and coconut product areas and a proto-manufacturing sector, based on labour-intensive production, was emerging in Kuala Lumpur (Drabble, 2000).

The upshot of this high level of economic liberalisation was that class mattered more than ethnicity because it was class, through its effect in terms of occupational segmentation and asset ownership, which determined economic well-being and political preferences (Maznah, 2005). Accordingly, political mobilisation occurred through the use of class. Unlike ethnicity, class was intimately connected to issues of income distribution and could, and indeed did, serve as a powerful conduit for the creation of inter-ethnic political coalitions that focused on economic issues.

Moreover, the minimal state that the British maintained throughout this period meant that the incipient Malaysian political entrepreneurs did not have a lot of selective incentives to allocate even when they were elected. As such, they could not utilise control over any aspect of state policy-making to generate collective action drives. Control over the state did not become important because it did not affect the economic prospects of the vast majority of the Malaysian voters. Consequently, the rise of consociational agreements became viable because inter-ethnic political coalitions became viable because of a high level of economic liberalisation. While the emergence of consociationalism in the 1940s and 1950s meant that the British had managed to politicise ethnicity in Malaysia, they had done so in a way that precluded its radicalisation because it operated along class rather than replacing class as it had done in Sri Lanka (Milne, 1974, p. 891).

The post-colonial state in Malaysia, much like other newly independent developing countries, began its rule in 1957 with an increased budget and an increasing scope in terms of policy-making (Drabble, 2000, pp. 161–176). By increasing the forms and the scope of state intervention in the national economy, the newly independent Malaysian state was slowly but surely endowing the colonial state with selective incentives. Responding to the incentives of multi-party competition, Malaysian ethnic political entrepreneurs adapted their behaviour. They utilised their electoral success to allocate resources to their supporters, thus constructing bases of electoral support. They used the increased expenditures to implement discrete economic policies that increased the incomes of their voters (Beaglehole, 1969; Ness, 1967). They used the expansion of the welfare state to increase the upward mobility of their supporters while enhancing their ability to withstand competitive pressures from left-wing political challenges. For the
first time since its establishment, capturing the Malaysian state was becoming an electorally powerful proposition.

However, by maintaining Malaysia at a high level of economic liberalisation until 1969, the Malaysian political entrepreneurs were defanging the politicisation of ethnicity. The high degree of competition in the Malaysian party system required the emergence of a sharing rule that could concentrate the allocation of selective incentives while differentiating among supporters and opponents. It was only then that both Malay and Chinese political entrepreneurs sought to actively use ethnicity as a political variable (Guan, 2000, p. 16). Moreover, and consistent with my argument, it was only under conditions of medium economic liberalisation, that both sets of ethnic political entrepreneurs could successfully engage in the politicisation of ethnicity: the Malay political entrepreneurs did so because they could deliver selective incentives to their supporters because they could control the legislative process since they had the majority (Means, 1972, p. 47), and the Chinese political entrepreneurs could do so because they could credibly promise increased allocation of selective incentives only by leading a successful ethnic mobilisation drive (Heng, 1988, pp. 64–65; Jesudason, 1997, pp. 122–123). Indeed, it was at medium levels of economic liberalisation that ethnicity with its rigid boundaries could render collective action along ethnic lines viable and self-sustainable because the winners could use their control over the state to reward their supporters, who were identified by their ethnicity, with material resources.

Yet, the dominant ethnic political entrepreneurs realised that by maintaining the level of economic liberalisation at a high level, they could prevent their intra-ethnic rivals from outbidding them. Since it was increasingly becoming apparent to both ethnic group members and ethnic political entrepreneurs that ethnic collective action is not only a top-down, one-way street, but it is a dynamic and interactive process of leaders and followers which requires the constant provision of selective incentive if it is to remain viable. Given the presence of multiple intra-ethnic political entrepreneurs, the emergence of elite-level intra-ethnic bidding wars was unavoidable. Intra-ethnic bidding wars not only increased ethnic group members’ demands for the increased allocation of selective incentives, but also cemented the politicisation of ethnicity. Consistent with my theory, these intra-ethnic bidding wars led the Malaysian political entrepreneurs to cement ethnic group boundaries. By establishing clear, short-term boundaries between in- and out-groups, ethnicity could serve as a more optimal basis for mass mobilisation. After that point, the numerous ethnic political parties in post-colonial Malaysia became solidly institutionalised.

While the end of British rule had bequeathed Malaysia an ethnic division of labour and a politicised ethnicity, the initial post-colonial period was
institutionalising the ethnic political parties. The ethnic division of labour meant that the Chinese would remain focused on any changes in the institutional setting of the economy and the Malays would demand increased protection from the state in the case of downward turns in the international commodity markets. The politicisation of ethnicity meant that any form of distributive conflict as the result of any changes in the level of economic liberalisation could empower political entrepreneurs to use ethnicity as the basis of political mobilisation. As long as the economy stayed at a high level of economic liberalisation, preventing the ethnicisation of the economy, both Chinese and Malay ethnic collective action would remain marginal.

However, when the United Malays National Organization (UMNO) government of the 1960–1966 period attempted to maintain a high level of economic liberalisation, by reducing state intervention in the form of food subsidies and land settlement projects, it stopped short in terms of implementation (Khoo, 2004, p. 19). This lack of policy implementation enabled intra-ethnic competition at the political entrepreneur level between 1966 and 1968 (Jomo, 1990, p. 470). By promising a medium level of economic liberalisation, whereby the Malaysian state would allocate a significant level of selective incentives, the Malays could overcome the free rider problem in Malay ethnic mobilisation. The upshot of this development was the use of the state for the allocation of resources and the reduction of the level of economic liberalisation from high to medium in the form of the New Economic Policy (NEP) set of policies in 1969.4

By using the NEP policies, the Malay political entrepreneurs demonstrated how ethnicity could serve as the sharing rule behind the allocation of these selective incentives. By engaging in these policies, they strengthened the use of the state for the concentrated allocation of selective incentives upon the Malaysian majority. Not only did they prevent the emergence of intra-Malay bidding wars, but they also embedded the politicisation of ethnicity within the post-colonial Malaysian political economy. More importantly, they highlighted the increasing role that Malay critical masses had begun to play in the formulation of economic policy because these critical masses demanded an interventionist state that could be used to allocate material resources and determine one’s chances for upward economic mobility.

The Malaysian Chinese Association (MCA), which had become the dominant ethnic party for the Chinese minority, response to the NEP policies focused both on the disproportionate emphasis placed upon the elevation of Malay interests and the potential for corrupt administrative discretion in the implementation of policies. In terms of the former aspect of the NEP policies, the Chinese political entrepreneurs stressed the need of their ethnic constituents to address their concerns to the MCA politicians who served as Ministers in the BN (Barisan Nasional, National Front) government or to the MCA MPs (Milne, 1976, p. 251). The MCA response followed the pattern of ethnic
political entrepreneurship closely. The Chinese political entrepreneurs, cognisant of the ability of their Malay counterparts to direct resources and concentrate selective incentives upon their respective ethnic constituents, were clear to their own ethnic supporters that any form of representation and allocation would have to occur through them. In effect, the MCA became in politics what Chinese entrepreneurs had been for generations in Malaysian business: a necessary interest intermediary.

Yet, these contours of the Malaysian polity and economy enabled the level of economic liberalisation to be decisive in determining whether the colonial era’s ethnic division of labour and the politicisation of ethnicity could determine post-colonial ethnic political mobilisation. At a high level of economic liberalisation, continued efforts to use ethnicity as the basis of political mobilisation would prove to have the same limited success that they did in the colonial era. At a low level of economic liberalisation, minority group political entrepreneurs would face insurmountable obstacles in generating collective action among their members. At medium levels of economic liberalisation, where control over the state would be important because of its size and scope, the use of an already politicised ethnicity within the context of an ethnic division of labour would enable ethnic political mobilisation across ethnic groups.

Hence, in the late 1970s, Malaysia was extremely similar to Sri Lanka in the early 1980s. A dominant ethnic majority was utilising a national economy at a medium level of economic liberalisation to reward ethnic party members with selective incentives while placing the costs of such selective incentives upon the ethnic minority. Moreover, ethnic party leaders, confronted with increasingly competitive intra-ethnic and intra-party competitors who were engaging in bidding wars for the support of the ethnic party members, had to come up with ways to allocate even more selective incentives to their ethnic followers in order to stay in power. Last, but not least, these ethnic party members had become particularly effective critical masses.

Unlike the Sinhalese leaders in Sri Lanka, Prime Minister Mahathir Mohamad actively sought to minimise the chances for increased inter-ethnic tension in a two-pronged manner: Mahathir increased the level of economic liberalisation from medium to high (Jomo, 1990, pp. 158–159, 2004, p. 13; Phang, 2000, p. 116; Snodgrass, 1995, p. 15) and he aggressively reduced the mobilisation resources of all political parties, with the exception of the UMNO (Gomez & Jomo, 1997, p. 180, 1990, p. 226; Means, 1991, pp. 297–298).

These two policies had a significant impact on the potential for ethnic mobilisation. When Chinese political entrepreneurs attempted to mobilise their ethnic group, they quickly found out that the amount of existing mobilisational resources was insufficiently low. Moreover, this intentional and wide-ranging reduction of Chinese mobilisational resources made the
coordination of Chinese ethnic mobilisation drives operationally infeasible (Guan, 2000, p. 10). More importantly, the increase in the overall level of economic liberalisation meant that the Chinese, who had historically been occupationally segmented within the foreign trade-orientated occupational sectors, could pursue avenues for upward economic mobility without reliance upon the domestic political economy (Heng, 1997, p. 289). In essence, Mahathir’s decision for increased economic liberalisation, from a medium to a high level, did not end the continued use of certain aspects of the state for the Malay affirmative action policies, but it ended the ethnicisation of the market economy.

Conclusion

These two cases present four important conclusions on the causal relationship between changes in the level of economic liberalisation and the onset of ethnic conflict. Mobilisational resources matter especially when there are multiple political actors competing for the support of an ethnic group. Changes in the level of economic liberalisation are important because they illustrate the extent to which the state can control, through non-market mechanisms, the upward mobility and income-earning potential of individual ethnic group members. Intra-group bidding wars among competing co-ethnic political entrepreneurs increase the chances for inter-ethnic group tensions. The role of the critical mass of supporters cannot be overemphasised in generating an insistence upon the continuation of medium-level economic liberalisation even in the face of counter-mobilisation.

In essence, without an array of available and existing level of mobilisational resources, ethnic mobilisation is nearly impossible to achieve. Based on my case studies, mobilisational resources incorporated dense social networks of politically inclined, literate and educated activists who had already engaged in a number of collective action drives; a variety of professional associations that represented their members’ interests through public action; a series of established communication networks (newspapers, pamphlets, and cultural associations) who were very experienced in the diffusion of information and political agendas; well-organised political parties with a strong network of activist members and a territorial diffusion of branches; and last, but not least, existing networks of organised religions. These mobilisational resources proved to be instrumental in enabling and sustaining the ethnic mobilisation drives. Mobilisational resources mattered especially when there were multiple political actors competing for the support of an ethnic group. The political entrepreneurs with access to them were able to defeat intra-ethnic rivals who did not have access to them. They also mattered when dominant ethnic groups attempted to impose their policies on the minority ethnic groups: the
ethnic groups with mobilisational resources were able to engage in ethnic collective action, while the ones without them could not, even when they were faced with the same set of distributional consequences.

In terms of resource allocation and the ethnicisation of the economy, I have shown that ethnic group members did not decide upon joining ethnic mobilisation drives that their political entrepreneurs offered them because of primordial hatred for the other ethnic groups. They joined them because the changes in the level of economic liberalisation reflected the degree of ethnicisation of the national economy. At a high level of economic liberalisation, the national economy remained a competitive market-based economy where impersonal market conditions determined income levels and the potential for upward economic mobility. At a low level of economic liberalisation, the national economy had been so thoroughly taken over by the dominant ethnic group that it meant that any minority ethnic group attempt at mobilisation could be easily supplanted by the allocation of selective incentives by the dominant ethnic group via the state that it controlled. When the level of economic liberalisation was reduced to a medium one, then non-market factors, which reflected the greater political power of the ethnic group which had captured the state, determined both income levels and the potential for upward economic mobility. It was at these levels that the minority group ethnic political entrepreneurs could make credible claims to their potential supporters about the benefits of ethnic collective action. Additionally, it was these levels that the dominant ethnic group could continue supporting their own ethnic political entrepreneurs and engage in an ethnic mobilisation drive that would concentrate the benefits upon them and the costs on the other ethnic groups.

The critical mass of activists matters. They render collective action feasible once they decide to tie their upward economic mobility to the success of ethnic mobilisation drive. The ethnic group members who formed the critical mass of these ethnic mobilisation drives demanded economic policies that kept economic liberalisation at a medium level. It was at this level of economic liberalisation that the state controlled a sufficiently significant level of selective incentives to allocate: land grants, preferential regulatory rights, capital sources for entrepreneurial projects, public-sector employment at above-market salary levels and access to subsidies. In effect, all the resources that made control over the multi-ethnic state such a bountiful target for control and enabled competing ethnic mobilisation drives. For the critical mass of supporters this realisation was important because it made them indispensable to their ethnic leaders and as such guaranteed their upward economic mobility.

Intra-ethnic rivalries were constant. In all the cases where inter-ethnic peace failed, the lack of intra-ethnic cohesion and hierarchy was present. Given that ethnic political entrepreneurs based their success in generating ethnic mobilisation drives on their ability to procure and distribute selective incentives and
given the importance that the critical mass activists play in sustaining and coordinating ethnic mobilisation drives, then it came to as no surprise that rival, intra-ethnic political entrepreneurs could only become successful by engaging in bidding wars. These bidding wars increased the rigidity of decision-making, accelerated inter-ethnic tensions, rendered economic policy-making a zero-sum process and increased the potential for ethnic conflict. More importantly, they were endemic and periodic in both dominant and minority ethnic groups. In each case, they presented ethnic group members with more of what was deemed essential and in each case they succeeded on their ability to generate credible promises. Nonetheless, they persisted because of the powerful demonstration effects of the successful cases.

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Notes
2. By medium levels of economic liberalisation I mean the existence of a market-based economy, but with a significant and interventionist state, capable and committed to the selective allocation of the costs and benefits of any changes in economic policy-making.
3. S.W.R.D. Bandaranaike was succeeded at the helm of the SLFP by his wife after his assassination in 1959 by a Buddhist monk. This assassination amply demonstrated that once mobilised and rewarded, especially since Bandaranaike had intentionally reduced Sri Lanka’s level of economic liberalisation to allocate selective incentives, ethnic critical masses had to be satisfied in their demands for the selective incentives.
4. NEP revolved around three interrelated aims: (i) the redistribution of corporate asset ownership in favour of the bumiputera (ethnic Malays) with the goal of increasing their share from 2% to 30%, with the ethnic minorities declining marginally from 35% to 30% and foreign ownership declining from 63% to 40%, (ii) the intentional elimination of a link between ethnicity and occupational segmentation aiming for increased representation of the bumiputera to reflect their national-level population distribution of approximately 55%, and (iii) the reduction and eradication of poverty, irrespective of ethnicity.

References


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