

Conflict and Concealment: How Inequality Drives Elite Misrepresentation and Social Unrest.

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Abstract:

We analyze a model of conflict in a world inhabited by three types of agents: a poor minority, a poor majority and an elite. A section of the minority and the majority may participate in an insurgency to overthrow the status quo. The ruler determines that tax rate and determines how much resources to apportion to defeat the insurgency and the rest goes to providing a public good and/or discounting its value. The minority, majority and the elite have an initial endowment. In this context we investigate conditions under which the elites choose to misrepresent (truthfully represent) the information about the value of the public good and how the probability of its occurrence is tied to the level of inequality. Finally, we establish how rising inequality affects the probability of misrepresentation and thereby affects the probability of conflict.