"BIRTHPLACE DIVERSITY AND ECONOMIC PROSPERITY"

Joint with:

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Abstract:

The diversity of people has economic costs and benefits. Using recent immigration data from 195 countries, we propose an index of diversity based on people’s birthplaces. This new index is decomposed in a “size” (share of foreign born) and a variety (diversity of immigrants) component and is available for 1990 and 2000 and for the overall as well as for the high (workers with college education) and low-skill fractions of the workforce. We show that birthplace diversity is largely uncorrelated with ethnic and linguistic fractionalization and that—unlike fractionalization—it is positively related to economic development even after controlling for education, institutions, ethnic and linguistic fractionalization, trade openness, geography, market size and origin-effects. This positive association appears particularly strong for the diversity of skilled immigrants in richer countries. We make progress towards addressing endogeneity by specifying a gravity model to predict the diversity of immigration based on exogenous bilateral variables. The results are robust across various OLS and 2SLS specifications.