The Relationship between Ethnic Diversity & Development: A Diversity Dividend?

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EXECUTIVE SUMMARY

This paper explores evidence supporting a diversity dividend. The dividend hypothesises a positive association between ethnic diversity and development. Thus, it challenges research that has led to the received wisdom that ethnic diversity is detrimental to development. Evidence for the dividend was uncovered through a systematic literature search and query of experts in relevant fields. The topic was also explored through country and city level case studies chosen in collaboration with the UK Department of International Development (DFID). Although the findings show neither definitive trends or easily transferable policy implications, some consistent themes emerge:

Recent cross-national studies have directly challenged the idea that diversity is detrimental to development. However, most have only found evidence for a dividend under specific conditions. These tend to be situations in which people have the means to communicate across ethnic divides, democratic institutions channel differences into discussions and political compromises, and where citizens are confident that states will act impartially. The dividends these studies uncover are also often identified over the long-run, and in places where ethnic groups have had time to mix and craft institutions that promote cooperation. For this reason, studies accord the state a primary role in alleviating ethnic diversity's potential detrimental effects. Many of the studies examined in this review also argue that diversity will pose an obstacle to development in the short-run, especially following episodes of mass migration, and that it must be skilfully 'managed' to realise or harness a dividend.

Studies located at the sub-national level, that use regions, political administrations, and ethnic 'homelands' as their units of analysis, provide better evidence for a diversity dividend. They begin from the premise that much of social life is located at these levels, where ethnic groups interact. They also benefit from more available data, they are more able to account for potentially conflating contextual variables and they often support their findings with historical detail. This allows them to propose nuanced explanatory mechanisms for their reported results. Accordingly, they have shown how diversity can incentivise politicians to provide public goods, how long-run contact between ethnic groups can support the crafting of shared institutions and how it can lead to informal everyday interactions that contribute to overall levels of trust in society. Nonetheless, many also call for new datasets and innovative methods with which to further test their results, whilst cautioning that little can currently be said about how to cultivate a dividend with certainty.

It has been asserted that due to their ability to act as cultural 'melting pots,' cities are the most appropriate 'unit of analysis' when considering a diversity dividend. Studies of cities, particularly of those in Europe receiving migrants, tend to concentrate on the gains in wages and growth, and how levels of societal trust can rise when ethnic groups mix. Accordingly, they stress the importance of avoiding spatial and everyday segregations. Some of the reviewed studies also explore how economic competition between groups can have overall developmental results. Nonetheless, they often find that poorer neighbourhoods in diverse cities can be left behind, raising important questions about the distribution of diversity dividends.

Other explorations of this topic have focused on the gains in productivity and innovation enjoyed by firms that employ a diverse workforce. Here the focus is on knowledge spill-overs and collaborations and competitions that result from 'cognitive diversity'. This includes a stream of literature that posits incoming ethnic groups and minorities as more entrepreneurial and less risk adverse, thereby, leading to gains for those that employ them. As with much of the wider literature however, the

ability to communicate across ethnic divides is considered key to the reported dividends. This strongly points to the role of educational and social policies that equip groups to cooperate.

The case studies considered in this report provide long-run perspectives on how Singapore, Mauritius and London have experienced ethnic diversity. Although they provide insights into the factors and mechanisms that have shaped diversity dividends in each location, they also demonstrate why it is hard to ascertain whether an inclusive dividend can be engineered or merely managed. This problem is exemplified by Singapore which has sought to address post-independence ethnic tensions by fostering a national identity closely tied to its developmental ambitions. It has been remarkably successful, reporting impressive growth figures and, for the most part, evidencing a sense of community that transcends citizens' ethnicities. However, it is impossible to discern whether one would have occurred without the other. There is also emerging evidence that inequalities have been papered over by its semi-authoritarian state.

Similar problems arise in the other studies, with an ethnically diverse Mauritius having benefited from the unique combination of timed waves of historical migration and an unusually indirect form of British colonial rule. Whilst the evidence for a 'dividend' in London, shows clear benefits accruing against the back-drop of growing questions over their distribution. The case studies, therefore, imply that policies aimed at harnessing an inclusive diversity dividend must account for both the contextually specific challenges facing each society and address who gets what.

Although the report is ultimately inconclusive, it suggests that researchers are awakening to the possibility that a diversity dividend exists and that it could be as normal as the older idea of a diversity debit. Indeed, a growing body of research is coalescing around the idea that dividends must be identified through innovative and contextually specific measures, and that historical investigations should be used to identify underlying mechanisms that may provide lessons for policy makers.

Main Findings

- An increasing number of authors argue that a diversity debit is far from universal. Attention must, therefore, be paid to where and under what conditions different associations between diversity and development arise.

- Diversity dividends are best explored at the sub-national level, in regions, administrative areas, cities, neighbourhoods and firms. This is because when ethnic interactions take place within these units of analysis, they avoid the problems of the artificiality of national borders and it is easier to control for potentially conflating variables.

- Much of the evidence for a diversity dividend is found within studies exploring debits. However, dividends are often identified over the long-run when changes in societies' ethnic compositions and developmental outcomes can be seen against other conditions.

- Findings suggest that there may be a 'diversity paradox', with initial increases in diversity leading to unwanted affects and dividends arising as groups mix over generations. This implies a trade-off for countries looking to manage their own diversity or to benefit from global migrations.

- More data is available for understanding how diversity affects development in developed countries. However, innovative methods are being tested to better measure diversity and uncover evidence of development in developing nations.

- Diversity dividends, like all developmental outcomes, are often unevenly distributed. Studies are only beginning to uncover who benefits from them in different contexts and who remains locked out. This is particularly pressing in global cities that rely on immigration to fuel their economic models.

Policy Implications

- The state has a primary role to play in managing diversity through inclusive policies. They include encouraging cross-ethnic communication through shared languages, fostering ethnic mixing through urban planning, participation in civic life and inclusive political institutions. The promotion of a common national identity has also been important in some countries.

- Development organisations may wish to help states through technical assistance to promote a sense of political, ideological and associational security for all groups. However, programmes and advocacy efforts are likely to be interpreted as highly political and potentially illegitimate.

- Furthermore, there is little evidence that such policies can foster a dividend in the short-run. Rather, the emphasis in the literature appears to be on 'managing' diversity with the hope that its interactions with other factors may lead to a dividend in the future.

- Countries that are thought to have managed diversity well have often also benefited from unique conditions. They include unusual colonial institutional legacies, historical patterns of immigration, remarkable growth trajectories and semi-authoritarianism. They, therefore, offer few easy or desirable lessons for policymakers and donors.

- Case studies allow investigations of dividends to account for countries' unique experiences of diversity and for researchers to identify mechanisms that may underpin dividends. More are needed to help build a body of knowledge that may usefully inform policy.

Contents

PART 1: REVIEW OF AN EMERGING IDEA

The emerging idea of a diversity dividend has largely arisen by accident. Indeed, it often appears within studies exploring the proposition that ethnic diversity is detrimental to development. Unlike the idea of a diversity debit, therefore, it has no foundational texts to which researchers respond or core theories that they can subject to rigorous tests. This means that many are adopting innovative methods to investigate it across and within a wide range of contexts. It also means that the types of dividends, diversity may lead to and the mechanisms that may underpin them, remain largely unknown. Nonetheless, the idea holds out the enticing prospect that co-inhabiting or competing ethnic groups may not be the universal public ill that they have often been portrayed as. Furthermore, under certain conditions, diversity may even be harnessed to contribute to development. This is important for regions that are still dealing with colonial legacies and, increasingly, those within which, people are on the move.

This exploratory paper examines the extent of the evidence supporting the dividend hypothesis that postulates a positive association between ethnic diversity and development. Specifically, it asks:

- What are the pathways through which ethnic diversity leads to development?
- What is the relationship of class, caste and gender within ethnic communities and their bearing on development?
- What are the developmental effects of ethnic diversity in different regions of the world?
- What policy implications arise from the literature evidencing a diversity dividend?[1]

To answer these questions a systematic literature search and expert query was conducted to uncover research evidencing a diversity dividend. This was complemented with country and city level case studies chosen by the UK's Department of International Development (DFID) to explore how diversity has been managed and, potentially, contributed to development. Although the findings are largely inconclusive, showing neither definitive trends nor easily transferable policy implications, there are some emerging themes at different levels of analysis. They suggest that researchers are awakening to the possibility that a diversity dividend exists and that it may be as normal as a debit. Indeed, a growing body of research is coalescing around the idea that it must be investigated through nuanced measures and historically grounded investigations.

The remainder of this paper proceeds as follows: The next section details the methodology used for the literature searches and comments upon its limitations. Following this, the uncovered sources are described in a narrative that begins with the older idea of a diversity debit and then focusses on the emerging evidence for a dividend. This evidence is presented at different levels of analysis, moving from cross-national studies down through to those that have examined sub-national regions, cities, neighbourhoods and lastly firms. At the end of each sub-section, policy implications are drawn out. The paper then moves onto three case studies of the experiences of Singapore, Mauritius and London. From each, policy recommendations are derived and the risks of pursuing them commented upon. The paper concludes by summarising its findings and suggesting avenues for future research.

[1] Research questions developed by the UK Department for International Development's South Asia Research Hub.

Methodology

This section provides an overview of the methodology. Systematic literature reviews synthesise the existing evidence on a particular topic, issue or question, using transparent methods to give the best possible generalisable statements about what is known (Waddington et al., 2012). They are particularly useful for understanding the 'state of the art' in emerging areas and are used to account for both quantitative and qualitative evidence. Although they have long been used in the natural sciences, particularly medicine, they are still relatively new in development studies and practice, though they have previously been used to support DFID-funded research programmes.[2]

A modified version of this methodology, that allowed literature to be solicited from both online sources and experts, was selected. Following best practice, regular points for feedback, adjustment and review of the emerging evidence were integrated across all phases (Mallett et al., 2012; Snilstveit, 2012; Hagen-zanker and Mallett, 2013). The method was undertaken in three phases:

The purpose of the first phase was to gather a wide range of resources relevant to the research questions. It involved a search of the available online academic and institutional databases for sources published in peer-reviewed journals and 'grey' literature.[3] Search strings of key words were developed for each research question. For example, the primary research question was simplified to "diversity dividend", "ethnic heterogeneity" and "development". For each of these phrases and words, synonyms were then identified, such as "tribal diversity", "linguistic diversity", "racial diversity", "religious diversity", "caste diversity" and "cultural diversity" for "ethnic heterogeneity". From these synonyms, tables were constructed to guide our searches.[4]

Using Boolean logic, queries for each research question were run in thirteen databases identified as potential repositories for relevant evidence:

Web of Science/Knowledge	3ie's database
The British Library of Development Studies	IDEAS/Repec
EBSCO	Google Scholar
Scopus	Worldcat
Copac	The World Bank's documents repository
IBSS	The OECD's Library
The GSRDC	

Carrying out this process for each research question, ensured all possible elements related to the research objective were obtained through the searches. For example, the search string for the second sub-question contains terms aimed at uncovering evidence with a regional focus. In cases where long Boolean search strings were not accepted by the databases, queries were simplified. Where possible, all returned answers were sorted for 'relevance' using the databases' in-house

[2] See example of work funded by DFID through the Justice and Security Research Programme such as Luckham and Kirk (2012)
[3] Here, grey literature refers to non-peer review reports and studies by think tanks, non-governmental organisations and international institutions.
[4] Appendix 1

criteria.[5] The returned texts were also reduced to evidence published after 1970 and to those that were available online (both open source and those behind paywalls). This gathered a total of 720,155 potential sources across all the successful queries. 604,879 of these were due to the breadth of the primary research question.

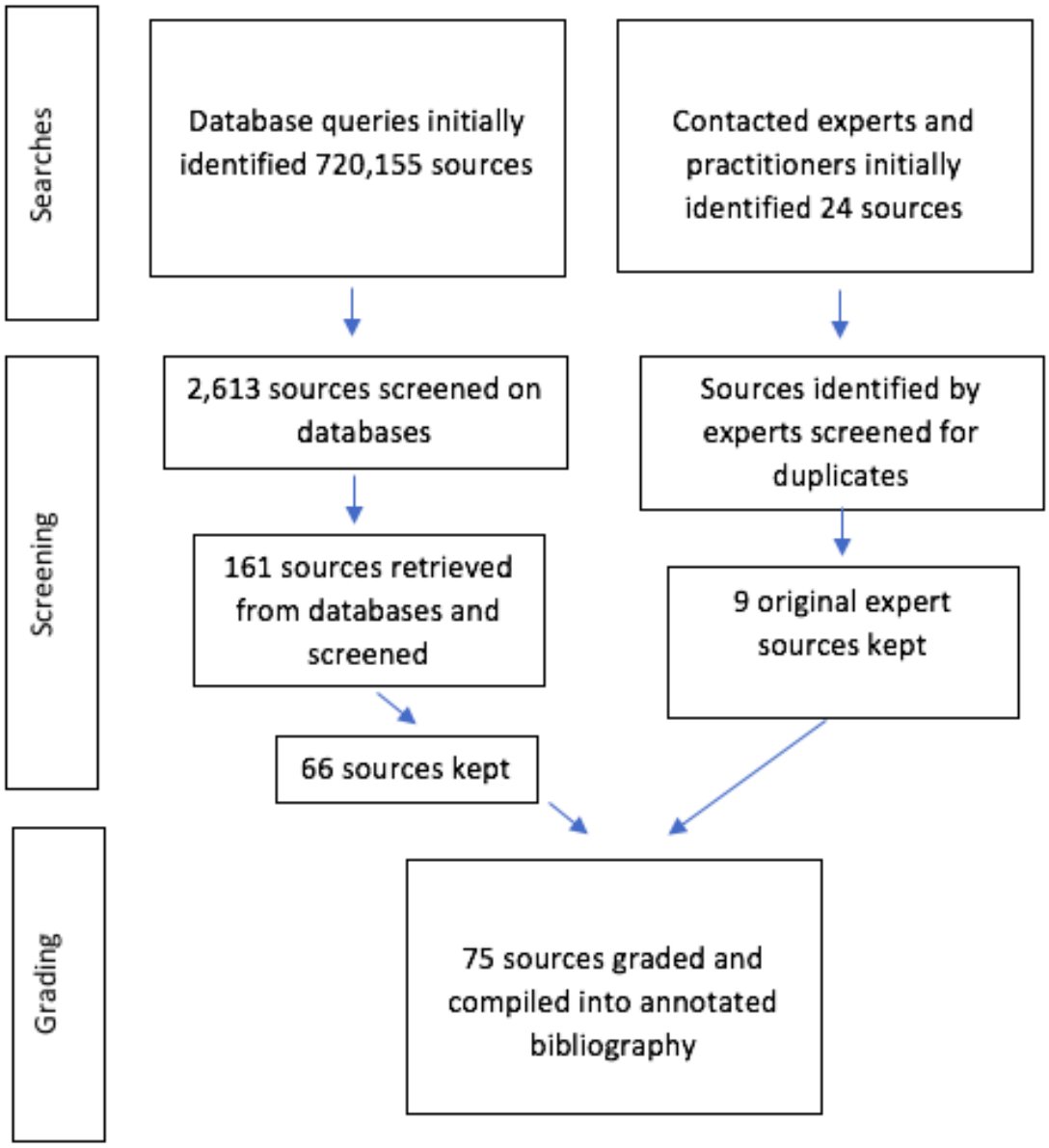
As this process often returned tens of thousands of potential sources for a single query, the researchers then screened the titles and abstracts of the first 100 returned sources from each database for relevance to the research questions. This approach is standard practice when time or budgetary constraints do not allow for all returned sources to be screened (Waddington et al., 2012; Hagen-zanker and Mallett, 2013).[6] The goal is to screen the one hundredth returned source as thoroughly as the first, rather than to screen all of the returned sources poorly.

Following the screening of 2,613 sources, 161 texts were retrieved from the databases. Duplicates, those providing theoretical or contextual background, and those suggesting a negative relationship between diversity and development were then filed separately following a second more in-depth screening that included reading past the titles and abstracts. This left the researchers with 66 texts.

The second phase of the methodology aimed to gather any essential sources that may have been missed though the systematic search in phase one. To do so, recommendations for sources relevant to the primary research question were solicited from 52 academic and practitioner experts.[7] This was considered essential as the diversity dividend is a relatively new and emerging hypothesis, especially in comparison to the research which has been conducted on the negative consequences of ethnic heterogeneity. Overall, 16 experts responded by providing a total of 24 sources between them. A few experts responded that they were not aware of any credible evidence related to the diversity dividend or that they were broadly skeptical of the hypothesis. Following the removal of those already uncovered in previous phases, this supplemented the existing body of evidence with a further nine sources. A total of 75 sources have been graded and used for the annotated bibliography developed for this research project.

[5] Upon enquiring within two leading British universities, the researchers learnt that the criteria used for such 'relevance' filters are generally not revealed as they are part of the databases' unique selling points.
[6] For an example in development studies see Luckham and Kirk (2012) and in education, Godin et al (2015).
[7] Experts contacted were affiliated with the following institutions: Institute of Development Studies (IDS), the London School of Economics and Political Science (LSE), American University, the World Bank, Harvard University. Representatives from various South Asian institutes, such as the Observer Research Foundation, Kathmandu University and the Lahore University of Management Sciences were also contacted.

Figure 1: Flow chart of search methodology



The third phase of the methodology consisted of grading the returned evidence for its relevance and rigour and it was analysed for theoretical and policy insights. To facilitate this, a standard grading template was devised to guide the researchers' assessment of the evidence.[8] It asks a series of questions of each source, including its methodology, key themes, conclusions and policy recommendations. This exercise was undertaken to inform both the review's wider narrative and the construction of an annotated bibliography.[9] It allowed the research teams to gain a handle on the primary themes and conclusions within the returned literature before putting pens to paper. Quantitative scores were given to each source. However, these scores must be understood to be necessarily subjective and useful as a sorting mechanism for in-depth study, rather than as a ranking

[8] Appendix 2
[9] Appendix 3

system of the sources' standalone quality or relevance. The annotated bibliography uses the policy insights, identified mechanism of diversity dividend and generalised summary from each of the graded paper tables.

The contents of this annotated bibliography were collected following the aforementioned systematic search and evidence grading approach. Overall 75 sources are included in Appendix 3. These sources were selected through the systematic literature review designed to answer the above research questions related to the 'diversity dividend'. All sources from the literature review are included in this bibliography. For each source, it presents the following information alongside a summary of the source's purpose and key findings:

Full citation

Country Examples	This refers to the main countries which the source uses in its research. In many cases this is multiple countries.
Forms of Diversity discussed:	ethnic, linguistic, religious, etc
Policy Insights:	Examples of any policy recommendations or recommendations for future studies made in the paper.
Diversity Dividend Mechanism:	Details of the mechanism which the paper suggests for why the diversity dividend occurs in the context.

Entries in the bibliography also reference if a source has been graded 'A'. As part of the grading of the papers for the literature review, sources were given a grade of A, B or C depending on their overall quality and their 'usefulness' for answering the questions around the diversity dividend. Overall, 20 sources received grade A.

Drafts of the methodology and the Annotated Bibliography were shared by the researchers with DFID SARH along with a shortlist of suggested case studies. In discussion between DFID SARH and the researchers, Mauritius, London and Singapore were selected on the basis of a) the evidence and literature available, b) their relevance to DFID's interests and c) their relevance as examples of the diversity dividend.

PART 2: EVIDENCE FOR A DIVERSITY DIVIDEND

The following narrative explores the literature uncovered by the systematic and expert led searches for evidence relating to a 'diversity dividend'. To support its findings, further sources gained from the bibliographies of these studies are also discussed. As the idea of a diversity dividend is relatively new, the narrative begins by exploring the evidence for the anti-thetical notion of a diversity debit.[10] This introduces many of the theories, themes and arguments that animate the wider literature. The narrative then focuses on evidence for the dividend, beginning with cross-national studies and gradually narrowing the unit of analysis through the sub-national level, onto cities, neighbourhoods and firms. Throughout, attention is paid to the different types of dividends that are claimed, the theories and mechanisms purported to account for them, and the given or implied policy recommendations. Boxes provide additional information on key concepts and debates within the literature. The narrative concludes with a short summary of the review's findings and policy implications. It ends with suggestions for future research.

Diversity Debits

This review understands the 'diversity dividend' as essentially the opposite of the 'diversity debit'; a proposition widely studied by economists, political scientists and sociologists. Indeed, as Banerjee et al. (2005) have declared, 'the notion that social divisions undermine economic progress, not just in extremis, as in the case of a civil war, but also in more normal times' is 'one of the most powerful hypotheses in political economy'.[11] In contrast, the emerging idea of a dividend suggests that diversity can be positively associated with developmental outcomes, from growth and better public goods provision to social cohesion and innovation, and that the mechanisms that underpin them are worth uncovering.

We begin our narrative by briefly exploring the evidence for the diversity debit as it introduces many of the theories, themes and arguments that animate the emerging dividend literature. It is also what much of it portrays itself as responding to, either by trying to improve on the methods used by studies that have reported a debit, or by examining new contexts and levels of analysis with different datasets and proposed underlying mechanisms. Lastly, it is also important to note that much of the evidence for a dividend is embedded within studies that are focussed on exploring the idea of a diversity debit.

Ethnic diversity is often portrayed as a significant barrier to economic growth and the provision of public goods. This is because it is theorised to add to the difficulty of exchanges, such as market transactions or political bargaining, and to the costs of collective actions that produce non-excludable goods, manage shared resources, and incentivise developmental policies. It is also theorised that it increases the ability of corrupt elites to misappropriate communal or state

[10] The first use of the term 'diversity dividend' uncovered by the review's searches was in Syrett and Sepulveda's (2011) study of urban development policies.

[11] Although beyond the scope of this review, there is a large intertwined body of literature investigating relationships between ethnic diversity and civil wars (Elbadawi and Sambinas, 2000; Fearon and Laitan, 2003; Collier and Hoeffler, 2004). It converges around the proposition that when societies go to war it is usually between groups defined by ethnicity, whilst also acknowledging that the grievances of the warring parties tend to be the same as those of non-ethnically defined groups (Blattman and Miguel, 2010; Denny and Walter, 2014)).

resources, and to avoid social or state-based sanctions that may hold them to account. In these ways, ethnic diversity erodes and prevents the kinds of norms, behaviours and cooperation needed to sustain developmental societal and state institutions. Much of the evidence for these claims has arisen from two bodies of literature explored in the following sections.

Growth and public goods provision in developing countries

The first body of debit literature builds on older political economy analyses which examined the causes, effects and coping strategies of states dealing with ethnic diversity in sub-Saharan Africa (Bates, 1983; Hameso, 1997; Berman, 1998). It came to the fore following Easterly and Levine's (1997) cross-national study of the long-run growth rates of African countries between 1960 and 1990. They provocatively claimed that moving from an ethnically homogenous country to one with a diversity of ethnic communities is associated with a decrease in annual growth rates of more than two percent. To explain this, they theorised that diversity leads to disagreements around public goods provision and the overvaluation of exchange rates set by the elites that stand to benefit. The results, they argued, are a series of long run African 'growth tragedies'.

In their study, Easterly and Levine measured diversity using an index that assesses the likelihood that two randomly selected people from a single country will be members of the same ethnic group. It has since been pointed out, however, that in their theoretical conclusions they effectively confused ethnic fractionalisation with ethnic polarisation (van Staveren and Pervaiz, 2017) (see Box 1). This meant that the debit literature largely began with an understanding of diversity that looks at the number of ethnic groups (fractionalisation), rather than how they actually perceive of one another, interact or are politically organised (polarisation). Indeed, following 'conflict theory', Easterly and Levine assumed that group members would favour interacting with their co-ethnics, compete with ethnic out-groups or feel threatened by their presence (see Box 2).

Box 1 – Ethnic fractionalisation and polarisation

Ethnic fractionalisation is usually operationalised as the numbers, sizes and geographical locations of distinct identity groups within a given unit or level of analysis, such as a state, region, city or neighbourhood. The specific features of groups may include languages, skin colour, religions, customs and traditions, shared histories, or, more recently, country of origin alone or in combination. However, as societies usually have more than one ethnic identity that is potentially relevant for developmental outcomes, the choice of which to measure is vital. Complicating this, societies' salient ethnic identities change over time, with some retracting or being erased altogether, and others emerging to become cleavages around which life orientates (Posner, 2004). In much of the earlier research covered in this review, the Ethnolinguistic Fractionalisation Index (ELF) was used as a key measurement indicator. This is an index of ethnolinguistic group shares which reproduces the probability that two randomly drawn individuals from the population belong to different groups.

To better account for the intersection of political economy dynamics and ethnic identities, *ethnic polarisation* was introduced with Reynal-Querol's (2002) Ethnolinguistic Polarisation Index (ELP). It measures the extent to which individuals in a population are distributed across different ethnic groups. Since then, polarisation has increasingly been used alongside or instead of ethnic

fractionalisation to capture societies in which an ethnic group dominates or within which two or more of roughly equal size face off against one another. Thus, it accords explanatory weight to societies within which one ethnic group makes up between 49 percent and 90 percent of the population or those that are close to a bipolar distribution of groups. However, as with fractionalisation, polarisation can occur along different salient divisions in different contexts, with religion and linguistics often investigated by the literature.

Box 2 - Conflict theory

Conflict theory suggests that cognitive biases affect ethnically diverse societies. To do so, it draws from a broad range of literature. Firstly, from social identity theory, it borrows the idea that in-group favouritism, termed homophily, arises from the psychological benefits of associating with those that are like ourselves (Bobo, 1988; Olzak, 1992). Secondly, it argues that associating amongst co-ethnics can lead to perceived and real ethnic competition, which has been used to help explain why groups struggle over control of limited resources or the spoils of modernisation (Bobo, 1988; Olzak, 1992). Lastly, Blalock's (1967) theory of 'racial threat' is often used by conflict theorists to suggest that majority groups will seek to use their numerical advantages to control minorities, often fermenting prejudices and propagating stereotypes to justify their actions.

Easterly and Levine's work inspired more nuanced investigations of the relationship between different types of diversity and economic development (Collier and Gunning, 1999; D. N. Posner, 2004; Montalvo and Reynal-Querol, 2005). Amongst them, Alesina et al's (2003) cross-national study that largely replicated Easterly and Levine's (1997), found a negative relationship between diversity and growth using a new dataset that included measures of ethnic, linguistic and religious fractionalisation, and one of polarisation. Yet, as with other cross-country regressions, they cautioned that ethnic diversity is also closely correlated with other national level variables, such as GDP per capita and countries' geographic location. This complicates simple conclusions that it is a primary driving force behind poor policy choices. From its beginnings, therefore, the diversity debit literature – which often adhered to conflict theory – also faced issues of potentially conflating variables and levels of analysis.

Partly to explore these issues, others began to look for evidence of different kinds of diversity debits at sub-national levels in developing countries. Much of this work focussed on public goods provision. For example, Miguel and Gugerty (2005) found that ethnic diversity in Kenya is associated with lower funding for, and worse facilities within, schools. They used data from meetings of school committees to show that those in ethnically diverse areas, impose fewer sanctions on non-contributing parents and suggested that this is due to the difficulty of acting across social divides. Habyarimana et al's (2007) experimental games in Uganda added weight to this claim. They found that co-ethnics within linked social networks are plausibly more able to ensure sharing and cooperative behaviour through the threat of sanctions than those within unlinked networks. Similarly, Karlan (2007) found that the ability of peers within a group lending scheme in Peru to sanction defaulters is dependent on shared social networks and cultural similarities.

These nuanced studies introduced a sub-national research focus that broadly suggested that alongside attitudes, the density of and interactions within and between social networks are important for explaining diversity debits. Although the phenomenon they trace has clear affinities

with much of the literature on corruption and patronage in Africa and elsewhere, within the diversity debit studies, it is often referred to as 'social control theory' (see Box 3).

Box 3 – Social control theory

Social control theory borrows from network theory to explain why ethnically diverse societies are less cohesive and, thereby, unable to cooperate, organise for better public goods provision or sanction badly performing leaders. The key idea is that the clustering of ethnic networks makes it difficult to enforce social sanctions, which often rely on interpersonal contact across networks (Axelrod, 1984). This can mean that societies polarise along networks lines, with poor or abusive leaders relatively unaccountable to those outside of their group. Some also use cultural theories to suggest that coordination problems associated with a lack of a shared language, meanings, and practices will further hinder the chances of cross-ethnic cooperation. Although these explanations are appealing alternatives to conflict theory that relies on cognitive biases, their application is generally limited to local levels, such as cities or neighbourhoods, and struggles to explain national level outcomes.

Social capital in developed countries

At the same time, a second body of literature was also arguing that diversity in developed countries – where relevant datasets are often more available – reduces cooperation and the prospects of collective action across ethnic networks (Alesina and La Ferrara, 2000, 2002; Costa and Kahn, 2003; Rice and Steele, 2001; Stolle et al., 2008). However, to do so, it often used the popular concept of 'social capital' (See box 4). This further shifted the focus from economic growth and public goods provision to the conditions necessary for developmental outcomes. Indeed, social capital gradually became the 'good' most commonly scrutinised by the diversity debit literature. Nonetheless, it was the concept's most famous proponent, Robert Putnam (2007), that would propel this literature into non-academic public and political discourses.

Box 4 – Social capital

In their seminal study *Making Democracy Work: Civic Traditions in Modern Italy*, Putnam and his colleagues (1993) suggested that social capital can explain Italy's bi-furcation into a civil and institutionally competent North, and an un-civil and institutionally incompetent South. They argued that in the former, 'weak ties (like acquaintanceship and shared membership in secondary associations)' and 'horizontal' patterns of organisation cut across social cleavages, leading to 'norms of reciprocity' and the stockpiling of 'generalised trust'.[12] This gave rise to mutually reinforcing, virtuous spirals of 'brave reciprocity' that were theorised to be the bedrock for the economic development and democratic governance, the region enjoyed. In the South, however, 'strong', 'vertical' 'interpersonal ties (like kinship and intimate friendship)' retarded local government, economic development and, ultimately, democracy. Thus, it was trapped in a 'vicious cycle', with

[12] The focus on horizontal ties, builds on the foundational work of Granovetter (1973) on the 'strength of weak ties'.

patron-client relations, corruption, greed, low-levels of civic and political participation, and a scepticism of democratic principles, the norm

Cultivated by associations within society, social capital was said to consist of the 'networks, norms and trust that facilitate action and cooperation for mutual benefit'. Stocks of social capital across Italy, and through time, were measured via attitudinal surveys, newspaper readership data, voting in referenda data, and the density of voluntary cultural associations and sports clubs. Thus, social capital can be understood to have both cognitive and organisational or structural components.

During the 1990s, social capital became the 'missing link' between societies, good governance, economic development and democracy (WB, 1997). The concept was particularly appealing to development organisations as its amenability to attitudinal surveys offered them 'a specific output that could be observed in civil society strengthening programmes' (Howell and Pearce, 2001). Furthermore, it borrowed from a language and set of ideas common to neo-classical economists and made a clear link to institutions, thereby, easing its reception amongst influential organisations such as the World Bank.

Putnam's (2007) article, *E pluribus unum* (out of the many, one), definitively connected social capital to the diversity debit literature. Moreover, it claimed that diversity – specifically racial diversity – did not just affect trust in ethnic out-groups, but also caused people to 'hunker down—that is, to pull in like a turtle'. Put another way, people faced with racial diversity also begin to distrust their co-ethnics and withdraw from social life. Putnam termed the negative effects on both in- and out-groups, 'constrict theory'. Picking up where Putnam left off, it has been argued that constrict theory may be interpreted as an extreme form of low ethnic network density in neighbourhoods with large immigrant populations. This may in turn, lead to low levels of social control, inducing feelings of dislocation, mistrust and anonymity within individuals (Schaeffer, 2013b).

Box 5 – Constrict theory

Constrict theory posits that in the short-run ethnic diversity can reduce both the quantity and the quality of interpersonal contacts. However, this reduction is not limited to contact between people from different ethnic groups (ethnic out-groups). It also includes contact between people in the same ethnic group (ethnic in-groups). People faced with diversity, therefore, withdraw from social life and isolate themselves.

Putnam and others have termed this inter-group contact bridging social capital, and intra-group contact bonding social capital. The former is often considered central for individuals to advance or 'get ahead'. Whilst the latter is exclusive and inward looking, making it central to groups and individuals that wish merely wish to 'get by'. Furthermore, bonding and bridging social capital are often assumed to be negatively co-related. Constrict theory, however, suggests that this is not necessarily the case and that both types of social capital may decrease when confronted by increased ethnic diversity.

Putnam (2007) argued that this effect may be overcome over the long-run as members of different ethnic groups interact in institutions such as schools, the military and in places of worship. This, he suggested, may lead them to gradually assimulate one another's cultural markers and take on

shared identities. He gave the 'Americanisation of St Patrick's Day, pizza and 'Jewish' humour', and the generational crafting of an American national identity that welcomes immigrants, as examples.

Putnam concedes, however, that fully explaining how this occurred would take another article. He also warns that America cannot be taken as a 'undiluted triumph'. In this respect, it is important to note that Putnam was writing before the election of Donald Trump to President on an anti-immigration and isolationist ticket. This suggests that progress made through inter-ethnic contact and the formation of shared identities can be quickly undone.

Using the Social Capital Community Benchmark Survey, Putnam examined this affect at the national level and across 41 very different (villages, towns, cities etc) communities in the United States of America (USA). The negative relationship held for a wide range of attitudinal and behavioural indicators of social capital: confidence in local political institutions, political efficacy, registration to vote, inclination to cooperative behaviour, and other indicators of volunteering and social interaction. Yet, it did not always appear for various forms of civic or political engagement, including interest in and knowledge about politics and participation in protest and social reform groups.

Putnam's study proved of interest to political commentators in the USA concerned with racial tensions and those in Europe focussed on immigration. It was especially popular amongst conservatives that propagated discourses around threats posed by cultural mixing and the need for policies – often termed multi-culturalism – that respect differences by effectively separating ethnic groups.[13] Newton (2007) described the challenge posed by Putnam's (2007) thesis as the 'new liberal dilemma'. In short, if ethnic diversity is somewhat unavoidable for states unwilling to force assimilation or shut down borders, yet it also erodes the norms and cooperative endeavours societies require to maintain liberal democratic institutions, what is to be done?

Diversity and social cohesion

In part to explore this question and in part to test Putnam's thesis, a raft of studies within and across developed countries followed. Many appeared to confirm constrict theory in alternative settings, such as at the regional and neighbourhood level, and using different measurements of ethnicity or immigration (Lancee and Dronkers, 2008; Stolle and Harell, 2012; Schaeffer, 2013a). However, reviews of the rapidly expanding literature have uncovered two important trends:

Firstly, authors are increasingly replacing the idea of social capital with investigations of 'social cohesion'. For many, the contemporary use of social capital ignores sociological arguments that its accumulation can maintain inequalities and cultivate anti-democratic or prejudiced norms (Bourdieu, 1986; Fine, 2001; Satyanath et al., 2012). To avoid this, social cohesion often includes both social capital's emphasis on the cognitive elements of generalised trust and societies' structural components such as associations, whilst also investigating people's actual behaviours and economic and political inequalities (Chan et al., 2006; Easterly et al., 2006). Nonetheless, like social capital, social cohesion is usually considered an intervening variable between diversity and developmental outcomes.

[13] Although beyond the scope of this study, in popular discourses, constrict theory has synergies with the idea of a clash of civilisations and the incompatibility of different cultures (Booth and Golooba-Mutebi, 2012; Kelsall, 2014)

Secondly, an increasing number of authors have begun to argue that the evidence for a diversity debit is far from universal. For instance, Portes and Vickstrom's (2011) review of the literature on immigration and social cohesion finds that: 'Instead of the strong, negative relationship between diversity and social cohesion, evident in Putnam's address, many studies find a relationship that is weak and contingent on various individual and contextual factors.' Similarly, in a review of the evidence that diversity and a lack of social cohesion reduces support for state welfare policies and spending on public goods, Stichnoth and Van der Straeten (2013) conclude that 'the evidence is mixed at best'. They suggest far more attention needs to be paid to where and under what conditions negative associations arise. Lastly, Meer and Tolsma's (2014) review of the literature finds that for every study that confirms an erosion of social cohesion due to ethnic diversity, another rejects it. However, they concede that most of the confirmatory evidence for the debit arises at the regional and neighbourhood levels.

Encompassing 172 studies and 480 findings, from both developed and developing countries, Schaeffer's (2013b) quantitative review provides further insights into the diversity debit literature. It examines the effects of diversity on both social cohesion and public goods provision, reasoning that they entail different explanatory mechanisms. It also focuses on individual findings as confirmatory and confuting evidence is often offered by single studies that use different measures of diversity at different levels of analysis. Overall, 60 percent of the studies and 56 percent of their findings confirm a diversity debit. However, within these, Schaeffer highlights three key trends:

Firstly, he dismisses the often-heard claim that developing countries disproportionally suffer from diversity debits. Instead, the review finds that only Australia, Canada and New Zealand (the historical immigration countries) have been less affected by diversity than developing countries. He argues, therefore, that the salience of ethnic boundaries in different contexts, such as race in the USA, seems to be the most important variable to capture. Secondly, he confirms others' findings that the number of studies evidencing a diversity debit increases as the level of analysis decreases. Thus, cross-national studies are unlikely to shed light on how diversity's negative effects often work through clustered networks, inequalities and social segregation. Lastly, his review finds that diversity appears to have the most negative effect on trust, a lesser but still large effect on civic and collective actions, and a marginally smaller effect on public good provision. He concludes that it highlights the importance of uncovering the contextually specific conditions under which diversity becomes a relevant category in daily life.

Before finishing, Schaeffer briefly points to newer studies that he believes hold promise. Amongst them, Schlueter and Davidov's (2013) research on Spain shows that perceptions of group-threat around immigration are related to negative newspaper coverage. This advances conflict theory by pushing it towards investigations of perceptions, rather than assuming biases or negative relations when ethnic groups encounter one another. Another study by Alesina and Zhuravskaya (2011) using World Bank indicators finds that countries in which ethnic groups are spatially segregated, have lower quality governments and policymaking, suggesting the importance of ethnic mixing. Whilst a lab experiment in India demonstrates that cross-cutting identities, such as shared religions or being from the same neighbourhood, can mitigate preferences for cooperating with fellow caste members (Bossuroy and Selway, 2011). To varying degrees, these studies all seek to understand people's actual lived perceptions and experiences, and they all focus upon interethnic interactions, thereby, referencing 'contact theory' (see Box 6).

Box 6 – Contact theory

Contact theory suggests that interactions between ethnic groups can reduce prejudices, foster mutual understandings, and increase the chances of deliberations over shared interests or problems (Pettigrew and Tropp, 2006). This occurs because contact replaces stereotypes with understandings of the heterogeneity that exists within as well as between ethnic groups. Contact theory, therefore, holds out the promise that diversity debits can be overcome in the long-run as people get to know one another. However, it gives rise to a 'diversity paradox' because increasing diversity both produces debits and increases the chances of the types of intergroup interactions required to positively change perceptions and form new identities (Stolle et al., 2008). As we shall see in the rest of this narrative, contact theory and this paradox, underpin much of the emerging evidence for diversity dividends. They also inform many of the policy implications that arise from the literature.

To summarise the narrative so far, the two streams of the debit literature have made several important inroads into understandings of how diversity effects development. The first has moved from an assumption of conflict theory's adversarial attitudes to nuanced investigations of network clustering and peoples' abilities to cooperate across ethnic divides. The second has replaced social capital with an interest in how attitudes and interactions within local settings can foster the norms and behaviours required for collective action. In the process, the utility of cross-national studies has been challenged, assumptions that developing countries may be more prone to debits shown to be unfounded, and the salience of different types of ethnic boundaries brought to the fore. At the same time, the sheer weight of confuting evidence has pointed research in the direction of the diversity dividend and hinted at the types of policies that may be able to support it. The next section draws upon the results of this reviews' findings to further explore the emerging idea of a diversity dividend.

Diversity Dividends

The narrative now turns to the literature uncovered by the review's expert and database searches that provide evidence for a diversity dividend. As with the debit literature, many of the uncovered studies provide mixed results, with findings suggestive of, or confirming, a dividend within broader evidence of a trend towards a debit. Furthermore, some only use their conclusions to hint at policy implications that may mitigate a debit, thereby, leading to a dividend. We argue that this is both an indication of the newness of the idea of a diversity dividend and of the literature's preference for negative or politically controversial results.

The vast differences in the uncovered studies – from ways of measuring diversity, to levels of analysis and outcomes of interest – prevents the review from conducting a proper meta-analysis. Instead, we seek to explore the evidence for the dividend at different levels of analysis, moving from the national down through to sub-national regions, cities, neighbourhoods and lastly firms. This approach mimics the arch of the debit literature which has narrowed its focus to uncover the conditions under, and mechanisms through, which diversity has effects on developmental outcomes. For each level we offer a general quantitative assessment of the state of the returned literature, commenting on the theories it speaks to, the ways it conceptualises diversity and the dividends it points towards. At the end of each section we discuss the given or implied policy implications.

Cross-National Dividends

We begin our exploration of the diversity dividend literature with cross-national studies, both those that examine countries worldwide and within specific regions, such as Africa or Europe. Although cross-national studies are far from ideal sources for crafting policy, particularly as they suffer from difficulties with developing conceptual frameworks with relevance across multiple contexts. Though they have greater potential of confounding variables, ambiguous causality directions and specification problems, they do however, remain useful for suggesting broad relationships, and for introducing themes and uncovering further areas for research. They also continue to be used in the diversity literature, as authors seek to replicate others' studies with new measurements and in new contexts, or to develop different questions amenable to national level comparisons.

Of the cross-national quantitative studies uncovered by our database and expert led searches, nine compared countries from across the world, three focussed only on Africa, two on Europe, and one each on Asia, only democracies and only developing countries. As we shall see, this spread is likely down to continuing interest in social capital or social cohesion and the lack of survey data in developing countries. Only four of these studies offered evidence of a diversity dividend as their main result, the rest gave mixed findings. This reflects the observation that the dividend is an idea that has generally emerged from within studies looking for negative developmental relationships rather than positive. Although not all clearly reference one of the theories outlined above, seven discuss ethnic conflict or competition theory and three contact theory. Ten of the uncovered studies have economic growth as their outcome of interest and eleven position state institutions as the intervening variable or hypothesised mechanism in their policy implications. For reasons that will become apparent, the others look at issues such as political inclusion, tolerance and perceptions of the state's impartiality without explicitly referencing theories that animate the debit literature.

Growth, regime type and globalisation

The diversity literatures' interest in economic development did not wane with the rise of studies exploring social cohesion. For example, Easterly et al. (2006) sought to show that social cohesion, conceptualised as ethnic fractionalisation and economic inequality, partly determines institutional quality and, in turn, growth. As they highlight, development scholars have long understood the importance of societal and state based institutions, broadly understood as the 'rules of the game' that guide collective actions and the relationships between them (Wade, 1990; Rodrik et al., 2002; North et al., 2009; Acemoglu and Robinson, 2012). Accordingly, they hypothesised that countries with divided societies are more likely to have weak state institutions unable to successfully implement economic reforms that require making short-term winners and losers. Across 34 countries (11 high income and 23 developing) for which they could get data for social cohesion, institutions and growth, they found that 'more social cohesion leads to better institutions, and that better institutions in turn lead to higher growth.'

The authors' discussion began by asking how social cohesion may be nurtured? Beyond historical endowments such as a shared language and culture, and modes of production that distribute economic gains amongst a large middle class, they suggest several policies: First, that the state can

use education to inculcate understandings of social contracts between citizens, leaders and service providing institutions. This will increase people's ability to negotiate with one another and decrease unchecked corruption. Second, they argued that the state can implement policies that address colonial legacies, such as ongoing discrimination, and that empower marginalised domestic constituencies. This would increase civic participation and hep civil society to monitor state institutions to ensure their fair operation. Although these are broad brush recommendations, they highlight how a state's institutions can both be determined by, and help to, foster social cohesion. This idea is central to many of the cross-national policy implications found within studies discussing a dividend.

Nonetheless, it is from within the social cohesion literature that challenges to the law-like proposition, that diversity is bad for development, often arise. For example, a recent cross-national study of 115 developed and developing countries over 31 years by de Soysa and Vadlamannati (2017) interrogates the assumption that social cohesion is eroded by diversity, leading to diverse preferences, coordination failures and unsound economic policies. The latter is operationalised through data on property rights and the rule of law, which are collected under an index of 'economic freedom'. It also explores whether regime type (democracy vs autocracy) conditions diversity's effects.

In contrast to the debit literature, de Soysa and Vadlamannati find that ethnic and cultural fractionalisation is associated with higher levels of economic freedom. Furthermore, diversity has no discernible effect on the long-run rate of change of economic freedom, whilst democratic regimes positively condition diversity's effects on policy implementation. Amongst the few studies to use the phrase, they describe their findings as suggestive of a 'diversity dividend' at the national level.

In search of an explanatory theory, the authors turn to others who have argued that diversity coupled with multiple cross-cutting cleavages, can strengthen democracies by creating checks and balances on abusive leaders (Lijphart, 1977; Collier et al., 2001; Sen, 2006). They argue that overtime, diverse societies find ways to allow opposing preferences and distributional competitions to be amicably resolved. This also institutes democratic check and balances that prevent the monopolisation of power by an abusive leader or group. They give Belgium, the Netherlands and South Africa as examples.

Discussing their findings, they argue that the current interest in an autocratic 'Asian model' of the developmental state (see Box 7) may be misguided. Instead, more case study research is needed on why some ethnically diverse countries, particularly those with smaller populations, have been able to report good economic indicators through other means. Furthermore, old regression analyses that point to diversity's negative effects on economic development should be re-run using new long-run social and economic data that looks beyond growth. Lastly, they suggest that a diversity of strong ethnic networks may, albeit temporarily, fill in for an absence of strong state institutions in some developing states as they can facilitate within group economic exchanges and cooperation.

Box 7 – Developmental states

The idea of the developmental state hails from the work of Chalmers Johnson on Japan, Gordon White on South Korea and Taiwan, and Robert Wade also on Taiwan. These authors have suggested common features to help explain why these states were able to successfully develop, even when confronted with diversity, whereas most others have failed. They include:

i) a leadership publicly committed to national economic development ii) a developmental elite commanding a strong bureaucracy, iii) a bureaucracy relatively insulated from powerful interest groups, and iv) strategic state interventions in markets.

Within this body of research, Wade's (1990) book on Taiwan delved into the historical and political underpinnings of the country's success. He argued that Japanese colonialism had left the country with promising agricultural and industrial bases upon which to build. Perhaps more controversially, it had also diminished the influence of powerful domestic groups that could have derailed the government's ability to put in place long-term development plans. Wade also showed how Taiwan's development efforts were given ideological support by Sun Yat Sen's philosophy, which called for strong, active leadership of the economy to foster a shared sense of national identity.

Inspired by the literature on East Asia, Booth and Golooba-Mutebi (2012) argue that Rwanda's rise since the ethnic genocide that killed an estimated one million people in 1994 should be considered as an example of developmental patrimonialism. Led since 2000, by Paul Kagame's party, the Rwandan Patriotic Front (RFP), the country has averaged over eight percent growth per year in real terms since 2005, income poverty has fallen, and substantial progress has been made on maternal and child mortality rates. To achieve this, the regime has used large companies (within which the RFP's leaders have significant interests) to promote investments in developmentally orientated sectors and national projects. This has included allowing the military, which is often a source of coups in African countries, to have its own economic interests and to take over and then re-privatise failing firms in chosen infant industries.

However, both Taiwan and Rwanda have been criticised for their lack of a free press, the absence of political pluralism and evidence of oppressive security forces. For some, this is the price of remarkable developmental trajectories or uniting nations fractured by identity politics. For others, the implication is that democracy should take a back-seat to nationalism, and economic and institutional development in a country's formative years. Viewing Rwanda and others (e.g. Ethiopia, Kenya, Malawi and Uganda), the Development Leadership Programme has even posed the controversial question of whether or not, given previous failures, foreign governance advisors should support semi-authoritarian paths to development (Kelsall, 2014). These issues are returned to in the examination of Singapore and Malaysia in the case study section of this paper.

Another recent study also suggests that for democratic states, there may be a diversity dividend (Wunnava et al., 2015). Rather than diversity per se being a good, it hypothesises that within these states it may be conditioned by economic globalisation. To interrogate this idea, the authors use data on 103 countries' changing levels of ethnic fractionalisation, institutional quality, integration into global markets and growth from 1992-2005. They also divide countries into democratic and autocratic regimes. They find that countries with higher levels of ethnic heterogeneity have gained more from global integration than those that are relatively homogenous. Furthermore, this effect is greater for those which are also democracies. This leads them to recommend the opening-up of

ethnically diverse democracies to global markets as a way of avoiding the determinantal effects of heterogeneity and, instead, capitalising upon it.

Their discussion offers a more thorough theorisation of how this may work: First, economic development brought about by globalisation may enhance demands for good governance as groups wish to equally share in the benefits. Second, international trade spreads norms of market culture that prioritise the rights of individuals over those of groups. Third, states may feel compelled to respect these values to further ingratiate themselves with global markets. Last, elites may be incentivised to buy-off potentially destabilising domestic groups to further attract foreign investment. However, they caveat these suggestions by acknowledging that little is known about how the cultural and political dimensions of globalisation effect the salience of ethnic boundaries within different contexts. In this sense, they call for historically sensitive case studies that unpick the trend they report.

Social cohesion, tolerance and policy making

Much of the literature evidencing a dividend does so by interrogating ways of measuring the key intervening variables between diversity and growth. For example, van Staveren and Pervaiz's (2017) cross-national study seeks to understand how social cohesion – that is theorised to induce compromises and cooperation – is determined by minorities' inclusion in societal processes. They argue, therefore, that it is exclusions, not increasing levels of diversity, which reduces cohesion and, by extension, the prospects for growth. Indeed, they find that once social exclusion is controlled for, ethnic diversity has no significant impact on social cohesion. They also find that the perceived inclusion of minorities – measured through surveys – has a stronger positive effect on cohesion than increases in GDP per capita.

Although this challenges much of the preceding debit literature, van Staveren and Pervaiz argue that diversity is likely to have short-run detrimental effects but if properly 'managed', will be overridden in the long-run. They suggest that previous studies that have investigated the possibility that economic inequality, as well as diversity, reduces social cohesion, largely misunderstand their contexts. Specifically, they overlook the fact that in many developing countries it is horizontal social inequalities – understood in terms of 'identities, rights, opportunities, capabilities, and voice' – between ethnic groups, rather than vertical income disparities, that are important.

For support, they turn to country case studies and neighbourhood level research (explored later in this narrative) that show how ethnic groups can be effectively locked out of collective economic opportunities when essentialist identities are prevalent. They argue that this literature points towards the importance of a 'tolerance' for enabling diversity's positive effects on innovation and investment. This leads them to call for more 'social economic models' that put 'social cohesion in the middle as the mechanism through which the direct effects of ethnic diversity and social inclusion are mediated in economic growth processes.'

Birnir and Waguespack (2011) also explore how inclusiveness can mitigate the widely reported negative effects of diversity and lead to a growth dividend. Specifically, they look at the inclusion of ethnic leaders in government cabinets in 31 democracies between 1975 and 2004. They find that their inclusion is positively related to growth, incrementally offsetting the negative effects relating to ethnic fractionalisation over the long-run as further representatives of different groups take a seat.

They argue that their results add to Collier's (2000) notion that ethnic political rights and growth are related, showing that inclusive democracies can ensure this relationship is positive.

The authors propose three possible mechanisms to explain their findings: First, as diverse populations see that they are represented at the highest level of government they grant proposed policies legitimacy and aid in their implementation, embedding them in society. Second, the quality of policies can be improved by the skills that a diverse range of cabinet leaders bring to the formulation process (discussed further in the section on cities and firms). Third, including a greater number of veto players early in the policymaking process, reduces the chance that it will be challenged or reversed later. They back up these ideas with a short case study of Bolivia which gave indigenous groups cabinet representation for the first time in 1993. Since then it has enjoyed relatively stable positive growth. Nonetheless, they caution that further research is needed to unpack the causal direction between diversity in policymaking processes and growth.

Although it holds no clear policy recommendations, Walker's (2007) study of increasing ethnic diversity and state repression also places tolerance as the important intervening variable. From multivariate regressions of different measurements of diversity and state repression across 90 developing countries, he finds that increased diversity, especially religious diversity, reduces the likelihood of government abuses. This runs counter to much of the debit literature which assumes heterogeneity will have negative effects on a wide range of developmental indicators. Somewhat at a loss to explain these results, Walker argues that more work needs to be done to understand how diversity may lead to tolerance and incentivise the accommodation of ethnic oppositions over the long-run.

The importance of the treatment of ethnic groups is also at the forefront of Ahlerup et al.'s (2016) cross-national study of 20 sub-Saharan countries. They use data from Afrobarometre surveys to investigate how the publics' perceptions of their governments' impartiality towards ethnicity, contributes to sustained economic growth. They find that a 'standard deviation increase in the population share, that sees the government as treating their group fairly, is associated with an increase in the probability of obtaining sustained growth in a range from about seven to 19 percentage points'. Furthermore, 'contrary to the often-told tale of the perils of ethnolinguistic fragmentation', this probability increases for countries which are more fragmented along linguistic and religious lines.

Although they do not test them, they offer three mechanisms to account for the uncovered relationship between diversity, perceived impartiality and sustained growth. First, impartiality implies that governments may be less likely to favour particular groups, thereby, increasing prospects for cultivating a national identity around which they can economically cooperate. Second, impartiality is likely to decrease the incentives for, and increase the costs of, corruption or patronage that sees elites appropriate the state's resources for their own groups. Third, impartiality is likely to lead to smoother hand-overs of power following elections. Together, these mechanisms provide a conducive environment within which leaders can craft long-term developmental plans and citizens can confidently vote for those outside of their ethnic group.

Gerring et al.'s (2016) cross-national study further explores the relationship between diversity and democracy. They find that religious diversity is negatively related to democracy and that ethno-linguistic diversity is positively related. To explain this, they propose that religious diversity holds greater challenges for democracy because it tends to be a fixed and slowly changing identity. Accordingly, contests between intolerant religious groups over different ways of living, and the distribution of political and economic opportunities, can easily become zero-sum. This, they argue,

can lead religious powerholders to favour theocratic autocracies. In contrast, ethno-linguistic diversity incentivises secular leaders to seek legitimacy through compromises, inclusion and power sharing arrangements.

The authors propose that both autocracy and democracy can be legitimate regime types for homogenous societies, whilst only democracy will be for heterogenous societies. Supporting this, their findings show that the more heterogenous a society, the more democracy is likely to be the regime type. They suggest India as a paradigmatic example.[14] Although they declare that their mixed findings are only suggestive, the policy implication is that democracy provides a vital mechanism for addressing diverse preferences as long as societies' salient identities are not immutable and ethnic groups' preferred policy directions are amenable to discussion.

Civil society, politics and citizenship

Although social cohesion has recently begun to replace social capital in the cross-national diversity literature, different measurements of trust and civic participation are often still included as variables within newer studies. This has added much needed nuance and, in some instances, uncovered the positive potential of diversity.

Within this stream, Anderson and Paskeviciute's (2006) study of 44 developed and developing countries shows how attitudes and behaviours considered conducive to 'citizenship' or a healthy civil society are affected differently by different types of diversity under different regimes. They find that increased linguistic diversity can result in increased membership within voluntary associations and an increased interest in politics. However, these dividends are confined to less developed democracies, with linguistic diversity decreasing people's interest in politics in more established democracies. They also find that levels of interpersonal trust decrease across the board in the presence of diversity, with linguistic diversity being particularly detrimental in less developed democracies and ethnic diversity in developed countries.

Discussing their results, Anderson and Paskeviciute suggest that diversity may have a politicising and mobilising effect in less developed democracies. This leads to more voluntary associations and the establishment of political discussion networks. However, they worry that the overall finding that generalised trust may be eroded means there may be countervailing risks of fewer intergroup interactions. Formulations of contact theory often encompass the idea that 'bridging' social capital will be built up as ethnic groups interact with one another, change their perceptions and amicably resolve differences.[15] Yet, there is nothing about political mobilisation that presupposes such bridging activity will take place. Rather, it may be that within group 'bonding' social capital increases and that societies politically polarise; an outcome which could be particularly determinantal for young democracies unable to address the resulting competitions and tensions. Nonetheless, the authors conclude that their finding that linguistic diversity is important, points towards policy responses that address barriers to communication, rather than to those that seek to erase ethnic differences.

[14] As suggested by a reviewer, however, discussing India's democracy is problematic given the various groups that violently contest its legitimacy. Instead, it may be better to point to sub-national examples.
[15] For a discussion of bridging, bonding and linking social capital, see Woolcock (2011).

Wagle's (2014) study of the relationship between diversity, support for welfare state policies and poverty across 17 high-income countries also adds nuance. Examining the size of ethno-racial, religious, and immigrant minorities, he finds that the former two forms of diversity are positively associated with support for welfare state policies and state spending, that reduces poverty, thereby suggesting a diversity dividend. This accords with case study evidence from Belgium, France and the Netherlands.
However, he also finds that increasing immigration reduces support for welfare policies and the states' retrenchment, partially increasing poverty. Using data on native born majorities and immigrant minorities, Wagle relates these findings directly to contact theory. He hypothesises that it may explain why only immigration has undesirable effects, whilst the longer time for contact amongst diverse but domestically born communities may bread tolerance and political convergence. He cautions, however, that the limited data on diversity, mitigates the generalisability of his findings.

As will become apparent as this narrative continues, Europe provides much of the evidence for a diversity dividend. One of the reasons for this, is that it has years of census and opinion surveys and economic and institutional data for researchers to draw upon. Accordingly, Gesthuizen et al. (2009) sought to test Putnam's constrict theory across 28 of the continent's countries. They also explored competing national level characteristics that might better account for relationships between ethnic diversity and social capital. These are that economic inequality, the welfare state's safety nets and democratic institutions may all have more of an effect.

Using several measures of informal (ties between people) and formal (involvement with civic organisations) social capital, they reject Putnam's thesis. Instead, they find that the longer a country has been a stable democracy and the lower its level of economic inequality, the more interpersonal trust exists between citizens. They also find that net levels of immigration are positively related to various dimensions of social capital, especially informal helping, whilst negatively related to interpersonal trust. They conclude, therefore, that democratic institutions are likely to be the most important determinant for managing migration and increasing overall levels of social capital in Europe. But add that more research must be done on inter-group connectedness. These ideas are explored further in the section on sub-national studies.

Policy implications

As stated in the section's introduction, many of the cross-national studies only hint at the potential implications of their findings and most declare that their results would be an unsound basis for policymaking. Nonetheless, three overlapping themes with policy relevance are discernible:

- **State institutions are not only affected by diversity, they can also condition it.** Most of the reviewed studies hold the state, especially when democratic, to play an important role in mitigating societal cleavages. This can be achieved though the creation of shared identities, by addressing between group inequalities and through power-sharing arrangements. These suggestions are backed up by those that found people's perceptions of the state's

impartiality and its actual inclusiveness, may also overturn diversity's detrimental effects. These findings challenge semi-authoritarian developmental state models, that point towards limiting democracy or reducing civic rights, to ensure the stability needed for development.

- **Different types of diversity matter in different ways in different contexts.** This was illustrated through studies that found diversity dividends in terms of political mobilisation or informal helping, but only where certain conditions, such as in less-developed democracies or where domestic markets are globally integrated, are met. This further suggests that diversity itself cannot be approached as a priori good or bad for development. Instead, it should be understood as responsive to its wider environment and investigated anew in each context. This points to the importance of thorough political economy analyses that account for societal cleavages and inequalities, and how they can change over time.

- **Dividends are likely to be clearer over the long-run and following further investigations of what social cohesion looks like.** Indeed, the literature is yet to agree upon the form social cohesion broadly takes across different contexts, both in terms of attitudes and institutions. For example, spatial ethnic mixing in some contexts may lead to cooperation, in others it may mask segregation at the local level and everyday discrimination. This is because contact theory appears to require long cycles of interactions between ethnic groups that gradually challenge stereotypes and incrementally create contextually sensitive mechanisms for cooperation. In turn, this suggests that diversity dividends may not be something that can be engineered in the short-run. Instead, they may only arise or become evident following generations of carefully crafted and contextually sensitive policies.

- **Nonetheless, the mostly quantitative cross-national literature should be approached with great caution**. Indeed, its authors often concede that it suffers from problems of potentially conflating variables, of identifying the direction of causality and of the use of old or inadequate datasets. They also routinely argue that the trends they identify must be tested through in-depth country case studies that investigate the underlying mechanisms (e.g. which types of societal or state institutions matter) that they propose lead to dividends. In sum, its utility is extremely limited for policy making.

Conclusion

This section has focussed on cross-national studies that provide evidence for a diversity dividend. It has shown that whilst a few have directly challenged the notion of a diversity debit, most have only found evidence for a dividend under specific conditions. These tend to be situations in which people have the means to communicate across ethnic divides, democratic institutions channel differences into discussions and compromises, and where citizens can be confident that states will act impartially. Dividends also appear to be more easily identified over the long-run, where ethnic groups have had time to craft institutions that promote inter-group contact and that allow them to sanction abusive or underperforming leaders. This points to the paradox at the heart of contact theory, with many authors arguing that diversity debits will arise in the short-run, especially following episodes of mass migration, and that to have any hopes of a dividend, diversity must be skilfully 'managed' over the long-run.

Sub-National Dividends

A key feature of more recent literature exploring diversity and development has been dissecting previous claims using different units of analysis and different indicators. Indeed, the evidence within older literature for a negative relationship has almost entirely been based upon national level analysis and cross-country comparisons which utilised a select few ways of measuring diversity – namely the ELF and ELP. In contrast, newer studies focus on sub-national regions, administrative units, cities and neighbourhoods as units of analysis. They often begin from the proposition that cross-country comparisons miss nuances and obscure mechanisms that point towards a diversity dividend at these levels, and they have sought to uncover successful policies that could be harnessed to realise it elsewhere.

Our review returned 22 studies evidencing a dividend at the sub-national level. Three looking specifically at the sub-national level, five at the organisation/firm level, 12 at the city/regional level and two at the neighbourhood level. Most found diversity dividends accruing to growth and human development. Those that were generally confident in their findings, were concentrated at the city level, whilst those from developing countries relied on mixed findings that were dependent on the index used. For the most part, they explored conflict and contact theories and converged around policy recommendations that point towards inclusion in public institutions of minority groups, healthy competition between different groups in local politics, and policies of decentralisation with political competition and democratic governance. Evidence at the cities and firms level is discussed in the next section.

To explore this literature, we first turn to studies that have looked at the sub-national level more generally. They examine regions, larger administrative units and grids. Although the evidence for a dividend is not always confirmed, there is a clear trend towards smaller units of analysis for both accuracy and evidence of a dividend.

Regions and large administrative units

Savelkoul et al's (2011) study of informal social capital in 21 European countries and Israel highlights the importance of sub-national analyses. The authors sought to test Putnam's (2007) constrict theory; the idea that diversity causes people to ‘hunker down’, decreasing both within- and across-group social capital. Their focus on both the national and the sub-national level begins from the premise that much of social life occurs below the state and above the neighbourhood or individual levels. Indeed, it is important to explore dynamics where inter-ethnic interactions or a lack of them, are likely to take place.

Using data from the first wave of the European Social Survey (ESS 2002/2003), they found that the stock of migrants within a country was positively related to giving informal help at the country level, thereby, refuting constrict theory. This is in line with Gesthuizen et al's (2009) findings discussed earlier. At the regional level, however, they found that greater diversity and inter-group contact affects all types of informal social capital, increasing both social meeting and helping. They hypothesise that this lends weight to contact theory’s suggestion that people’s attitudes towards out-groups relax, and social capital increases, as they interact with perceived ‘others’. Though they

lack sufficient data to demonstrate why this may occur more at the regional than the country level. They also concede that their findings may not be confirmed at the neighbourhood level.

To study the relationship between diversity and human development in 36 developing countries Gerring et al. (2015) compiled a unique micro-level dataset. Using the Demographic and Health Survey, it covers a range of human development outcomes, including child mortality, fertility, and education. This allowed them to demonstrate that while the evidence still supports the diversity debit hypothesis at the national level, it disappears or even reverses at the regional and district levels. They find that diversity and human development are even significantly, positively related when potential conflating variables, such as wealth, are controlled for. It is also evident across urban and rural areas and holds when measures of public goods provision (a proxy for governance) are included.

The authors offer several explanations for their remarkable findings. One is that membership of national level groups is often enforced or involuntary. This means it is unlikely that cooperation or collective action is evident at this level. In contrast, membership in sub-national communities is, to some extent, voluntary, and therefore likely to be more conducive to cooperation. The key idea is that below the national level, people sort themselves into ethnically diverse, yet cooperative groups. Another possible explanation offered by the authors, is that at these lower governance levels, it is possible to increase the engagement and representation of heterogenous groups in political and administrative bodies because the institutions and processes are not as complex nor often as formalised. Where fewer people are involved (in a smaller administrative unit), informal processes of consultation (based on social networks) can be utilised and built on. This somewhat challenges the idea that an institutionally strong state is the only way to manage or capitalise upon diversity.

Adding to this idea, evidence for a sub-national diversity dividend is provided by Gisselquist et al.'s (2016), frequently referenced, study of Zambia. Using a sub-national dataset of Zambian budget, survey and administrative data, they find an affirmative relationship between ethnic diversity, public goods provision and welfare outcomes. To explain their dividend, the authors argue that ‘informal checks and balances at the local level, may work more effectively across diverse communities of comparable size’. Put another way, members of ethnically diverse communities are able to sanction one another and mitigate corruption amongst leaders. In contrast, when a local community is dominated by only one large group or a small number of groups that collude, public resources can be easily captured.

The authors explain this in several ways: Firstly, by dealing with the challenge that improved public goods provision could be driving increasing diversity in benefitting areas by attracting migrants. This is a possibility that Gerring et al. (2015) also highlight for one of their results. Yet, Gisselquist et al. (2016) doubt this is the case in their study, as migration does not have a significant impact on diversity at other levels of analyses, and census data suggests very low levels (3%) of internal migration in Zambia. Secondly, they examine whether the ‘scale’ of sub-national communities could be explanatory, allowing them to coordinate their advocacy efforts. They argue, however, that Zambian districts are too large for community coordination of this sort to be explanatory. Thirdly, they ask whether electoral politics puts further demands on politicians, but dismiss this reasoning as they examined central government expenditure on districts which have no direct route to influencing such decisions. Lastly, they posit that the prevalence of informal decision-making and processes in Zambia by a multitude of different groups, may be preventing ‘capture’ by local elites. In conclusion, however, Gisselquist et al. argue that none of these mechanisms on their own, are sufficient to explain the dividend they document. Rather, ‘together they speak to why ethnic diversity does not necessarily undermine public goods provision and the possible channels that may

underlie a diversity dividend'. This points the way towards more nuanced investigations of these channels.

Gibson and Hoffman's (2013) study of Zambia details a different explanation for the sub-national diversity dividend by examining levels of government spending. They argue that political institutions, specifically electoral systems, can motivate politicians to engage with multiple ethnic groups even in situations where ethnicity is relevant to their political stance. And they hypothesise that, rather than policy gridlock, the greater the number of ethnicities represented in a legislative coalition, the greater public expenditure will be due to the frequency of demands on politicians. Employing methods usually found in cross-national studies, they use district-level government budget and census data to test their hypothesis. The authors find that political institutions can foster cooperation between legislators and lead to more expenditure in areas of high ethnic diversity (Gibson and Hoffman, 2013). They conclude, therefore, that institutions that foster coalition building can overcome diversity debits and channel public pressure into responsive governance.

In a later study, Gerring et al. (2016) offer an explanation of why ethnic diversity and development might have a positive relationship which reinforces the aforementioned mechanism identified by Gibson and Hoffman. They review a range of literature to conclude that a heterogenous society is better able to pressure authorities to share power. They also argue that a higher level of ethnic diversity in a country increases the prospects for democracy to amicably resolve inter-group disputes. They suggest that democracy can play this role at both the sub-national and national level, depending on a country's level of decentralisation and the power of sub-national elected bodies. However, they find evidence that it may be a more powerful mechanism at the sub-national level because of often empowered local government structures.

The sub-national diversity dividend is somewhat questioned, however, by Gershman and Rivera's (2018) evidence from 36 Sub-Saharan African countries using data from 400 first-level administrative units. They find that the 'evidence on the relationship between diversity and development indicators at the sub-national level is largely inconclusive'. Yet, they also argue that 'sub-national diversity is both remarkably persistent over time and generally unresponsive to regional economic performance'. This may lead one to argue that even if the diversity debit hypothesis is strong at the national level, that may be no guarantee that it has any effect at the sub-national level. In fact, studies show that the reverse may play out depending on the context, the nature of the public goods studied and local policies. The main takeaway the authors point to, from their extensive study across Africa is that local public goods provision is negatively related to *ethnolinguistic* diversity, however, they find that this only holds true when the distance between the linguistic groups is 'large'.[16] They conclude by asserting that, based upon their findings, 'only deep-rooted diversity, based on cleavages formed in the distant past', has a strong negative relationship with certain development indicators. From this we can infer that more recent (in historical terms) differences between groups have much less of an impact on public goods provision, especially at the sub-national level.

Mavridis (2015), in his sub-national study on Indonesia, supports the finding that 'the effect of diversity is relatively small for all the outcomes studied'. To do so, he looks at ethnic diversity's effect on five different measures of social capital, including generalised trust, tolerance and perceived safety. He finds that at the sub-national level, even though diversity's effect on most social capital measure is negative (if only slightly), that 'tolerance toward different ethnicities increases with local diversity'. Although he does not offer a specific mechanism, Mavridis highlights contact

[16] The authors measure this by aggregating the underlying basic languages firstly into larger families and taking linguistic distances between groups into consideration

theory and conflict theory as explanatory. His findings are congruent with these theories (outlined in boxes in the previous section) in that he finds that in diverse localities, tolerance increases while trust decreases, in line with contact and conflict theories. However, he also finds that 'in diverse districts people declare that it is less acceptable to trust their own ethnicity more than other ethnicities' (Mavridis, 2015), which is an interesting challenge to Putnam's findings on conflict theory with Mavridis finding that in Indonesia, 'diversity reduces trust across the board, but does not reduce trust in the "others"' (ibid).
Turning to how to best harness any long-term dividend, Mavridis suggests that policy makers might want to encourage ethnic diversity in order to address polarisation, as the latter has a negative effect on trust measures. He asks the reader to consider, 'a district where migrants want to move to, thus leading to an increase in ethnic diversity and a fall in social capital. A policy maker should weigh in the small loss of social capital against the likely much greater welfare loss from restricting migration' (ibid). Put another way, how much social capital might a given administrative unit be willing to give up, to increase tolerance for diversity and reap the benefits of a more diverse society in the longer term?

In a recent paper, Reynal-Querol and Montalvo (2017) explored the effect of the size of geographical units of analysis on the relationship between ethnic diversity and growth in Africa. They used 'grid-country cells' as their basic units of observation. This required layering a square grid over the continent that allowed them to ignore national boundaries (which have been shown to be poor units of analysis for capturing how ethnic groups interact). They began by using a low level of geographical resolution (smaller cells), studying the relationship, and then progressively increasing the resolution (creating larger cells) to determine whether the relationship holds. They found that at lower levels of resolution, there is a significant positive relationship between diversity and development, but that it disappears at higher resolutions.
To explain this, they turned to historical and anthropological studies that show how development occurs along identity group boundaries where goods are traded, and skills exchanged. They then uncovered these boundaries using a global Soviet-era ethnic territories map (Atlas Narodov Mira). They also used night-time luminosity images from satellites as a proxy to show that they often coincide with areas of high development. Appraising their findings, they argue that 'the relationship between diversity and growth depends on the size of the area used as the unit of observation' (ibid). This is an important finding as it lends innovative evidence to the argument that the unit of analysis is key when understanding the effects of diversity on different metrics of development. It also shows why understanding the historical and cultural legacies within and across countries is key to grasping how diversity affects development (See box 8).

Another article by Loh (2017) explores nation-state building and the related pursuit of economic growth in Malaysia and some parts of Southeast Asia and he highlights the importance of 'cultural pluralism' in helping governments harness the potential benefits of diversity. He notes that this may include 'greater political autonomy via policies of decentralisation and the establishment of federal systems,' allowing regions with a higher minority concentration a 'just share of the economic cake' (Loh 2017). This point is consistent with Gerring et al's (2016) examination of Zambian districts, which also highlights the importance of inclusive institutions. Loh argues that the nation building process should take place along more inclusive civic geographical lines rather than limited ethnic lines. Loh's analysis is a plea for a decentralised, federal system with decision-making processes to be made more inclusive and specifically, not formed along ethnic lines. He gives evidence for the argument that groups not in the majority, provide a mechanism for reducing domination by majority groups in political arenas. He argues that instead, these groups should push for increased political autonomy through decentralised policy and decision-making bodies.

A review of these sub-national analyses has also demonstrated an important distinction between community divisions and diversity. They often argue that it is ethnic division, not diversity per se, that is associated with a negative relationship. For example, Miguel (2004) shows in a comparative analysis of communities in Tanzania, to those in Kenya – where national identity versus ethnic identity is comparatively strong and vice versa – that the negative relationship holds only in the latter context. Similarly, Singh (2010) finds, based on longitudinal analysis of social development in Kerala, that it is the absence of a subjective sense of 'we-ness' that drives negative outcomes (see also Kanbur, Rajaram, & Varshney, 2011). This is an important caveat to the diversity debit hypothesis described in the previous section, suggesting that a 'division debit' hypothesis might be a better term to describe what has been uncovered.

Box 8 – Politics & history

In a recent paper, Singh and vom Hau (2016) challenge the debit literature by arguing for 'a serious consideration of history and politics' when examining the effects of ethnic diversity on public goods provision. They contend that most of the evidence for debits, uses data from the 1960s or from the 1990s which treats ethnicity diversity as an exogenous variable, similar to climate or topography. Instead, they ask whether it could be that levels of ethnic diversity are related to past levels of public goods provision? Or whether contemporary pubic goods provision is itself related to past provision?

To better address these questions, they develop an alternative theoretical model of the relationship between diversity and public goods provision that focuses on historical patterns of state- and nation-building. It begins from the premise that states have often enjoyed the most power, to set levels of public goods provision and to modify or create understandings and patterns of ethnicity over time. And it calls for time-series data on macro-historical processes that have shaped states efforts to build national identities and their long term institutional trajectories. In particular, Singh and vom Hau suggest analysts should focus on the initial conditions, including colonial legacies, states begin with, so as to better trace relationships and avoid problems of reverse causality. They also suggest that more attention must be paid to elites' efforts to shape ethnic politics, so as not to overemphasise demographics as casual.
To illustrate, they use other studies from the same special issue on *Ethnic Diversity and Public Goods Provision.*[17] Wimmer's (2016) cross national study of diversity and public goods statistics from African and Asia countries finds that both are the outcome of historical legacies. Specifically, pre-colonial state capacity; those that were more centralised and infrastructurally powerful, proved better able to create homogenous populations and provide public goods. In contrast, (Darden and Mylonas, 2016), compare country cases with similar levels of initial linguistic heterogeneity, state capacity and development, to show how political nation-building efforts are crucial in shaping subsequent patterns of diversity and public goods provision. Interestingly, they also find that those that have faced external threats, have more vigorously pursued the creation of a united national identity through education. Although reaching different conclusions, both studies reinforce Singh and vom Hau's point that diversity and development must be seen through nuanced historical lenses.

Also interested in historical legacies, Depetris-Chauvin and Zak (2017) explore the interaction between diversity, pre-modern patterns of the division of labour and growth. They conduct their analysis at the ethnic level – examining 1100 ethnicities – to avoid what they term the 'potential pitfalls' of aggregating data at the country level. Creating a novel dataset that combines geo-coded

[17] Contributors (2016) 'Special Issue: Ethnic Diversity and Public Goods Provision'. *Comparative Political Studies*. 49, 11

ethnographic, linguistic and genetic data, they establish that population diversity had a positive effect on the division of labour, which translated into persistent long-run differences in economic development. Furthermore, they demonstrate that higher levels of pre-modern economic specialisation are associated with greater contemporary skill-biased occupational heterogeneity, economic complexity and economic development. Similar to Reynal-Querol and Montalvo's (2017) study of Africa discussed earlier, the authors argue that diversity's affects should be examined below the level of the state and over-time, and that doing so can show that it is not universally detrimental to growth.

Elsewhere, Singh (2010; 2015) has sought to put her proposed methods into practice through examinations of differences in the developmental trajectories and histories of India's states. In an the first paper, she adds to others' explanations of Kerala's remarkable human development indicators that put it on par with Argentina and Serbia (Singh, 2010). She argues that a subjective sense of a 'we-ness' has been gradually fostered amongst its citizens. It takes the form of a 'Malayali sub-nationalism' that has been promoted by elites from both left and right leaning parties. Arguing that it allows Keralans to overcome the state's tribal, religious and linguistic diversity, and work through the heterogenous preferences thought to paralyse public goods provision elsewhere.

In a later study, Singh (2015) compares Kerala to the Indian state of Utter Pradesh, which in terms of social development and sub-national politics had a similar starting position to the former state. This allows her to show how the latter's elites have consistently undermined identities that may promote inter-ethnic communication and cooperation; actions which have contributed to poor public goods provision. Singh concludes, therefore, that research must abandon assumptions that demographic diversity fosters under-development and, instead, focus on factors that promote a subjective sense of cohesion in societies. Singh concedes however, that other factors such as historical legacies of the policies of former princely states, communist ideology and Christian missionaries also likely contributed to Kerala's trajectory.

In sum, these studies suggest that more attention needs to be paid to history and politics. The former must include how societies' initial conditions and critical junctures shape inter-ethnic interactions. The latter, how common identities promoted by elites and state institutions can overcome the divisions posed by diversity. Doing so will allow analysts to better understand the direction of causality between diversity and development, and to develop policy implications grounded in real world experiences.

Policy implications

These sources have highlighted the relevance of geographic units of analysis when investigating the diversity dividend, with the majority finding greater evidence supporting the dividend at sub-national level or in smaller units of analysis. These sources commonly highlight the importance of inclusive and pluralistic policies, arguing that governance approaches have the potential to increase or harness this 'dividend.' These key policy implications are:

- **Informal decision-making processes and institutions, which often exist at sub-national levels, help to harness the potential of a diversity dividend**. A plurality of groups can use these informal processes and decision-making opportunities to mitigate corruption and prevent the 'capture' of public goods by elites of other groups.

- **Encourage in-country migration and sacrifice a short-term loss in social capital for a long-term dividend in tolerance and innovation and a reduction in polarisation**. Evidence points to the loss of trust from increased diversity being a short-lived phenomenon when the linguistic differences between the groups are not too pronounced (such as occurs with in-country migration) and the evidence also supports the expectation of long-term benefits of increased tolerance and public goods provision.

- **Units of analysis and measurements of diversity are important**. Policymakers should not conceptualise ethnicity as something which occurs within borders (especially where borders are arbitrary creations of a previous colonial power). As Gershman & Rivera (2018) argue, 'whether the net impact of diversity is positive or negative is ultimately an empirical question, the answer to which may depend on the regional context, the chosen unit of analysis, diversity index, and the type of socioeconomic outcome.'

- **Institutions that foster coalition building can overcome diversity debits and channel public pressure into responsive governance.** The greater the number of ethnicities represented in a legislative coalition, the greater public expenditure will be due to the frequency of demands on politicians. Policymakers should thus identify ways to make institutions (formal and informal) and decision-making processes at multiple levels, inclusive of a diverse range of groups.

Conclusion

This section has provided an overview of the literature exploring the diversity dividend at the sub-national level, largely in relation to social capital and public goods provision. Overall, the reviewed sources provide consistent evidence supporting the positive effects of diversity at the sub-national level. This provides a strong argument for the importance of recognising the 'unit of analysis' when looking for a diversity dividend. And it encourages the use of innovative methods to study it in contexts where census and development data are lacking.

To make their claims, the reviewed authors use a diverse range of theories to explain this phenomenon, including contact theory and social control theory. For many, dividends arise when ethnic groups communicate across social cleavages and are able to sanction those that abuse the system or seek to divert public goods. Others focussed on institutional explanations, highlighting the importance of inclusive policies and institutions that promote cooperation and coalition building. Accordingly, many of their findings point to the importance of long-run dividends because evidence points to the diversity paradox initially playing out as a debit before developmental outcomes arise. This poses a significant challenge for those looking to kick-start a diversity dividend in the short-run, instead pointing towards policies that may cultivate it over generations.

Cities, Neighbourhoods and Firms

Cities are often described as 'engines of economic growth' *(*Lucas 1988*, cited in* Ratna et al., 2017) with an ability to 'shape and reshape the economics of other settlements, including those far removed from them geographically' *(*Jacobs 1984*, quoted in* Ratna et al., 2017). A number of authors have asserted that this fact may make cities the most appropriate 'unit of analysis' when considering the diversity dividend (Jacobs, 1969; Sparber, 2010), underscored by the fact that a number of studies find evidence reinforcing the diversity dividend at the city level, when it is lacking in national or cross-country analyses (Ratna et al., 2017). Further, the geographic and spatial dynamics of social capital formation central to the diversity dividend are particularly relevant in small units of analysis, further highlighting the importance of city-level analysis (Tasan-Kok et al., 2013). As firms have a direct impact on the competitiveness of a city, the relationship between diversity and competitiveness is also often considered at both the 'macro' level (city/region) and the 'micro' level (firm), with similar outcomes and mechanisms identified for both (Smallbone et al., 2010).

The systematic literature search returned 19 papers exploring these dynamics within cities, the majority (12) of which did so using econometric methods. Overall, these papers explore diversity within cities in terms of a number of different 'dividends', including competitiveness, growth and productivity (nine), entrepreneurship and innovation (five) and social capital and cohesion (five). The majority of sources (ten) provided evidence that supported the diversity dividend, though these all related to growth and innovation. The remaining sources (nine) provided mixed evidence for the diversity dividend, which included all sources exploring social capital (five), as well as others exploring growth and innovation (four). Sources identified through this literature search have been augmented through snowballing and provide additional insight, in particular related to social capital formation in urban neighbourhoods. These and other snowball sources are included in the remainder of the subsection. Evidence of these connections is largely based on data from the United States and Europe.

Though some authors explore cross-city trends within a country or region, many sources focus specifically on findings related to an individual city, with London being a specific point of interest from both a policy and firm perspective. A number of cases classify London as emblematic of the super diversity concept; characterised by the interaction of multilayered forms of ethnic, socio-economic and other forms of diversity in lifestyle choices, (Sepulveda et al., 201, Vertovec, 2007), as an example of a 'majority minority' city (Nathan, 2015) and a diverse global city (Smallbone et al., 2010). The few sources that examine the interplay between diversity and growth in developing country cities, do so from the perspective of public goods provision, and do not explore the specifically urban dimensions of trends (Schündeln, 2013; Gupta et al., 2010).

Overall, findings from empirical studies find a positive relationship between diversity and growth in cities, most commonly measured according to wages and employment. Studies focusing on UK and US urban centers identify a positive link between cultural diversity and productivity, with diversity measured as a share of foreign-born workers (Ottaviano and Peri, 2006; Sparber, 2010; Saiz, 2003). Ratna et al., (2017) find that diversity in US cities, measured through a linguistic and racial composite, increases the average income of the working age population. Sparber (2010) identifies similar trends, attributed at least in large part to productivity gains in worker output, finding that one standard deviation increase in diversity, raises productivity by 5.9 percent. UK panel studies of urban areas suggest similar productivity-driven wage gains, alongside employment losses for lower-skilled workers in urban areas (Nathan, 2009). However, this effect diminishes as the proportion of

the foreign-born population, who lack English fluency, grows; a finding also identified by Momani and Stirk (2017). The majority of these studies identify an association between diversity and growth, but do not seek to identify a causal mechanism driving these effects.

Though evidence is largely positive, other sources identify differing impacts of diversity within cities. For instance, a number of sources find that though cities as a whole experience economic benefits resulting from diversity, the 'economic disbenefits' including polarisation and labour market displacement, 'are experienced primarily within lower income neighbourhoods and communities' (Syrett and Sepulveda, 2011b). These findings parallel the social capital literature, which finds that diversity debits are greater among the uneducated, poor and youth, likely resulting from a fear of diversity, resulting in a withdrawal from society. Based on qualitative research in London, Raco et al. (2017) point out that the 'top-down' benefits identified related to diversity, 'give relatively little recognition to growing economic and political inequalities between citizens and groups,' which can further challenge social cohesion. Other sources find no clear patterns related to the diversity dividend in cities, including when considering London (Smallbone et al., 2010), as well as broader patterns of urban development from 1960 to 1990 (Glaeser et al. 1995, cited in Alesina et al., 2004).

Despite the largely positive link identified between diversity and growth in cities, a number of sources point out that diversity is nevertheless 'a largely problematic dimension of urban development and source of tension between varied communities and generating major challenges for social, political and economic inclusion' (Syrett and Sepulveda, 2011b). Authors exploring the dynamics of social cohesion and capital in an urban setting return to Putnam (2007)'s work on social capital (Tasan-Kok et al., 2013). Though some find a largely negative relationship between diversity and social cohesion in urban settings (Kearns and Mason 2007), other findings vary according to spatial units of analysis and spatial levels of interaction. Kemeny (2012) sheds light on these dynamics, finding 'workers in highly diverse cities will earn more compared to workers in more culturally homogenous cities only when trust levels are high.'

Moving to an even smaller unit of analysis, a number of studies provide mixed results when investigating the diversity dividend in urban neighbourhoods largely in terms of contact theory. On the one hand, using the case of the Netherlands, Lancee and Dronkers (2011) find that overall, ethnic diversity in the neighbourhood, measured in terms of immigration and according to post code, lowers the quality of contact with neighbours. However, the authors' findings vary for native and immigrant populations: for natives, ethnic diversity is positively associated with inter-ethnic trust but has no effect for immigrants. In contrast, religious diversity negatively affects both the quality of contact with neighbours and inter-ethnic trust for natives, whereas this effect is positive for immigrants. Examining similar dynamics in German, French and Dutch neighbourhoods, Koopmans and Schaeffer (2016) also find that ethnic diversity is negatively associated with neighbourhood social cohesion for both natives and those with immigration backgrounds. However, these negative effects were moderated in 'inclusive policy contexts' present in the Netherlands, as compared with the more 'assimilationist' policies present in Germany and France. The Sluiter et al. (2015) findings from Dutch neighbourhoods show that ethnic diversity in smaller localities is positively associated with bridging social capital, which also broadly supports these claims and contributes to the body of literature supporting contact theory in the context of the diversity dividend.

Other neighbourhood studies of diversity, identify poverty as an important factor in determining social capital. For instance, Fieldhouse and Cutts (2010) identify the important role of neighbourhood characteristics in shaping the interaction between diversity and social capital in the US and UK. The authors find that co-ethnic diversity was associated with norms related to social

capital in UK neighbourhoods but not in US ones, and argue that 'reducing neighbourhood poverty will do more than anything else to build social capital.' Letki (2008) provides a similar finding related to UK postcodes, finding that low 'neighbourhood status', as measured through an index of multiple forms of deprivation, plays a stronger role in undermining social capital than racial diversity. In addition, Vermeulen et al. (2012) investigate the effects of diversity on social capital using the lens of neighbourhood organisations in Amsterdam and find a slight increase in bonding social capital in poorer neighbourhoods, resulting from diversity, and a decrease in more affluent neighbourhoods. The effects of bridging social capital were more varied across neighbourhoods, with the most negative relationships identified in neighbourhoods with higher proportions of Muslim immigrants. Though these studies provide evidence of varied relationships between diversity and ethnicity, they consistently show the relevance of neighbourhood income, at least in European examples, on this relationship.

Further studies of diversity and social cohesion in neighbourhoods provide mixed results. For instance, Laurence and Bentley (2016) find strong evidence that those who remain in UK neighbourhoods that are becoming increasingly diverse, experience a decline in community attachment related to diversity. Considering individuals relocating to less diverse communities, the authors find evidence that the more homogeneous the destination, the more likely individual attachment will increase. Importantly, these results suggest that the changes in community diversity do not impact all individuals equally, suggesting a need for greater nuance when applying social capital theories. In reference to Canadian neighbourhoods, Mata and Pendakur (2014) find that though 'helping' behaviour is strongly positively associated with social capital, individual or neighbourhood diversity did not have a 'substantive impact' on helping. The authors do highlight the importance of membership in local organisations in both giving help and receiving help.

Authors exploring the diversity dividend highlight the importance of a skills complementarity in driving these dynamics, particular in the context of diversity driven by migration (Fu, 2007). This dynamic, it is argued, also drives growth by addressing labour shortages, particularly among highly skilled workers (Syrett and Sepulveda, 2011b; Saxenian, 2002; Yu and Wei, 2002). Explanations based on concepts of interaction and cross-fertilisation of ideas are perhaps more relevant to the spatial characteristics of cities; Ratna et al. (2017) explain why these affects appear to be moderated by language barriers.

In a seminal work in the broader cannon linking diversity to urban development, Florida (2002) asserts that a city's diversity in terms of both ethnicity and lifestyle (and accompanying amenities), makes it attractive to a high skilled, 'creative class' of workers, who in turn further contribute to growth through innovation and increased human capital. Though a central work in the discussion of diversity and cities, Syrett and Sepulveda (2011b) highlight issues of causality, inherent in this argument as to, 'whether diverse urban neighbourhoods are a cause of urban economic growth' or a 'consequence, as others have demonstrated' (Shearmur, 2007).

Cities and innovation

One of the most extensively explored channels within the diversity dividend literature examines innovation within cities as a driver of growth. This builds on the concept of cities as innovation systems, consisting of networks of firms and institutions and knowledge spill overs resulting from spatial proximity within these systems as a particularly important determinant of dynamism and

growth (Freeman 1987, Jaffe et al., 1993; Audretsch and Feldman, 1996). Hong and Page (2004) underscore this point, noting that ethnic or cultural diversity is a useful proxy for group-level 'cognitive diversity,' a known driver of innovation and idea generation. Similarly, Syrett and Sepulveda (2011) find that increasing workforce diversity within cities drives creativity through wider information networks and reduces risk aversion, both of which are commonly used as a predictor of entrepreneurial behavior.

While a number of studies find that diversity has a positive effect on innovation at the city and firm level, findings at the country level are more mixed (Gómez-Mejia and Palich 1997, Shane 1995). For instance, Nathan (2015) identifies a small but positive impact of ethnic minority inventors on patent generation in UK cities. These effects were found to fade outside urban centres, where minority inventors are less clustered than the wider population. DiRienzo and Das (2015) provide nuance to these findings, suggesting that at the country level, religious diversity is associated with innovation, whereas ethnic diversity has a negative relationship. The authors conjecture that religious diversity breeds more tolerance than ethnic diversity, allowing more knowledge transfer to occur than in cases when alternative views are not tolerated. Their finding, that linguistic diversity has no effect on innovation, is perhaps unsurprising as this may be the least clear of all variables and has no clear relationship with workers' ability to communicate with others around them (ie. what other languages an individual speaks).

Broader literature on the relationship between entrepreneurship and immigration is also of relevance here, particularly as urban locations are often recipients of migration. Work in this area posits that immigrant populations are 'more ambitious and innovative in their enterprise activity than other groups across different industries' and less risk averse (Levie, 2007, cited in Syrett and Sepulveda, 2011b). However, others point out that the opportunity structures in cities also influence the entrepreneurial behaviour of these populations, as many immigrant groups have fewer alternatives for employment (Kloosterman and Rath, 2001).

Box 9 – Cognitive Diversity

Theories of innovation suggest that diverse experiences and ideas, often described as 'cognitive diversity', drive innovation. The underlying logic is that diverse experiences, ideas and approaches to problem solving are beneficial to 'knowledge diffusion' and overall idea generation, particularly among high skilled workers. Innovation is often measured in terms of new products, processes, or patents, developed or implemented by firms, with the idea that high levels of innovation are positively associated with firm growth and broader economic returns. Scholars exploring these topics have used ethnic and migration diversity as proxies for 'cognitive diversity,' and thus note their potential resulting innovation dividends, which can stem both from diversity of firm employees, as well as the diversity of the 'innovation system,' often described as a city or other sub-region such as Silicon Valley.

Firms and innovation

Many of the same mechanisms found to explain the diversity dividend within cities are also identified at the firm level. The majority of work in this area focuses on the link between firm

diversity and innovation, with innovation largely measured in terms of the development of new products or processes (Lee, 2015). Some analyses have identified a positive link between diversity and productivity within project teams (Alesina et al., 2004), while others have identified a positive relationship between workforce diversity and firm productivity (Momani and Stirk, 2017). Mechanisms identified for this link within firms are consistent with city-level analyses, namely that diverse teams bring a wider range of perspectives and skills, improving idea generation through production complementarities (Alesina and La Ferrara, 2005; Page, 2007).

Examining London specifically, a number of studies have identified small but robust positive connections between managerial diversity and innovation (Nathan and Lee, 2013; Nathan, 2011; Lee, 2015). Nathan and Lee (2011, 2013) find this 'bonus' from migrant owned and diverse firms, occurs across all types of firms in London's industrial sector. However, other research in this area tends to identify the strongest gains for firms in knowledge sectors, or with highly skilled work forces, that rely on creative decision-making (Ozgen et al. 2011, Parrotta et al., 2011).

Beyond knowledge diffusion, Nathan and Lee (2011, 2013) also posit the importance of diaspora communities in contributing to the firm level diversity dividend in Britain. They argue that diasporas reduce firm's information and communication costs; this echoes findings from Saxenian and Sabel (2008) and Kerr (2008). Those considering this link in both US and Canadian contexts highlight the role of ethnic networks in accessing information, labour, capital and markets (Rauch, 2001). Though the geographic heterogeneity of these networks enables access to a wide range of resources, these authors fall back on larger arguments related to social capital, highlighting the essential role of trust in the function of these networks, principally in reducing transaction costs (Collins, 2002).

Policy implications

Policy recommendations emerging from this literature tend to follow a few consistent lines of argument. These include:

- Perhaps the most consistent is the **benefit to both cities and firms of attracting high-skilled workers to urban localities and firms**. Though some studies suggest trying to attract workers through visa schemes, they recognise that a city's ability to benefit from high-skilled workers is generally constrained by international labour market flows and immigration policies, controlled at a national level (Raco et al., 2014; Syrett and Sepulveda, 2011b).

- **Policies promoting language education and intercultural communication are important determinants of both cities' and firms' abilities to capitalise on the diversity dividend** (Spoonley 2014). These findings echo Tonini and Zhang (2018), who identify the importance of inter-ethnic communication skills in driving labour market participation in South Africa, suggesting that interventions seeking to build such skills among minority communities may enhance individual employment prospects.

- Beyond this, authors focusing on urban policy, also identify **solutions that promote 'social mixing' of diverse groups.** Consistent with contact theory, this includes policies that utilise spatial planning, to encourage interaction between different groups; described as 'the politics of encounter' (Raco and Kesten, 2016). Others argue that **policies promoting social mixing should be combined with 'investments in the physical and social environment'**

(Tasan-Kok et al., 2013 referencing Camina and Wood, 2009; Chaskin and Joseph, 2010), including a consideration of the nature of social interaction these spaces create (Talen, 2002; Raman, 2010).

Conclusion

This section has focussed on studies that provide evidence for a diversity dividend at a city, as well as for firms located within them. These sources adopt a particular focus on Western cities and London in particular, and overall identify a positive relationship between diversity and growth in cities based on wages and employment. Authors provide mixed evidence related to diversity and neighbourhood social capital, finding instances where intergroup trust is both improved in diverse communities, as well as when it is weakened. More consistently positive evidence was provided to support the diversity dividend at the firm level, where diversity was clearly linked to innovation, particularly in relation to high-skilled sectors.

Despite the largely positive evidence for the diversity dividend at these levels, authors nevertheless highlight the context-specific nature of these findings (Syrett and Sepulveda, 2011b). A further caution should be emphasised because this section has focused on empirical evidence, studies are largely limited to an individual city or multiple cities within the same country. Though instructive, when combined with the context-specific nature of these dynamics, our review suggests a low external validity of these findings.

Box 10 – Migration

Though the majority of literature exploring the diversity dividend focuses on endemic, longstanding forms of diversity within a society, such explorations also touch on topics of migration as an alternative source of diversity. Overall, studies linking migration to growth often focus on the positive effect migration can bring to a receiving country's labour force, either through the skills complementarities or the wider diffusion of ideas and human capital development. Human capital disparities between immigrants and natives have been identified as a moderating factor shaping these dynamics, though the overall relationship is largely ambiguous (Fry 2014; (Bove and Elia, 2017). Durkin Jr. (1998) uses a model to investigate how the human capital of immigrants impacts the welfare of majority groups in receiving countries; the author concludes that diversity-driven immigration can raise welfare, even for the majority, 'as long as it increases the average level of human capital.'

Literature investigating these dynamics appears to stem from the broader cannons on labour force development, population studies and business, rather than international development specifically. As such, these investigations tend to focus on the effect of migration in Europe and North America and largely identify a positive relationship between immigration and growth-related outcomes. For example, Manole et al. (2017) focus on the dynamics in the European Union between 2008 and 2014. The authors identify a significant positive impact of migration on economic development, noting that a 100,000 increase in immigrants 'determines an increase in the GDP per capita of the receiving country by 0.838%' compared to the EU average. Using the British case, Lemos and Portes (2008) identify that migration from Eastern Europe has no negative impact on UK labour market outcomes.

The long-term impact of immigration is also noted in the literature. Focusing on historical patterns of immigration to the United States, Rodríguez-Pose and von Berlepsch (2014) find that counties that 'attracted large numbers of migrants' during the nineteenth century are significantly better off than counties that did not'. The authors find that additional factors including 'income, education, percentage of black population, female labour force participation, or rural or urban location' have no bearing on the current level of development, whereas the effects of migration are identifiable even today. The authors are unable to identify the mechanism driving this effect, but note that their findings highlight the clear, inter-generational aspect of the benefits of migration. These findings mirror the examination of Mauritius, presented in the case studies section of this paper, which details the island's long-term successes following historical phases of migration.

Highlighting a slightly more tentative relationship between immigration and positive outcomes, (Wagle, 2014) investigates the role of immigration on welfare state policies using a data set of 17 OECD countries, using a measure of the size of social expenditure and 'welfare state decommodification and generosity.' The author finds that immigration has a negative effect on welfare state policies, in contrast to ethno-racial and religious diversity not driven by immigration, which has a positive effect. As this negative relationship appears to be driven by the proportion of naturalised citizens in a given country, the author relates this finding to an increase in the proportion of citizens who are 'in the position to demand full citizen rights.'

In the key investigation of these dynamics beyond the 'West', Bove and Elia (2017) provide a particularly comprehensive cross-country investigation of this dynamic as it affects both more and less developed countries between 1960 and 2010. The authors find that both indices of diversity, fractionalisation, and polarisation, have a distinct positive impact on real GDP growth over large time periods. The authors find that 'developing economies seem to be more likely to experience an increase in the GDP growth rate following changes in the degree of diversity,' with a 'one percentage point increase in the growth rate of fractionalisation (polarisation) boost[ing] the per capita output by about 0.1 percentage point.' This finding challenges the common wisdom related to the negative effects of migration in less developed countries but does not provide insight into the mechanism through which such growth occurs.

Mirroring the larger diversity dividend literature captured in this review, the overall benefits of immigration in terms of growth are often framed as being accompanied by negative impacts on social cohesion (Putnam, 2007). The majority of the literature explores challenges related to establishing bridging social capital between immigrant groups and native populations and is detailed in the first section of this review. Kindler et. Al (2015) explores these dynamics through the lens of social networks and concludes that the level of neighbourhood deprivation is more determinative of social cohesion than the level of immigration. This echoes findings detailed above in the neighbourhoods section, which highlight the role of poverty in shaping social cohesion at the neighbourhood level.

Immigration is largely identified as having a largely positive impact on growth and has also been commonly found not to detract from social cohesion. Though some sources differentiate the effects of immigration-led diversity from endemic forms of diversity, these factors are often conflated in the diversity dividend literature; this may in part be a product of the inherent challenge of identifying and measuring diversity. An overview of the literature indicates that the dynamics by which these factors influence economic and social outcomes are similar but are not identical, highlighting the need to further disentangle these factors within larger explorations of the diversity dividend.

PART 3: CASE STUDIES

Singapore

When Singapore first gained independence from Britain in 1963 and then separated from Malaysia in 1965, its prospects looked bleak. An island of 580 square kilometres, it had few natural resources, no hinterland and lacked significant industry. The British army's withdrawal raised the prospect of losing 20 percent of Singapore's GDP and adding to an unemployment rate of around nine percent. Singapore also found itself sandwiched between larger Indonesia and Malaysia, both of which had shown hostility. Compounding these challenges, racial tensions were high, following riots in 1964 between the majority ethnic Chinese (77 percent of the population) and the minority Malay (14.8 percent) communities, that left 22 people dead. There were also two other ethnic groups - Indians (seven percent) and those labelled as 'other' (1.2 percent) - concerned about their place within the new state.

Despite this start, over the following decades, Singapore's GDP per capita increased from around $500 in 1965 to $14,500 in 1991 and then to $71,318 by 2014.[18] Manufacturing's share of GDP also rose from 14 percent in 1965 to 27 percent in the 1990s, eventually accounting for around 26 percent of employment. In the process, Singapore became a world leader in the export of highly technical components for precision engineering and computers. To help this remarkable progress, between 1980 and 1990, it attracted almost 13 percent of all foreign direct investment to developing countries and by 2000 was host to around 5,000 multinational companies. Since independence, women's participation in the workforce has almost doubled to just under 60 percent and by 2014 Singapore ranked 9th globally, on the Human Development Index, making it Asia's leader.[19]

Long-run poverty figures are missing for Singapore (partly because the government does not define a poverty line). Nonetheless, one study suggested that poverty (much of it in-work) has recently risen from 16 percent in 2002 to 28 percent in 2013.[20] Another finds that Singapore's income gap, as measured by the Gini coefficient, rose from 0.422 in 2000 to 0.478 in 2012, making it the second most unequal developed economy (Rodan, 2016). According to the 2010 census, through policies that attract international labour, Singapore has also increasingly become an immigrant nation. Indeed, out of a total population of around 5.08 million the number of non-residents (foreigners with permission to work) was around 1.30 million, citizens 3.23 million, and permanent residents 0.541 million (Rahman and Kiong, 2013).

Although this influx has not greatly changed the state's ethnic composition, there are clear signs of simmering social unrest. For example, there were demonstrations in 2013 following the release of a government paper that predicted the population would grow by 30 percent to 6.9 million by 2030,

[18] 'The Singapore Economy: Then and now'. *The Strait Times,* 9th August, 2015. https://www.straitstimes.com/sites/default/files/attachments/2015/08/09/st_20150809_4thennow09_1586110.pdf (Accessed 10.04.18)

[19] The HDI is a composite index that uses three variables: life expectancy at birth, mean and expected years of schooling, and gross national income per capita.

[20] Ngerng, R. 'Poverty in Singapore Grew from 16 percent in 2002 to 28 percent in 2013'. *The Heart Truths,* 28th October, 2013. https://thehearttruths.com/2013/10/28/poverty-in-singapore-grew-from-16-in-2002-to-28-in-2013/comment-page-1/ (Accessed 10.04.18)

with immigrants making up nearly half that figure. And, as discussed further, later, the government has taken steps to promote the integration of foreign workers.

The gardening state

Unsurprisingly, Singapore's developmental success has been the attention of a vast academic literature. Although it is beyond the scope of this study to fully appraise, it is worth briefly looking at two different perspectives that introduce some of the key features of its model. This also serves as an introduction to how the state has sought to manage the interlinked challenge of diversity:

The first perspective on Singapore portrays it as a globally competitive developmental state (see Box 7). It focuses on how the People's Action Party (PAP) (which has won every election since independence, mostly uncontested) has ensured macroeconomic stability by controlling unions and driving down wages, and through forced public and incentivised private saving schemes. This has attracted foreign investment from multinationals that enjoy tax breaks and benefit from state funded education and training programmes (Huff, 1999). What are sometimes termed 'government linked companies' have also provided infrastructure for Singapore's growth (Pereira, 2008). Whilst the highest paid civil service in the world has helped retain domestic technocratic talent and avoid corruption (Bellows, 2009). A steady stream of immigration feeds the country's need for low- and high-skilled workers, the latter of which are often provided the chance to gain citizenship. To these factors are added the idea that Singapore's citizens have mostly accepted the state's interventionism, the leading role of foreign companies and labour, controls on wages and workers' rights, and the PAP's continued dominance, in return for steady growth and public goods (Ortmann, 2011).

The second perspective focuses on how Singapore's 'semi' or 'soft' authoritarianism has sought to manage its diversity by paving over what has been referred to as 'Singapore's minority problem' or 'Malay plight' (Rahim, 1998; Bin Mohamed Nasir, 2007; Mutalib, 2011). This refers to how the PAP has long espoused a public discourse on the need for 'pragmatism' and 'economic survivalism' to justify its more draconian policies such as the absence of a minimum wage, a punitive legal system and the banning of issues of race and ethnicity from the public sphere. The metaphor is one of 'governing as gardening' which describes how the state has governed 'in the name of constitutionalism' but often uses 'the law to suppress political activity on the part of citizens' (Mohamed Nasir and Turner, 2013). It also explores the position of Singapore's minorities, especially ethnic Malays, unpicking their relative standing in the economy, the condition of their social networks and institutions, and their representation in public politics. In the process it documents how the state has sought to address diversity through public declarations of 'multi-racialism' and through institutions, such as military conscription, that play a subtle assimilationist role. In light of the difficulty of researching such topics, commentators have used government surveys, recent electoral setbacks for the PAP and protests, to back up their claims that tensions simmer beneath Singapore's success story (Lim et al., 2014; Rodan, 2016).

The remainder of this case study explores four areas – housing policy, political inclusion, education and labour, and immigration – that shed light on how Singapore has responded to ethnic diversity. Within each, arguments from the two perspectives can be found. This makes definitive statements as to whether a diversity dividend has been a driver of Singapore's developmental successes, impossible. Box 11 compares Singapore to its neighbour Malaysia. The conclusion draws policy

implications, whilst emphasising the risks of translating them to other contexts without further research.

Identity and political inclusion

Singapore is notable for its efforts to include minorities in its national identity and its electoral politics. The former has been vigorously pursued through a state ideology that 'has emphasised multi-culturalism, multi-racialism, multi-religiosity, multi-lingualism and also meritocracy' (Ling Ooi, 2005). The latter through policies that, at least publicly, seek to ensure minorities are represented in politics. This section examines each in turn.

From its foundation, Singapore's leaders have recognised the need to create a shared national identity among a diverse population of former immigrants. As Rajaratnam, a first-generation leader, argued:

> "there is no escape hatch to our original homelands. Singapore is our permanent home. We must live and die here. . . We must eradicate from [the people's] minds the old feelings of transient immigrants. We must develop the attitudes and emotions of what I would call permanent settlers" (quoted in Lim et al., 2014).

To ensure the development of these attitudes, the state has fostered a national discourse that promotes unity, inter-ethnic interactions, secularism, meritocracy, economic development and political conservatism as a means of survival against the odds. Accordingly, Singapore chose to allow students to study in schools that use their own mother tongue (Malay, Chinese etc). At the same time, however, English was made a universal second language, thereby, promoting cross-ethnic communication and positioning the state to trade globally. However, this austere mix of public norms and policies has been consistently balanced with a professed respect for cultural diversity in the private sphere. As then Prime Minister Lee Kuan Yew stated on New Year's Day in 1966:

> "We believe that a nation can be bound together without coercing all into one race, or one language, or one religion. We defend the right of our people to keep what they consider good in their different past, so that our future will be more enriched. That they speak in their homes in different tongues, that they pray in different forms, that they have different diets, these do not prevent them from coming together to defend what is their collective interest in a tolerant and prosperous society."[21]

Turning to political inclusion, before the 1980s, the PAP had won 95 percent of seats in all post-independence elections, many of which were uncontested. This marks Singapore out as a one-party state. Yet, when it failed to gain two thirds of the overall vote share in the 1984 and 1988 elections, the PAP's leaders announced that youth ethnic voting was the likely cause.

In response, the Group Representation Constituency (GRC) policy was devised 'to ensure the representation in Parliament of Members from the Malay, Indian and other minority communities'.[22] The GRC requires voters to elect teams of MPs, representing large constituencies, rather than individual political hopefuls. Teams must include ethnic minority members reflecting the ethnic

[21] Kuan Yew, L. 'New Year Day Speech'. *National Archives,* 1st January 1966. http://www.nas.gov.sg/archivesonline/data/pdfdoc/lky19660101a.pdf (Accessed 11.04.18)
[22] Article 39A(1), Singapore Constitution, 1999 Revised Edition https://sso.agc.gov.sg/Act/CONS1963 (Accessed 10.04.18)

compositions of the constituencies they represent. Accordingly, the PAP declared the policy to be aimed at ensuring the sustainability of its long championed multi-racial politics.

Perhaps partly as a result, minorities are contemporarily over-represented in Singapore's parliament and there is evidence that the scheme has also unintentionally increased women's political participation (Tan, 2014). Elsewhere, however, Tan (2005) argues that the expansion of the GRC effectively means smaller, localised opposition parties struggle to field their own teams and minorities must occupy non-leadership roles within those headed by PAP ministers. Accordingly, minority PAP MPs are often seen as 'riding on the coat tails' of their ethnic Chinese colleagues. This has led some to conclude that the real purpose of the legislation was to ensure PAP's continued dominance.

It has also been noted that the GRCs are administratively linked to Singapore's Community Development Councils (CDCs). When placing their votes therefore, citizens likely fear that by not choosing GRC teams led by PAP politicians, their local services may suffer. As Tan (2005) puts it; 'Although the GRC delivers a racially representative legislature, its susceptibility to electoral expediency enervates its commitment to genuine multi-racialism'. This has led some minorities to perceive the scheme as about 'political tokenism', rather than genuine participation on merit or the cultivation of healthy oppositional politics.

Nonetheless, two recent surveys provide further evidence for how the state's multi-racial public discourse and policies (described further below) have affected Singaporeans' attitudes (Chin and Vasu, 2007, 2012). They use a modified version of the Bogardus social distance scale that explores respondents' willingness to interact with various ethnic groups, from accepting a member of an out-group as a spouse, to them marrying one's relative, becoming a regular friend, neighbour or colleague. Respondents were also asked if they would trust a doctor, policeman, politician or soldier from another racial group to have their best interests at heart.

Among the Chinese participants, 31 percent said they would marry a non-Chinese, 91 percent indicated they would support an out-group member for political office, and over 95 percent were confident that their co-ethnics would protect them in times of need. Among Malays, 46 percent would marry a non-Malay, 97 percent were comfortable with non-Malays politicians, and 98 percent have faith in co-ethnics in security related roles. Given that in 2010 one in every five newlywed Singaporean couple in was in a cross ethnic marriage, these attitudes appear to translate into 'intimate' cross-ethnic contact (SDS, 2010).

Overviewing similar national surveys since the 1960s, Ling Ooi (2005) finds that although all ethnic 'groups are equally robust in their endorsement of national identity and a Singapore culture, [and] there remains a strong view that the ethnic identities and cultures have to be preserved.' However, they also reveal that the majority ethnic Chinese group has been consistently less positive about inter-ethnic relations, interacts less with fellow Malay citizens, including those who are neighbours, colleagues and friends, and is less supportive of multi-racial living arrangements than others. In contrast, the minority Malays were found to be positive about cross-ethnic interactions and a majority interact with fellow Chinese citizens. Despite this, overtime, there is evidence of a 'gradual improvement in relations between groups such as the Chinese and Malays'.

Roets et al.'s (2015) study provides further insights by comparing the attitudes of students from ethnic majority groups in Singapore and the Netherlands towards minorities.[23] They found that the latter hold negative attitudes, whilst among the former 'there were significant, positive relationships

[23] A well-known flaw of attitude surveys us that they are often conducted on easy to access students.

between authoritarianism and multi-culturalism and between authoritarianism and positive attitudes about out-groups'. Indeed, even though Singapore's Chinese students generally hold authoritarian personality traits, such as respect for rules and traditions, they have little or no animosity towards ethnic 'others'. The study also found that such attitudes are stronger amongst those Singaporean students that perceived the government to actively support multi-culturalism. This accords with research reviewed earlier that suggests perceptions of the inclusiveness of political systems are particularly important in diverse societies.

These authors use their findings to conclude that persistent public messaging around the acceptance of diversity, even when delivered by semi-authoritarian governments, can overturn negative attitudes towards minority groups. However, most allow that the indirect effects of other government policies in Singapore that promote intergroup contact, such as the ethnic quotas for public housing discussed in the next section, have also likely played an important role.

Ethnic mixing and housing

Since the establishment of the Housing and Development Board (NDB) in the 1960s, Singapore has sought to accommodate its rapidly expanding population, whilst spatially dispersing ethnic groups. These efforts have, in part, been an attempt to eradicate ethnic enclaves left by colonial policies. Accordingly, overtime, the state's provision of housing has adopted four main goals: the provision of shelter, home ownership, community bonding and building a vibrant community (Sim et al., 2003). Indeed, it is notable that Lee Kuan Yew, Singapore's prime minister from 1959 to 1990, wrote that he thought home ownership would give citizens a 'stake' in the young diverse country.[24]

As part of this, the state has established community organisations designed to provide cross-cutting ties between ethnic groups. For example, under the umbrella of the People's Association (PA) created in 1960, each electoral constituency in Singapore has its own Citizens' Consultative Committee and several Residents' Committees representing different HDB neighbourhoods. There are also community centres and clubs, each with its own citizen-led management committees. Beneath them are various sub-committees catering to women, senior citizens and youth. Together, these government mandated bodies organise community events and represent citizens to the state, which views them as essential mechanisms for assuring leaders from different ethnic groups interact.

There are also state funded ethnic associations, such as the Chinese Development Association Council, Mendaki, and the Singapore Indian Development Association, which only offer socio-economic assistance to their own ethnicities. Through them, the state seeks to acknowledge that some issues are group specific and best dealt with by ethnic community group leaders. Since the 2000s, the state has also held annual 'Racial Harmony Day' carnivals at the neighbourhood level, that celebrate Singapore's pluralism. Although some cynically argue that these are part of a larger subtle assimilationist strategy (Goh, 2011).

By the 1980s, it was increasingly suggested that ethnic groups, particularly Malays, were spatially 'regrouping' in some areas and not mixing with other ethnicities. To address this, the government

[24] Staff Writer. 'Why 80 percent of Singaporeans live in government-built flats'. *The Economist*, Kuly 6th 2017. https://www.economist.com/news/asia/21724856-subsidies-are-irresistiblebut-come-social-controls-why-80-singaporeans-live (Accessed 10.03.18)

embarked on an ethnicity-based quota scheme, the 'Ethnic Integration Policy', for neighbourhoods. It legislated that when properties are sold or resold, limits are set on which ethnicities can purchase them depending on the current make-up of the neighbourhood, with each ideally reflecting Singapore's demographics at the national level. The scheme was presented to the public by Ministers as 'necessary for the long-term stability of the nation' and 'a small price to pay in order to ensure that we do build a cohesive, better integrated society in Singapore' (Sin, 2003).

An early study of the quota policy points out that when it was implemented in 1989 there was little evidence to support such schemes (Sin, 2002b). Instead, where purposive, top-down mixing of ethnic groups had been tried before, such as in the UK and USA, it had proved controversial and difficult to implement. However, Singapore differs from these countries in that most people live in state-provided housing and there is little stigma attached to doing so (e.g. unlike public housing in the UK). Indeed, by 1989, 86 percent of the population resided in housing constructed by the HDB. This gave the state an unrivalled ability to enact the quota, which research indicates has successfully prevented the formation of new enclaves at both the neighbourhood and block levels (Sim et al., 2003).

Nonetheless, Sin's (2002a) study of electoral register data has uncovered evidence that the public housing scheme is designed with families in mind. This causes it to channel other, mostly poorer, non-Chinese residents into smaller and older public housing in specific locations. This has disproportionality affected ethnic Indians who have more households with no identifiable family nucleus. Sin also shows that these ethnic Indians are less likely to know their neighbours and less likely to take part in local community activities; moreover, they are transient, moving more frequently than others. Although more research would be needed to understand the effects of these outcomes on wider social cohesion and developmental goals, Sin shows that it is important to recognise that even well-intentioned policies may affect Singapore's ethnic groups differently.

Education and the labour market

Singapore's education system is often praised for respecting ethnic diversity and promoting social mobility by fast-tracking promising pupils and offering adult education throughout citizens' working lives. The former allows parents to choose schools within which children can learn their mother tongue (alongside English) and prepares them to occupy senior public and private sector roles. The latter enables workers to retrain to meet the demands of the fast-moving global economy within which the country's export orientated industries are embedded.

Nonetheless, Barr and Low (2005) are among those that critique what they term Singapore's twin foundational 'myths' of 'meritocracy' and 'multi-racialism'. Their narrative begins in the colonial period when ethnic Malays were considered by British officials and Chinese settlers as 'endowed with traits of complacency, indolence, apathy, infused with a love of leisure and an absence of motivation and discipline' (Rahim, 1998). And it shows how following independence, the state swiftly took steps to abolish such sentiments from its administration and wider society, through its education policies.

The authors then identify the rise of public discourses and policies in the 1970s that have aggressively encouraged minorities to assimilate the supposed 'Asian values' of Singapore's Chinese majority. These values include the unflinching pursuit of educational attainment, self-sacrifice for the good of the nation and materialism. They argue that this programme of 'Sinicisation' has been

implemented in subtle ways, such as through public announcements within which the Chinese majority have been praised for their positive influence on other ethnic groups. And through more overt methods, including during a parliamentary debate in which ethnic minority politicians were urged to become more like their Chinese counterparts. In 1991, the government even released a *White Paper on Shared Values* that promoted Confucianism as an attainable ideal for non-Chinese Singaporeans.

Barr and Low also show how the establishment of elite Chinese-medium schools in 1979 contributed to overturning the earlier era's idea of a multi-racial society. Indeed, these schools still only cater to students studying Mandarin as their primary language. Furthermore, as private tuition is often a requirement for children under five years old wishing to win places within them, those born to more often poorer Malay families face significant barriers to competing for places. Evidencing this, in 2000 only two percent of Malay students graduated from university, compared to the 17 percent for Indians and 13 percent for Chinese (Bin Mohamed Nasir, 2007). This, commentators argue, directly contradicts the idea of meritocracy at the heart of Singapore's foundational myth.

Forced assimlation and discimiantion have been identified in the workplace. Most overtly, ethnic Malays, who are predominantly Muslim, are often required to remove their headscarves or fail job interviews. Alongside the need for both Chinese language proficiency, to progress, this means Malays often confine aspects of their culture to the private sphere. Evidence of discrimination also comes from a study that finds Malays are over-represented in lower paying occupations across all of Singapore's industries, despite controlling for differences in educational attainment (Lee, 2004). Furthermore, it has been argued that discrimination has worsened since the terrorist attacks in the USA on September 11th, 2001 (Barr and Low, 2005).

Two other studies have examined the effects of Singapore's educational policies across ethnic groups. The first, by Baharom Adzahar (2014), shows that 'weak ties' of the sort identified by Putnam in Northern Italy also matter for occupational attainment in Singapore. They facilitate upward mobility, such as moves to managerial positions, by expanding individuals' horizons, increasing the likelihood that they will hear about opportunities or be recommended for them. However, increases in weak ties were found to matter less for Malay and Indian Singaporeans than for Chinese. These results suggest a social barrier to minorities advancement exists even when they cultivate the same connections as the dominant Chinese.

In a second study, Chua and Ng (2015) offer an explanation for 'Malay plight' (Mutalib, 2012). This idea refers to the disadvantages that Malays are increasingly recognised to have, including their low educational attainment, drug abuse, high rates of divorce and reduced occupational mobility. Using data from a 2005 survey, they ask how human, economic and social capital interact in the lives of Malays? They find that: 'Malays' lower access to human capital (in the form of educational attainment) produces lower access to social capital which, in turn, produces a lower likelihood of success in the labour market.

Chua and Ng theorise that this may be the result of discrimination and structural disadvantages in schools. This idea is supported by an additional finding that the social capital of parents of Malay children accrues less educational achievement for their offspring than those of other groups. Put another way, aside from Malays, Singaporean children generally benefit from their parents' social capital whilst in school, thereby, entrenching existing inequalities from an early age. Supporting this, a recent survey found that over 50 percent of Singaporeans believe being Chinese is advantageous and just under half think racism is a problem of the past (Mathews, 2017). Together, these studies raise important questions for Singapore's supposed meritocracy.

Developmental immigration and local responses

Singapore's export-led economy relies on imported foreign human capital. This imperative has been added to by the nation's steadily declining fertility rates which, at 1.15 in 2010, are now well below replacement levels. In response, the government has undertaken a series of drives to ensure inward migration, the latest of which began in the late 1990s. By 2012 Singapore had 533,000 permanent residents (10.7 percent of the population and 14.4 percent of the resident population) and 1.494 million non-resident foreigners (25.8 percent of the population). The resident population born outside Singapore has also increased from 18 percent in 2000 to 23 percent in 2010 (MoHA, 2012).

Rahman and Kiong (2013) argue that part of Singapore's success at attracting workers is its unique 'transnational inclusion' model which recognises and allows for the transnational status of the globalised labour force its economy requires. It allows immigrants to remain wedded to their countries of origin and not to become full Singaporean citizens for longer than elsewhere. In contrast, many European countries require immigrants to complete assimilationist programmes or tests as soon as possible after arriving and, in some cases, in their countries of origin before emigration. Singapore's model also encourages those citizens that emigrate to keep their links to the state by granting them the same housing privileges and abilities to enter state sponsored education programmes upon their return. The idea is that they will eventually bring their wealth and skills back to the economy.

Officially, however, Singapore's immigration model is based on a tiered system that privileges highly skilled workers, affording them more rights and opportunities to integrate. For example, skilled and professional foreign workers may marry locals or bring their 'dependents' to Singapore, and they are encouraged to apply for permanent residency and eventually citizenship. In contrast, low-skilled foreign workers, such as Singapore's large population of Filipino and Indonesian domestic maids, are subject to the 'use and discard' philosophy. They are neither allowed to bring their family members to live with them, nor permitted to marry locals (Yeoh et al., 2000). There is also evidence that foreign domestic workers are vulnerable to exploitation whilst in-country due to a lack of enforcement of the few laws designed to protect them and debt-bondage resulting from the low wages they are often paid (Wessels et al., 2017).

The recent increases in immigrants has also created anxieties and tensions among Singaporeans, with many worrying that they are favoured by the state, that they will not contribute to the country and that they will leave once they have made their fortunes. These anxieties were likely in-part responsible for the PAP's worst-ever election result in 2011 and for demonstrations against predicted immigration figures in 2013. Moreover, they have led to several social movements – including the popular 'Cook and Share a Pot of Curry' campaign that emphasised Singaporean national identity. Nonetheless, as pointed out by Liu (2014), even though the vast majority of recent immigrants are from mainland China, public critiques and everyday discourses have tended to focus on the differences between them and ethnically Chinese Singaporean citizens, rather than any potential they might have to fracture society or politics along ethnic lines. This further suggests that efforts to create a national identity have, to some extent, succeeded in uniting Singaporeans.

The state has responded with several initiatives, whilst maintaining that Singapore requires immigrants to remain globally competitive. For example, it has prioritised Singaporeans' access to public services, such as universities and healthcare, over non-citizens, and has sought to incentivise permanent residents to become citizens by charging them more. To promote integration, in 2009 the state set-up a Community Integration Fund and established the National Integration Council

(NIC). The latter is mandated to 'bond citizens with permanent residents and new citizens', with immigrants encouraged 'to share commonalities, values and experiences with fellow Singaporeans' (quoted in: Liu 2014). It has also recruited 800 Integration and Naturalisation Champions to help newcomers.

As explained by a Minister in 2012, the NIC works at three levels, 'functional integration' (helping immigrants understand norms and expectations), 'socialisation' (helping them develop social networks within communities and schools) and 'building mutual trust' (which is aimed at developing an emotional attachment to their new place of residence) (Mui, 2014). Politicians have also encouraged immigrants to form friendships with their Singaporean neighbours and to engage in community activities. Additionally, locals have been asked to help newcomers learn about Singaporean culture. It appears, therefore, that Singapore's integration strategy is based on contact theory, with interactions between newcomers and citizens to occur in everyday places, such as communities and schools. However, further research is needed to discern if it has been successful.

Box 11 – Malaysia

Malaysia provides a useful comparison to Singapore: First, following independence in 1957 it also began with an ethnically segregated society. Second, ethnic tensions exploded into violent riots in 1969. Third, until recently, it had been ruled by the same semi-authoritarian political coalition for its entire existence. Lastly, it enjoyed a rapid rise in growth and a restructuring of the economy that has arguably left it a globally integrated state. However, there are also important differences that many believe have contributed to Malaysia's recent political upheavals and left it vulnerable to future economic shocks. The remainder of this box explores them and comments upon recent political upheavals.

Unlike in Singapore, Malaysia's ethnic Chinese have been the minority since independence and Malays the majority, with Indians the smallest group (50.4 percent Malay, 23.7 percent Chinese, 11 percent indigenous peoples, 7.1 percent Indian, and 7.8 percent other races). During the colonial era the British socio-economically elevated the Chinese and Indians to support the extraction of tin and rubber farming, whilst largely confining Malays to the agricultural sector. Many argue this left the latter poorer and worried about their place in the newly independent state.

Accordingly, under a coalition of ethnic parties, the Malaysian state began by trying to right this historical wrong. It primarily sought to do this by recognising the special position of the Malays as the country's indigenous people. This was illustrated by the official use of the term bumiputera (prince of the land; son of the soil) for ethnic Malays and Peninsular Aboriginals/Borneo Natives, and by an education system that made Malay the language of instruction. Nonetheless, for the most part the economy retained the segregation of the colonial era, with the ethnic Chinese concentrated in the cities from where they traded tin, Malays in rural areas working a variety of menial jobs and subsisting, and Indians running rubber estates. When, by 1969, it became widely perceived that the fruits of growth were accruing to minority ethnic groups, riots broke out, killing estimates of up to 600 people.

In response, the government developed the New Economic Policy (NEP). The NEP was predicated on the belief that disharmony was caused by the bumiputera falling behind other ethnic groups. Indeed in 1970, the mean household income of Malays was almost half that of Indians and a third of the Chinese, while 65 percent of Malays lived in poverty, compared to 26 percent of Chinese (GOVM,

1971). The NEP also sought to address the increasing popularity of the far-right Pan Malaysian Islamic Party (PAS) that were advocating for a greater role for Islam and Malay culture in state institutions.

Drawing ideas from Mahathir bin Mohamad's book *The Malay Dilemma*, the NEP took the form of a radical affirmative action strategy. It aimed to eradicate poverty across all groups, whilst specifically increasing the bumiputera's participation in the economy. A pledge was also made to increase bumiputera corporate capital ownership to 30 percent within 20 years. These goals were to be achieved by favouring them in business appointments and through tax concessions, with public sector jobs, through government loans, and quotas for educational opportunities and state scholarships. Additional cultural and security legislation also made Islam a part of public life and assured the new order was non-negotiable by allowing the state to clamp down on dissenting voices from within civil and political society.

The NEP was meant to run for 20 years but largely continued under the guise of the National Development Policy (1991–2000) and the National Vision Policy (2001–2010). Although it was undoubtedly a feature before, Balasubramaniam (2006) portrays the NEP and its successors, as responsible for definitively 'embedding' ethnicity in Malaysian politics.

From the perspective of its champions, the NEP presided over an increase in the bumiputera's share of corporate capital from 1-2 percent in 1969 to 20.6 percent in 1995. Furthermore, over the same period a bumiputera middle-class arose, with a steady increase in their occupancy of technical and professional careers (Stafford, 2007). There was also a transformation of the economy from one based around extractive industries, to light manufacturing and, more recently, to high-skilled manufacturing for export and services (Balasubramaniam, 2007).

These changes were helped by foreign direct investment, attracted to the country by the creation of industrial 'estates' or free trade zones, and by the state's provision of improved services in utilities and transportation. Indeed, foreign investment grew steadily throughout the late 1980s to reach a peak of just under nine percent of GDP in 1992, after which a global economic downturn saw it reduce to an average of four-five percent (World Bank figures). Although not eradicated, it is also notable that Malaysia's overall poverty rate at the beginning of the NEP was estimated at 49.3 percent, whilst by 1990 it was down to 15.6 percent and then 5.7 percent by 2005 (Smucker and Naguib, 2009). There has also not been a repeat of 1969's violence.

For its critics, however, the NEP enabled a small number of elite state-connected Malays (note, not bumiputera) to enter into an informal coalition with their Chinese counterparts (Noor and Leong, 2013). Together, these elites have since tightly controlled economic and political opportunities for their own ends. This is locally known popularly as the 'Ali-Baba' arrangement, with Malays bringing capital and state connections to the table and Chinese business acumen. The NEP has also been blamed for creating a huge state-owned sector led by Malay managers that crowds out private enterprise and foreign companies, and that is largely inefficient or failing. Furthermore, under the strategy's concessions to the majority ethnic group, only around 20 percent of Malaysians pay taxes and there are reported to be significant sub-national regional disparities in poverty levels (although no data is available).

The NEP has also been accused of driving a 'brain drain' amongst non-Malays that are leaving the country in increasing numbers (although the government does not release these controversial figures). Its educational quotas may also have had the knock-on effect of creating a vast Chinese owned private education sector that segregates pupils at an early age. This leaves Malay students

unfit to compete in the global economy alongside their Chinese Mandarin- and English- speaking fellow citizens (Yeoh, 2013). For some, therefore, the NEP has promoted uneven and ethnically charged development, whist instituting a system of 'crony capitalism' and 'state patronage' that sits like a 'cancer' at the heart of Malaysia's economy (Lee, 2011).

Recent survey evidence supports such concerns. It suggests that Malaysian society has gradually polarised along ethnic lines (Merdeka, 2011). For example, it found that 64 percent of Malays identify with religion first, compared to 11 percent of Indians and six percent of Chinese. In contrast, 71 percent of Indians identified as Malaysians first, followed by 55 percent Chinese and 26 percent of Malays. Another earlier survey by the same institution reveals a decline in the number of respondents that think ethnic relations are getting better by 12 points (Merdeka, 2012). Furthermore, only one in three think ethnic unity is 'sincere and friendly', down by 19 points from 2006, with more reporting it to be 'superficial' (44 percent from the previous 29 percent in 2006). The results also show a decrease in those feeling 'that they are happy to live in a multi-ethnic society', 'Malaysian society is mature enough to discuss race and religious issues openly', and 'government policies were improving ethnic integration'.

Other polls conducted by the same organisation in 2008 directly challenge the government's course.[25] They find that 71 percent of Malaysians—including 65 percent of Malays—believed that the government's affirmative action policy needed revision; 50 percent blamed politicians for racial problems, and 70 percent indicated that they would help their own ethnic groups first. More positively, however, younger respondents from urban areas are more likely to have friends from other races. Nonetheless, these results stand in stark contrast to the surveys conducted in Singapore, described earlier.

In a surprise for some, Malaysia's ruling party, the UMNO-led Barisan National (BN) coalition, lost the two-thirds majority it had maintained since independence in 2008's elections. Commentators have since pointed out that, alongside minorities, many middle-class Malays abandoned the party, due to anger over 'inflation, a rising crime rate, an image of arrogance and corruption, a lack of transparency, the growing income disparity, ethnic inequality, [and] human rights abuses' (Segawa, 2013). To this was added criticisms of its long promotion of affirmative action policies, which opposition parties promised to reverse.

Although the BN narrowly won the 2013 general election, in 2018 it lost power in what has been called a 'political earthquake' of the sort rarely seen in a region dominated by authoritarian one-party states.[26] As commentators continue to pick over the ramifications, a few drivers have already been identified: first, anger at the supposed corruption of the defeated prime minister was crucial. Second, so was his government's failure to reverse the NEP's affirmative action policies. Third, the opposition's campaign made use of social media by delivering simple messages highlighting the opulent lifestyle of BN's leaders, which was an effective strategy at a time when voters are struggling with rising living costs. Fourth, many disaffected poorer and older Malays, in states thought to have been left behind by the country's economic progress, are believed to have voted for the Parti Islam Se-Malaysia (PAS), an Islamic party that promotes Islamic identity and values.[27]

This suggests that rising discontent with the country's social policies, coupled with a reduction in the strong economic growth of the 1980s and 1990s, left Malaysians unwilling to put up with the elite-

[25] Kooway, S. 'Malaysia's Racial politics'. *The Wall Street Journal*, 18th March, 2010. (Referenced in Lee 2008)
[26] Chan, A. 'Malaysia Elections: Everything You Need to Know About a Political Earthquake'. *The New York Times,* 17th may, 2018. https://www.nytimes.com/2018/05/17/world/asia/malaysia-elections-mahathir.html (Accessed 18.05.18)
[27] Further analysis is required to ascertain if this is really the case.

dominated politics of previous eras. However, it is notable that the winner of the elections was Mahathir bin Mohamad, Malaysia's former Prime Minister (1981 to 2003) and arguably the ideologue behind the NEP's affirmative action strategy. It remains to be seen whether this means that, once again, anger is channelled along ethnic lines.

Policy implications

Surveying Singapore and Malaysia, it is difficult to identify transferable policy recommendations. Indeed, their choices over how to manage diversity have been predicated on the powers afforded to semi-authoritarian states able to operate without significant civil or political opposition. They have also been implemented alongside remarkable growth trajectories that have raised the living standard of all their citizens. The former condition would be unpalatable to most Western ideas of liberal democracy, political participation and civil society. The latter is a factor of both states' abilities to aggressively intervene in their economies and their global positions relative to other booming East Asian economics, particularly China.

Singapore's housing policy and its support of, nominally non-political, civic associations have promoted ethnic mixing, which contact theory suggests may have contributed to strong survey results reported earlier. At the same time, minority ethnic groups' political representation, although criticised by some, have likely contributed to the state's impressive levels of legitimacy despite policies which are anti-worker and a punitive legal system. These are potentially easily-replicable policies in other contexts, with donors used to supporting non-political and inclusive civic associations, and able to mentor those advocating for political representation in ethnically diverse countries.

However, these polices have been supported by a public discourse that has embedded a shared national identity. Following independence, this identity emphasised citizens' common project of survival and, more recently, it has focussed on Singapore's prosperity against the odds. Whilst the mask may have slipped in certain periods, revealing some leaders' belief in the cultural superiority of ethnic Chinese, the state has mostly kept such divisive sentiments out of the public sphere. Singapore's story suggests, therefore, that overcoming the symbolic inequalities and fractures left by colonialism is as important as addressing material ones. The worth of this is supported by cross-national studies reviewed earlier that find that the public's perception of the state's impartiality and a shared national identity are crucial to stability and cross-ethnic cooperation.

This is perhaps another area in which outsiders are well-placed to help. This could be achieved through programmes that help states to craft and disseminate messages of national unity and which lay out long-term developmental objectives. This suggests working with government departments that engage citizens, focussing on institutions which promote transparency and building the strength of political parties to devise long-term, consultative developmental plans. Nonetheless, these courses of action come with the risk of outsiders being seen playing politics or as part of the states' propaganda machines.

Perhaps with less risk, external actors could help ethnic mixing by strengthening state education systems. Education can impart ways for groups to communicate in culturally 'neutral' shared languages and promote meritocracy, instilling it in state officials and institutions. This seems to have been particularly important to Singaporeans' sense of identity, their belief in the state's impartiality and their commitment to its long-term developmental plans. However, steps must be taken to

identify policies that, often unintentionally, separate children from different ethnic groups into fast-streams too early. Moreover, as Malaysia's case attests, addressing inequalities through aggressive affirmative actions that privilege one group over the other can lead to additional unseen longer-term problems. For this reason, they should be avoided or undertaken with great caution.

That said, it is important to keep in mind that the comparatively small size of Singapore may have played a large role in helping the state to identify and to quickly address emerging issues, such as ethnic enclaving. There is also evidence of increasing discontentment with an economic model that relies on ever increasing levels of immigration. In characteristic fashion, the state has swiftly responded with a raft of integrationist policies that are designed to relieve citizens' fears whilst capitalising on the skill of incomers. However, there are few lessons from history that shed light on whether they will be enough.

- **Donors may support civic associations that promote ethnic mixing.** However, they must remain aware that in most states civic associations are embedded within political networks or penetrated by the state.

- **Donors may support groups advocating for the representation of ethnic minorities in elected assemblies and other governance institutions.** However, efforts must be undertaken to determine whether this is in the service of genuine participation and oppositional politics, or tokenism and the co-option of minorities by majorities.

- **States can be supported to better engage populations, both by promoting an inclusive national identity and transparently communicating long-term developmental plans.** This comes with the risk of outsiders being accused of 'playing politics', especially where states begin from low levels of legitimacy.

- **Education and the promotion of shared modes of communication across ethnic divides is a relatively safe area for donors to support.** However, language can be heavily politicised. Thus, any programmes may require significant buy-in from elites and the wider population.

- None of these policy recommendations are likely to show results within standard four- to five- year programme spans.

- Economic and educational affirmative action programmes entail significant complexity and long-term unforeseen risks. Therefore, they should be avoided.

Conclusion

It is clear from this brief study of Singapore and Malaysia's experiences of managing diversity and development that despite structural similarities, they took very different approaches. Singapore aimed to institute a multi-racial meritocracy and common national identity, whilst pursuing a subtle assimilationist strategy. It recognised ethnicity through quotas in the societal and political spheres yet also sought to assure that the state could not be accused of favouring one group over the other. This may have contributed to the country's economic success and relatively stable politics.

In contrast, Malaysia pursued social harmony by publicly acknowledging ethnic differences and aggressively intervening to promote social justice. This arguably provided the room for elites to collude in the creation of a corrupt, rentier state, with a shallow form of legitimacy, paid for by patronage, impressive growth figures and declining poverty. Survey evidence and recent political upheavals suggest, however, that this may have merely served to temporarily mask deepening intersecting economic and ethnic fissures, leaving behind a polarised society for which little can now be safely predicted.

Those looking to either country for policy recommendations must acknowledge the unique conditions – semi-authoritarianism and a booming region – that have likely contributed to their stories.

Mauritius

Like Malaysia and Singapore, Mauritius has received significant attention in the diversity dividend literature as another small, rapidly growing, highly diverse state. Mauritius' rapid growth has been described as an 'almost unqualified success story,' and a 'miracle,' placing it on par with Malaysia in terms of 'spectacular and sustained' growth and human development (Srebrnik, 2000; Sriskandarajah, 2005; Hall, 1997). Cementing and perhaps propelling this growth is the fact that there has been remarkably little civil unrest or violence since independence in 1968. Achieving this in a context characterised by high levels of ethnic, religious and cultural diversity has attracted both admiration and interest among those seeking to 'manage' diversity elsewhere.

The details are impressive: Mauritius' GDP grew at 5.9% on average between 1979 and 1999, leading the island's classification as a 'high middle income country' (Subramanian, 2001). Over this period, the country has moved from a mono-crop dependency to a diversified, export-oriented economy. Concurrently, average per-capita income tripled, while that of the average African only increased by 32% and the Gini coefficient declined from 0.5 in 1962 to 0.37 in 1986-8 (ibid). The country's Human Development Index measures are higher than the world average, including life expectancy and primary school enrollment, supported by a comprehensive welfare state (Madhoo and Nath, 2011).

Mauritius' level of success is particularly striking in contrast to the stagnation or decline experienced by many other equally diverse African states over the same period. African development trajectories are often explained by the relative influence of 'initial conditions' including geography, endowments and 'policy'. In the case of Mauritius, Subramanian (2001) argues that overall, initial conditions were a net disadvantage, and points instead to the island's democratic developmental state model as the driver of economic growth. This model includes an explicit focus on export development through an export processing zone, bolstered by favourable export terms and preferential access to overseas markets. However, even after accounting for these factors, Subramanian (2001) points to 'the country's ethnic diversity and how it was managed' as the 'unexplained component' to the island's growth.'

Identity and cohesion

Mauritius is among the most factionalised countries in the world (Posner, 2004; Montalvo and Querol, 2005). The diversity of the island's 1.3 million population stems from large waves of immigration from China, Indonesia, India, Africa and Europe which occurred simultaneous with and subsequent to 'multiple colonisation episodes' under the Dutch, French and British. Unusually, Mauritius was largely uninhabited until the arrival of the first Dutch colonisers. The lack of an indigenous population removed the potential influence of pre-colonial patterns of social organisation that have created social and economic cleavages in other contexts.

Presently, Hindus comprise slightly over half the population and dominate the state apparatus, though the considerable caste and linguistic variation within this majority has created sub-groups, functioning as their own minority (Sandbrook, 2005). Other notable groups include Muslims and Creoles, as well as a small Chinese minority and a smaller still group of Europeans. Creoles remain the most excluded, occupying the lowest paid positions and living in the economically most disadvantaged areas (Carroll and Carroll 2000). Importantly, since independence Mauritius's ethnic composition has remained relatively stable, with in-migration increasingly limited to returning high-skilled Mauritians previously working abroad, as well as small numbers of labourers. Despite over a century of co-existence, authors highlight that ethnicity remains the most important social organising principle, bolstered by weak Mauritian pan-nationalism and the relative absence of symbols of national Mauritian unity (Srebrnik, 2000).

Despite this fractionalisation, Madhoo and Nath (2013) note that diversity has not created conflict related to resources or power; 'rather these factions recognise the benefits of sharing, thereby producing a congenial environment for social cohesion and social capital growth.' Scholars point to two practical features that supported cooperation between these groups. First, Mauritius is a small island, spanning an area of approximately 720 square miles (Srebrnik, 2000). This size left residents no other option but to establish links with each other and ultimately cooperate (Madhoo and Nath, 2013). In addition, the importance of Kreol as the common language joining these groups, is repeatedly noted in the literature (Madhoo and Nath, 2013). The general lack of segregation on the island and 'spatial admixture of ethnic groups,' further supports such interaction. Though theories of social capital formation are not commonly invoked in studies on Mauritius, these explanations lend support to contact theory, which suggests bridging forms of social capital are formed, based on interactions with others. The fact that Mauritius' many ethnic groups have largely maintained their identity and intra-community connections suggests that this form of bonding does not come at the expense of bridging (Putnam 2007). Carroll and Carroll (2000) sum up this duality by noting 'ethnic boundaries remain strong for Mauritians in their private lives…in the public realm, by contrast, there is a great deal of inter-ethnic interaction.'

Further, the fact that 'Mauritians, in a sense, are all immigrants', is repeatedly highlighted as an important factor shaping the island's tolerant political discourse (Eriksen 1994). Comparisons are often drawn with Fiji, as a small, diverse island, where native Melanesian Fijians claim political supremacy over other groups who arrived later (Carroll 1994). The implication of this comparison is that beyond the level of diversity or even relative ethnic make-up within a state, the nature of a group's claim to power and related feelings of entitlement also shapes the dynamics.

Scholars describe Mauritius as an example of a democratic developmental state where 'politicians and bureaucrats adopt "market-conforming" methods of state intervention' (Sandbrook 2005). This strong interventionist model, led reforms that moved the economy through incremental phases of

liberalisation; moving from its status as a sugar producer to an exporter of textiles and clothing, and increasingly technology and financial services (Vandermoortele and Bird, n.d.). Though such growth is posited as a potential factor mitigating the challenges of diversity, Sriskandarajah (2005) finds that it is not sufficient to prevent ethnic conflict, pointing instead to the importance of institutions.

Institutional development

Authors reflecting on the success of the developmental state note the importance of capable state institutions in implementing developmental polices. Mauritius ranks higher than the rest of Africa and most developing countries on a number of indicators of institutional quality, achieving what has been described as 'an effective state that has remained effective since independence (Sandbrook, 2005; Madhoo and Nath, 2013). Scholars have utilised some of the most well-established theories in international development as a way to understand Mauritius' success. For instance, Mauritius' status as an island avoided 'arbitrary' colonial borders, which are posited to have negative effects on development elsewhere in Africa (Posner, 2004). Similarly, Acemoglu et al. (2001) find that settler mortality was particularly low in Mauritius. The authors argue that settler mortality, functions as an instrumental variable that explains good quality institutions, with the logic that lower rates of mortality created incentives for settlers to develop institutions to establish the rule of law and protect against appropriation. This argument is consistent with the evidence provided by Rodrik et al. (2002), who argue that quality of institutions trump geography and trade in explaining country income levels.

Beyond these arguments, authors also highlight the influence of the British, as the last colonial power before independence, on the quality of Mauritius' present-day institutions. The key feature here is British 'indirect rule,' in which the colonial government administered in large part by native elites rather than British officials, provided a basis of experience and human capital development that was then used to lead institutions post-independence (Lange 2003). Sandbrook (2005) notes that British rule was particularly 'indirect' in Mauritius, where 93% of public service roles were occupied by local elites by 1920. The extensive colonial state structures were also noted as a factor driving the quality of Mauritian institutions, which had 'four times the per capita state revenues, three times the number of police officers per capita, and ten times the number of magistrates and cases per capita' than other British colonial states in Africa (Lange 2003, cited in Sandbrook 2005).

Additional features stemming from British rule have also been identified as important in laying the basis for Mauritius' capable institutions, including the island's Westminster-style, parliamentary democracy. Such systems are only found in a handful of African states but are suggested to be less prone to authoritarianism than presidential systems, due to their diffuse arrangement of power (Bratton and van den Walle, 1997). Similarly, the legal system established in the 1830s, afforded 'technical equality' to all people, and laid key foundations for institutions post-independence and set an important precedent for subsequent policy making (Sandbrook 2005).

Accommodating diversity

Beyond the quality and competency of Mauritian public-sector institutions, their 'specific elements designed to accommodate and balance ethnic differences and exclusion' post-independence are noted as an equal if not more important aspect of Mauritius' success (Madhoo and Nath, 2013). Srebrnik (2000) and others attribute much of this design to Mauritius' first Prime Minister, Seewoosagur Ramgoolam, who 'believed in compromise and the need for minority participation in the political process.' This orientation, it is argued, established norms, that leaders since, have largely maintained, and has led to the creation of a 'formally neutral democratic state structure' (Srebrnik, 2000).

The most commonly referenced expression of these norms is the Mauritian Parliament and National Assembly, which are explicitly designed to maintain balanced representation of all groups. Candidates running for Parliament must state which of the main ethnic communities they represent; following the election a commission reviews the proportion of representatives that should come from each community. This balance is maintained through the 'best losers' system, where additional seats are then allocated to candidates that stood for those under-represented communities but were defeated, which guarantees seats for all minorities (Madhoo and Nath, 2013, see also Mathur 1991, 1997; Nave, 1998). A similar process is followed within the National Assembly, where four seats are awarded on a 'party and community basis.' Carroll and Carroll (2000) note that the fact that each voter casts three ballots, leading to three representatives to be chosen from each constituency, was designed to 'discourage complete Hindu dominance'. This arrangement is argued to create clear incentives for parties to engage across community lines (Sandbrook, 2005). This incentive for parties to make cross-group appeals was shaped by the realisation, soon after independence, that 'no party could govern without significant support from the Hindu majority' as well as by the practical need for parties to govern in coalitions and wider power sharing agreements (Carroll and Carroll, 2000; Sandbrook, 2005). Though this has been described as 'one of the most complex multi-party systems in the world', the fact that each ethnic group has an established stake in the system, ensures legitimacy of the system by all groups (Srebrnik, 2000; citing Mukonoweshuro, 1991).

Madhoo and Nath (2013) describe the Mauritiuan approach to political representation as a form of integrative democracy, in which the 'electoral system, legislative-executive relations and so on, are structured so that incentives are created for political elites to seek support across ethnic divisions' (citing Horowitz, 1999). Such 'participatory institutions,' it is argued, moderate minority concerns about the possible domination by the majority, contribute to the necessary feeling by all groups that they are 'culturally and politically' secure and discourage those who play to ethnic extremes (Subramanian, 2001; Carroll and Carroll, 2000; Srebrnik, 2000). These structures cement the legitimacy of the Mauritian state, as any citizen 'can see a representative of their group at each level of the bureaucracy' (Carroll and Carroll, 1997).

Beyond these institutional structures, authors point to redistribution via Mauritius' comprehensive welfare state as important in mitigating underlying tensions stemming from enduring inequality (Sandbrook 2005). Despite the country's declining Gini coefficient, wealth remains concentrated in the white European population who own 'just over half of the land under cane cultivation and about 65 percent of the stock of productive assets' (Sandbrook 2005, citing Mistry 1999). The Mauritian government seeks to balance this through social spending, which forms an estimated 40% of government expenditures, supported by the country's strong economic growth and high domestic

savings and investment rates (Sandbrook 2005). These expenditures take the form of universal pensions, medical care, education, subsidised home loan schemes and employment training, and together form a system of social protection 'similar to that seen in the industrial countries' (Madhoo and Nath, 2013; Subramanian, 2001). Madhoo & Nath, (2013) explain that policy governing these allocations 'is based on the premise that the needs of different ethnic groups' are used 'to elicit their conditional support.' Whilst authors are tentative regarding the efficacy of these policies in substantively addressing levels of inequality, particularly among Creole communities, they highlight the importance of the symbolic importance of this 'harmonising factor' arguing that it reduces tensions and enhances perceptions of state legitimacy (Sriskandarajah, 2005; Madhoo and Nath, 2013).

Associational life

Discussions of Mauritian institutions also repeatedly return to Mauritian civil society as an equally important factor in managing the island's diversity. Here, civil society is composed of a wide range of local groups and associations, including clubs, religious societies, unions, neighbourhood and women's associations; organised predominantly along ethnic lines (Srebrnik, 2000). Carroll and Carroll (2000) find high levels of interaction, engagement and consultation between the government and these groups, amounting to a frequency of, approximately, once per month. These patterns of interaction or 'civic network' were first established during the production of Mauritius' first National Plan in 1970, which was 'preceded by unprecedented consultation with a wide range of stakeholders representing a swathe of ethnic, religious and interest groups, [and] became the model for policy making going forward' (ibid).

Authors argue that these arrangements play a critical role in cementing the legitimacy of the state and managing potential ethnic tensions. Indeed, the space afforded to these groups by both the government and other groups is an important symbol of each group's right to exist as a political entity. Similarly, consistent and deep government engagement with these groups, further legitimates them and gives each group a sense of state responsiveness (Carroll and Carroll 2000). This reciprocal relationship ensures that the needs of all groups are met, as the 'state is constantly pressurised to be sensitive to the effect of policies and programmes on each major ethnic community.' This feedback structure, it is argued, improves the overall quality of policy, as governments remain responsive to any deterioration in the economic and financial situation (Srebrnik 2000). Sandbrook (2005) sums up the importance of these tight feedback structures, noting, 'no government can survive in an election, and no industrial strategy can succeed, unless the benefits of growth are seen to be shared.'

The role of growth

Authors draw a clear connection between the quality of Mauritian institutions, particularly strong property rights protection and overall market predictability, as essential factors driving the island's growth. Compared to the focus on institutional factors driving Mauritius' success, relatively little attention is paid to the potential role of ethnic diversity in supporting development through other economic dynamics. One exception to this is highlighted by a number of authors, who flag the importance of Mauritian ethnic links to overseas powers in supporting the island's export-led

growth. This includes the role of ethnic communities in attracting foreign investment, as was the case for Chinese communities vis a vis investors from Taiwan and Hong Kong as well as the increasing contribution of Indian firms to technology development on the island (Subramanian, 2001; Madhoo and Nath, 2013).

Of equal importance was the role of these relationships in accessing preferential trade agreements for many of Mauritius' key products. For instance, (Madhoo and Nath, 2013) highlights the importance of British and French support for Mauritian inclusion in the European Economic Community and subsequent arrangements, guaranteeing a certain volume of sugar exports that averaged 90% above world prices until 2000. The Multi-Fiber agreement also favored Mauritian textile exports by ensuring a certain quota of exports to the EU and US. Arguments related to the importance of these overseas, quasi-diasporic relationships bear the clearest resemblance to arguments related to diversity in OECD cities and regions.

Policy implications

Though Mauritius' geographic size and colonial history make it a unique case in many respects, a number of policy implications emerge from this case study related to institutional development. First, is the importance of designing institutions to balance representation and interests of diverse groups in national policy making processes. Though the level of diversity within a society will dictate whether integrative or consensus forms of democracy are most appropriate, it is clear that establishing explicit mechanisms to ensure representation is important both practically and symbolically in the Mauritian case. Similarly, ensuring these groups have legitimate space to both form associations, and engage with the government, according to their interests appears to be equally important; this can be fostered through government funding to each group, and approaches to engagement with them.

Though not the product of a 'policy' as such, the importance of mixed neighbourhoods was also important in promoting social cohesion and could be promoted in other contexts through policies of subsided housing or mixed-tenure living. Lastly, the importance of social protection policies in reducing perceived, if not actual inequality, highlights that, where possible, such approaches may serve as a way of further managing the potential challenges of diversity and associated inequality. Despite Mauritius' many unusual features, a few lessons with relevance to donors emerge, including:

- **Through technical assistance, donors may support the development of policies that promote a sense of political, ideological and associational security for all groups.** Ensuring the effective implementation of such policies is equally important, and likely requires longer-term support to institutional capacity.

- **Donors may support the development of electoral processes and decentralisation that consider ethnic balancing and mitigate the risk of capture by majority groups.** However, this has the potential to risk backlash from majority groups who stand to lose, who may have an incentive to frame the process as illegitimate.

- **Donors may support processes to build meaningful relationships between elected representatives, associational groups and citizens.** The Mauritian example highlights that

single-group and mixed group organisations can serve this purpose, as long as these groups provide a mechanism through which group concerns can be legitimated and communicated.

- **Donors may support policies that promote spatial mixing of groups socially**. However, this should be approached with a strong understanding of conflict sensitivity to ensure this exposure does not promote inter-group competition.

- **Programmes may usefully support initiatives that seek to build inter-cultural communication skills or make national languages accessible to minority groups**. Though this has the potential to address many forms of exclusion facing minorities and to build social capital, the political nature of language in some contexts, means this should be done with caution and with a clear objective to not replace existing languages.

Conclusions

Assessments of Mauritius, frame it as a nearly unmitigated development success story, with social stability, rapid GDP growth and climbing human development indicators, propelled by export-led growth and managed by a democratic developmental state. Key questions revolve around how Mauritius achieved these changes, while avoiding conflict among its ethnically diverse population.

Unlike explorations of OECD countries which tend to explore how countries have benefitted from diversity, the majority of work on Mauritius, frames the island's success in terms of its ability to 'manage' its diversity, thus avoiding the conflict, fissures and patrimonialism that have plagued many of its equally diverse African neighbours. Such success, it is argued, stems primarily from the quality of the island's institutions and the explicit approach to ensuring representation of and engagement with, all ethnicities. A comprehensive welfare state with strong social safety nets supports this, by symbolically acknowledging inequalities inherent in this diversity and attempting to practically address it. Such observations suggest that 'ethnic identities in themselves are not the source of problems; it is the way these identities are organised to share the benefits of growth that can cause social unrest' (Madhoo and Nath, 2013).

Though these institutional characteristics suggest policy approaches that may be applicable to other cases, most authors are quick to highlight the 'exceptional' nature of the Mauritian case. Such exceptional features include the island's small geographic size, fully immigrant population, and particularly 'indirect' form of British colonial rule. These features, is it argued, were essential to the development of institutions, that drove the Mauritian state that emerged in 'unique circumstances' (Sandbrook 2005). Though the combination of initial conditions and institutions may be instructive in understanding the elements of a successful approach to managing diversity, some of the Mauritius' more unusual factors will no doubt be impossible to replicate elsewhere.

London

London has received particular attention from those exploring the diversity dividend from both econometric and policy perspectives. As one of the original 'global cities' and the most diverse city in the European Union, London has been described as an example of extreme forms of multi-dimensional diversity such as 'super diversity and 'hyper-diversity' and 'possibly the most ethnically diverse conurbation on the planet' (Raco et al., 2017; Vertovec, 2007; Sturgis et al., 2014).

Present day London's diversity is a product of its past, as a centre of trade in the Roman era, and later as the capital of the most far-reaching empire in recent history for 200 years, which together brought continuous waves of migration. At present, minority communities are expected to grow to an estimated 39 percent of the London population by 2026 (London Development Agency, 2007). Of London's 8.71 million residents, Indians, Polish and Pakistanis form the largest groups born abroad.

Though previously sustained by broader public support for pluralism and multi-culturalism, diversity in Britain has become a more politically heated topic in the context of the Syrian refugee crisis and broader securitised narratives surrounding diversity and immigration. London itself has emerged as separate from these debates, exemplified by the city's strong support to 'remain' in the European Union and the election of Mayor Sadiq Khan, who is of immigrant origin. Nevertheless, debates surrounding the benefits and disadvantages of diversity, including how they play out in the UK's largest city, remain at the forefront of both British and European politics.

Policy context

Though discussions of diversity touch on a range of public policies, the most commonly referenced in these debates relates to urban housing and local government (Raco and Kesten, 2016; Raco et al., 2014; 2017). Authors examining these policies identify a political shift in the 2000's with the shift to New Labour, which moved away from an emphasis on pluralism toward a focus on promoting community cohesion. It is argued that this shift was premised on the belief that the pluralistic policies that celebrated differences between groups 'had resulted in a lack of emphasis on shared common bonds,' which thus must be addressed (Raco et al., 2017).

The period following 2010 , marked by the Conservatives – Liberal Democrats coalition, further moved these policies of cohesion forward. Key changes in this era included devolving responsibility for a number of urban functions to local government, while at the same time erecting policy barriers designed to reduce immigration. Though this 'new localism' was intended to allow local governments to tailor solutions to address the diversity of their local context. However, Raco et al. (2017) note that competing incentives created by austerity policies and heavy privatisation mean that in reality, such policies are developed and implemented unevenly.

To illustrate this point, the authors return repeatedly to the example of affordable housing in London as a way of engaging with diversity. According to the Mayor's 2011 London Plan, municipal policies should support communities to be 'mixed and balanced by tenure and household income,' based on the specific interest of avoiding concentrations of the poor and marginalised (GLA, 2011). Though this plan encourages boroughs to invest in affordable housing, requirements to do so have been lowered, and incentives to do so are further reduced by London's skyrocketing land values

(Raco et al., 2017). These factors, it is argued, result in the under-provision of mixed tenure affordable housing. Though many authors lament this change, some are sceptical of the ability of such a policy to serve as a silver bullet to promote social mobility and reduce deprivation as intended, arguing that enhanced welfare services are also necessary (Arbaci and Rae, 2012; Tunstall and Lupton, 2011).

Based on this policy context, investigations of the impact of diversity on London fall into two parallel strands. The first examines diversity in terms of social cohesion, identifying a largely mixed relationship, with a particular emphasis on contact theory in the context of segregation. The second strand examines the link between diversity and competitiveness of the city as a whole and of firms within it. Here, authors identify more consistently strong links between diversity and these outcomes, attributable to innovation and knowledge diffusion.

Social cohesion

London's high levels of diversity have inspired a number of academics to test dominant theories of social capital formation empirically, particularly contact and competition, referenced earlier in this narrative. Examining London's neighbourhoods, Sturgis et al. (2014) finds a positive association between diversity and perceived social cohesion, once 'economic deprivation is accounted for.' These results are nuanced by the finding that segregation within neighbourhoods is associated with lower levels of perceived social cohesion, which is consistent with findings from the US and Canada (Sturgis et al., citing Rothwell, 2012 and Uslaner, 2012). Examining these trends by age cohort, the authors find that diversity enhances trust among youth populations, and reduces it in older populations. Focusing on UK cities in general, Letki (2008) provides somewhat similar findings, noting that racial diversity itself has no effect on eroding social capital, and finds instead that this erosion can be linked to low socio-economic status of neighbourhoods.

Theories of both contact and competition within the social capital literature have also motivated a number of specific investigations of London's segregation patterns. Through a spatial analysis covering 13 ethnicities, Jones et al. (2015) find that levels of segregation vary by borough and are dictated in part by each group's 'length of settlement in the city and its degree of economic and cultural assimilation into the wider society,' with more recent arrivals (Pakistanis, Bangladeshis), more segregated than longer established groups (Caribbean).

Linking segregation to social cohesion, Laurence (2017) finds that on average, rates of Local Authority-level segregation are lower in London than across Great Britain. He provides evidence that increasing neighbourhood diversity only negatively impacts neighbour-trust in areas nested in more segregated wider-communities; individuals living in diverse neighbourhoods, nested within integrated wider-communities, were found to experience no trust-penalty. The author suggests that these findings provide a necessary nuance to contact theory, highlighting that contact does not necessarily emerge solely from contextual diversity, and rather, may be a product of 'the wider-community (e.g. segregation) in which neighbourhoods are nested'.

Observations by Raco et al. (2017) provide additional insight into this finding, highlighting that 'whilst there is still a policy insistence on the provision of mixed communities, the reality is that micro-segregation is becoming entrenched in the physical layout of many urban developments.' The argument is echoed in other work, which notes that 'just because diverse people in London live next to each other, they do not necessarily have meaningful social contact' (Jackson, 2015; Savage, 2015).

The implication of these findings is that though diversity in London is not necessarily harming community trust, physical forms of social integration may create an illusion that more contact and equal opportunity is occurring, than is in reality.

Competitiveness and innovation

London is one of the world's richest cities, with an economy big enough to occupy eighth place among European countries (Douglas, 2016). Its growth was driven in large part by the consistent growth of the information technology, financial and professional services sectors, combined with the larger economic dynamism stemming from housing one-third of all UK businesses. Raco and Kesten (2016) note that London is an example of 'resurgent urbanism founded on the skills and entrepreneurialism of creative workers' popularised by Glaeser (2010) and Florida (2014), and resulting from an explicit policy emphasis on attracting high-skilled workers.

The strongest evidence for the diversity dividend in London can be found at the firm level. Nathan (2011) finds a positive link between ethnic-cultural-linguistic name calculations and wages in UK cities. Though this analysis does not identify a mechanism driving this relationship, he draws on larger discussions about the importance of diversity in driving knowledge diffusion and the 'creative class' in driving growth to provide intuition to his model. These explanations return in subsequent work exploring the role of diversity at the firm level.

Authors also identify a strong link between diversity and innovation, as a driver of London's economic competitiveness. For example, Lee (2015) finds a positive link between diversity within UK firms, and innovation, including in London. This is explained by the fact that diversity increases 'cognitive diversity' within firms, leading to the generation of new ideas. Nathan and Lee (2013) arrive at similar conclusions when examining London specifically, identifying a 'small but significant 'diversity bonus' for all types of London firms', not just knowledge intensive industries. Though these authors use London examples as the basis of their claims related to firms, they do not point to a feature of London as determinative of this dynamic beyond the diversity variables nor do they suggest a specifically London-dimension to these results, though they do note that 'London's size, economic structure, and demography are unique' (Nathan and Lee, 2013).

Notably, these studies tend to focus primarily on the role of high-skilled workers, or workers in knowledge or high-skilled sectors, as driving competitiveness and innovation. Florida's concept of the creative class as a driver of economic growth within cities is often invoked in discussions of the mechanisms behind the city's economic development and emphasises the economic attractiveness inherent in creative, high-skilled industries (2002). Though the importance of high-skilled workers in driving the city's growth is consistent with broader theories of human capital and skills complementarities, it is set in relief against the city's growing inequality. This is on par with cities in the global South, with 28 percent of Londoners living in poverty (Dorling, 2010). Such inequality is consistent with the concern identified by Raco over the course of a number of policy analyses, where he argues that policy narratives in London aim to create consent for diversity as an economic asset and driver of growth in a 'small cluster of powerful economic sectors,' without recognition of the role of low-skilled workers in Britain's economy (Raco et al., 2017; Raco and Kesten, 2016).

Others have examined the specific phenomenon of migrant owned businesses in London. For instance, Syrett and Sepulveda (2011) use the concept of 'superdiversity' to explain the rise of such businesses, mapping the emergence of new forms and geographies of enterprise. Using a qualitative

approach, Smallbone et al. (2010) also find that though ethnic and linguistic diversity may be a potential asset for city competitiveness, evidence to demonstrate this fact empirically is currently uneven. Perhaps their most conclusive finding is the importance of 'diaspora-based linkages' built on relationships of trust in supporting minority owned businesses; though they note that this is insufficient evidence to draw broader conclusions regarding the role of these networks in London's development.

Policy implications

A few policy recommendations stem from the dual strands of literature outlined in this case study.

Sources examining social cohesion largely focus on policies designed to improve the quality of contact between diverse groups, given the findings overall that contact in London is insufficient alone to build cohesion. Raco et al. (2017) highlight the importance of creating and supporting spaces of encounter that cut across ethnicity, culture, gender and class including but not limited to community-led initiatives. Sturgis et al. (2014) find that diversity does have a strong negative link with trust but only for older, white residents which suggests the particular need to develop initiatives to support constructive interaction, with these individuals in particular. Though authors agree that additional, affordable housing following the mixed tenure policy is itself insufficient to promote cohesion, many also flag the need for additional, affordable housing in the city.

With reference to the broader UK policy landscape Raco et al. (2017) caution that policies aiming to support diverse communities should take care so as to not reinforce patterns of exclusion. This may include reviewing key guidance policies like the Equality Act, to ensure group definitions are not made on essentialising characteristics which the authors note can become a form of exclusion. Among the strongest recommendations are that 'regeneration policies have to pay stronger attention to the existing diversity of residents and businesses in urban areas.'

Authors examining diversity and competitiveness and innovation provide relatively fewer direct policy recommendations. Implicit in the findings that diversity improves these outcomes, is the support for immigration policies, making it easier for high-skilled workers to be employed in London firms, though these policies are set nationally. Raco et al. (2017) point out that the benefits of London's rapid economic growth are not being felt by many of its residents belonging to minority groups, and thus merit policies supporting the creation of more 'just' diversities, including those promoting redistribution. Though these lessons apply most directly to an OECD context, indicative lessons for international donors to consider include:

- **Donors could support programmes that promote social mixing of diverse groups, even in diverse neighbourhoods.** These programmes should emphasise high quality interactions to address issues of separate togetherness.

- **Donors should be cognisant of potential winners and losers associated with any policies or programmes.** Such programming should ensure that any diversity dividends are evenly distributed.

- **Programmes or technical solutions that help local communities capitalise on their diaspora relationships could be beneficial to business development and innovation**. These solutions could be useful to access capital, skills and knowledge.

- **Programmes seeking to promote innovation should support coalitions and networking opportunities that bring together members of diverse groups.**

Conclusion

This case study has explored the differing expressions of diversity within London in relation to social cohesion and economic competitiveness. In terms of social cohesion, it has identified mixed evidence of a diversity dividend. Authors find that on the whole, diversity itself does not necessarily reduce trust, nor do spatial patterns of diversity, necessarily translate into contact. More consistent evidence was presented, connecting the city's diversity with economic competitiveness and firm innovation. Inequality is a subtle feature of both areas of inquiry, linked to patterns of both 'micro-segregation' within communities as well as an emphasis on promoting growth through 'diverse' high skilled workers. These factors are governed at different policy levels, with policy solutions to support social cohesion focused on improving the quality of inter-group contact. Though fewer policy recommendations stem from studies on competitiveness, their findings imply support for policies supportive of hiring foreign workers into high skilled roles, though they do not present a clear stance related to lower skilled workers.

It should be noted that nearly all studies presented here use London as an individual case study, with a few examining London in reference to other British cities. This provides granular detail on these dynamics in London, at the expense of a comparative analysis of these dynamics and policies in other cities. As such, the conclusions presented here should be taken with a measure of caution when applied to other contexts, particularly when considering non-OECD countries.

Towards a Diversity Dividend?

This paper has explored evidence related to a diversity dividend. It was uncovered through systematic searches of online databases and expert queries, and within sources identified by the authors' wider reading. The paper portrays the returned literature as, to some extent, a reaction to the older proposition that diversity is detrimental to development. Its findings were described within a narrative that began with studies conducting cross-country analyses and that gradually narrowed its focus to those examining sub-national regions, cities and firms. The paper then provided an overview of the policy implications at each level and the risks associated with pursuing them. In the paper's third part, the narrative was complemented by case studies of Singapore, Mauritius and London, selected in collaboration with DFID. Each explores the evidence for how diversity has been 'managed' by these societies and concludes with further policy implications and risks.

Broadly, a relatively small proportion of the uncovered sources directly focus on diversity dividends. Rather, most evidence comes from the secondary findings of those concerned with the idea of a diversity debit. This speaks to both the newness of the concept of a 'diversity dividend' and the weakness of the older idea that diversity is an obstacle to development. Acknowledging this, researchers increasingly appear to be seeking new ways of probing the debit hypothesis and of exploring societies in which diversity and impressive development indicators coincide. Many of them

argue that the cross-national studies that have dominated the field are unfit for this purpose, both because social life does not take place at the scale of countries or states, and because of the difficulty potentially conflating variables pose, for explaining their results.

Accordingly, a growing body of research is using new and innovative ways of measuring diversity and development at the sub-national level, within states, cities and firms. They are finding that the idea of ethnic polarisation better accounts for the relationship between diversity and development, and that the relationship is best investigated over the long-run. Many argue, therefore, that states and elites have a primary role in conditioning it. This is because it is more likely that polarisation can be overcome through a combination of inclusive states and inter-group contact. The former allows people to be confident that they are not locked into zero-sum rivalries with their ethnic others. The latter breaks down prejudices and fosters the types of cooperation needed for collective action and institution building. In this way, diverse, yet socially cohesive societies and inclusive states, may reinforce one another.

Studies that compare regions or administrative units, such as cities, within a single country are at the forefront of this work. They benefit from increasingly sophisticated datasets on issues such as linguistic similarities, economic specialisation, public goods provision, civic life and socioeconomic inequalities. The plausibility of the mechanisms driving the dividends they uncover are also more easily investigated through fine grained historical and political analyses. Nonetheless, few policy recommendations can be drawn from these studies, with researchers often calling for a larger body of comparative cases to help refine their own hypotheses. This points to the need for extreme caution for those hoping to use the existing body of evidence to craft policies designed to realise a diversity dividend.

The case studies highlighted an additional set of cautions. On the one hand, evidence from countries such as Singapore and Mauritius speak to the unique conditions that may have fostered their supposed diversity dividends. For Singapore, this includes a semi-authoritarian state, while for Mauritius this relates primarily to legacies left by an unusual form of indirect colonial rule. It is difficult to untangle these factors from the developmental trajectories of these countries, thereby making drawing transferable policy recommendations, problematic. On the other hand, London's experience with diversity is increasingly showing how its benefits may not accrue equally and that the spatial mixing of diverse groups is little substitute for inter-ethnic communication and networking. Indeed, overcoming ethnic divisions may not be the simple exercise that the often-heard metaphor of the urban 'melting pot', implies.

Although this may be an unsatisfactory conclusion for those hoping to harness diversity for developmental goals, there is a clear agenda for further research and several clear policy implications. The former concerns the need for a larger pool of comparable country, regional or city case studies, with attention to be given to investigations of sub-national areas where diverse societies have enjoyed stable development and others have not. The latter revolves around the idea that equipping people with the ability to communicate across ethnic-divides, and providing the venues within which to do so, is central to the promise of contact theory. Throughout, the paper has pointed to how outsiders can help with these goals by working with interested states and civil societies. However, it has cautioned that any efforts to do so, must recognise that diversity in whatever form it is salient, will remain a political issue.

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Appendix 1: Research question query tables

DATABASE QUERY CRITERIA:

Where possible, searching in titles and abstracts

Post 1970

Sort by relevance

First pass examines 100 returned texts

For Web of Science, searching within titles only and by subjects: *Economics, Development, Anthropology, Sociology, Urban Studies, Public Affairs, International Relations, Ethnic Studies, Area Studies, Geography*

For EBSCO, searching within: EconLit, Race Relations, Peace Research, International Political Science, Anthropology Plus

For SCOPUS, searching within: Social Science, Arts and Humanities

MAIN QUESTION - What is the extent of evidence that supports "diversity dividend" hypothesis that postulates a positive association between ethnic heterogeneity and development?

"diversity dividend" OR "diversity debt" OR plurality OR multiplicity OR "heterogeneity dividend" OR multifariousness OR heterogeneousness OR diverse OR multicultural OR ethnic OR diversity OR religious OR caste OR migrations OR displacement OR refugees OR IDPs OR "ethnic diversity" OR "ethnic heterogeneity" OR "tribal diversity" OR "linguistic diversity" OR "racial diversity" OR "religious diversity" OR "caste diversity" OR "cultural diversity" OR "tribal heterogeneity" OR "linguistic heterogeneity" OR "racial heterogeneity" OR "religious heterogeneity" OR "caste heterogeneity" OR "cultural heterogeneity"

AND

capital OR livelihoods OR development OR growth OR "economic growth" OR "human development" OR advancement OR progress OR GDP OR poverty OR conflict OR underdevelopment OR "low income" OR "human capital" OR "social capital"

SUB Q1 - What are the pathways through which ethnic diversity leads to development? What is the relationship of class, caste and gender within ethnic communities and their bearing on development

multifariousness OR heterogeneousness OR diverse OR multicultural OR ethnic OR diversity OR religious OR caste OR migrations OR displacement OR refugees OR IDPs OR "ethnic diversity" OR "ethnic heterogeneity" OR "tribal diversity" OR "linguistic diversity" OR "racial diversity" OR "religious diversity" OR "caste diversity" OR "cultural diversity" OR "tribal heterogeneity" OR "linguistic heterogeneity" OR "racial heterogeneity" OR "religious heterogeneity" OR "caste heterogeneity" OR "cultural heterogeneity" OR capital OR livelihoods OR development OR growth OR "economic growth" OR "human development" OR advancement OR progress OR GDP OR poverty OR conflict OR underdevelopment OR "low income" OR "human capital" OR "social capital"

AND

class OR “economic rank” OR “economic position” OR wealth OR social order OR gender OR sex OR “ethnic communities” OR “ethnic community” OR “ethnic identity” OR “ethnic identities” OR “tribal communities” OR “tribal community” OR “caste community” OR “caste communities” OR “clan communities” OR “clan community” OR “linguistic communities” OR “linguistic community” OR “tribal group” OR “caste group” OR “clan group” OR “linguistic group” OR “ethnic group” OR “caste identity” OR “caste identities” OR “clan identity” OR “clan identities” OR “religious community” OR “religious communities” OR race OR “religious identity” OR “religious identities” OR “racial identity” OR “racial identities” OR ethnicity

SCOPUS variation

heterogeneity AND (livelihoods OR growth OR "economic growth" OR "human development" OR advancement OR progress OR gdp OR poverty OR conflict OR underdevelopment OR "low income" OR "human capital" OR "social capital") AND (class OR caste OR clan OR ethnicity) AND (LIMIT-TO (SRCTYPE , "j ")) AND (LIMIT-TO (SUBJAREA , "ARTS ") OR LIMIT-TO (SUBJAREA , "SOCI ") OR LIMIT-TO (SUBJAREA , "PSYC "))

SUB Q2 - What are the developmental effects of ethnic diversity in different regions of the world?

capital OR livelihoods OR development OR growth OR “economic growth” OR “human development” OR advancement OR progress OR GDP OR poverty OR conflict OR underdevelopment OR “low income” OR “human capital” OR “social capital”

AND

multifariousness OR heterogeneousness OR diverse OR multicultural OR ethnic OR diversity OR religious OR caste OR migrations OR displacement OR refugees OR IDPs OR “ethnic diversity” OR “ethnic heterogeneity” OR “tribal diversity” OR “linguistic diversity” OR “racial diversity” OR “religious diversity” OR “caste diversity” OR “cultural diversity” OR “tribal heterogeneity” OR “linguistic heterogeneity” OR “racial heterogeneity” OR “religious heterogeneity” OR “caste heterogeneity” OR “cultural heterogeneity”

AND

Africa OR South Asia OR South America OR Latin America OR North America OR Europe OR Eurasia OR Central Asia OR Asia Pacific OR East Asia OR South East Asia OR MENA OR “middle east” OR middle-east OR Caribbean

SUB Q3 - What is the differential effect of ethnic diversity and ethnic polarisation on development?

Race OR clan OR tribal OR ethnic OR diversity OR religious OR caste OR “ethnic diversity” OR “ethnic heterogeneity” OR “tribal diversity” OR “linguistic diversity” OR “racial diversity” OR “religious diversity” OR “caste diversity” OR “cultural diversity” OR multicultural OR “tribal heterogeneity” OR “linguistic heterogeneity” OR “racial heterogeneity” OR “religious heterogeneity” OR “caste heterogeneity” OR “cultural heterogeneity” OR multifariousness OR heterogeneousness OR polarization OR “ethnic polarization” OR divergence OR “ethnic divergence” OR “tribal divergence” OR linguistic OR “linguistic divergence” OR “ethnic strife” OR “ethnic hatred” OR “ethnic disunity” OR disunity OR “ethnic factionalism” OR factionalism

AND

capital OR livelihoods OR development OR growth OR “economic growth” OR “human development” OR advancement OR progress OR GDP OR poverty OR conflict OR underdevelopment OR “low income” OR “human capital” OR “social capital” OR “differential effect” OR “counterproductive effect” OR “disadvantageous effect” OR “differential impact” OR “counterproductive impact” OR “disadvantageous impact” OR Bad

Appendix 2: Example of evidence grading for a single source

EVIDENCE PAPERS GRADING FORM - Quality

Full citation:	Alesina, Alberto, and Eliana
Initials grader:	AF

1. Please select *main* category/ies of empirical data/information the work uses (enter a '1' to	
A. Secondary, using existing dataset	
B. Secondary, using existing literature	1
C. Primary - Qualitative	
D. Primary - Quantitative	

2. Please answer the following questions, *for selected category/ies only:*
YOU MAY ONLY ENTER '1'; ONLY ENTER ONE '1' PER ROW. ROWS WILL TOTAL

A. Secondary, using existing dataset (enter a '1' to select)

	Strongly disagree	Disagree	Agree	Strongly agree	Score
Indicators used are appropriate					0
The process of compiling the data is transparent:					0
Conclusions are supported by the data. The paper					0

B. Secondary, using existing literature (enter a '1' to select)

	Strongly disagree	Disagree	Agree	Strongly agree	Score
Method/Reasons for literature used is stated and			1		3
Contradictions in the literature are indentified,			1		3
Conclusions are supported by the literature used.				1	4

C. Primary - Qualitative (enter a '1' to select)

	Strongly disagree	Disagree	Agree	Strongly agree	Score
Information collected is adequately representative					0
Method of data collection is transparent and clear,					0
Conclusions drawn are supported by the interviews;					0

D. Primary - Quantitative (enter a '1' to select)

	Strongly disagree	Disagree	Agree	Strongly agree	Score
Method of data collection is transparent and clear.					0
population the research question implies: participants are selected in some systematic way.					0
Conclusions are supported by the data. Limitations					0

TOTAL SCORE QUALITY DATA/INFO	6
TOTAL SCORE QUALITY ANALYSIS	4
TOTAL SCORE	10

EVIDENCE PAPERS GRADING FORM - Content

1)	Country examples used	USA, Zambia, Malawi, Kenya, Zimbabwe, Pakistan, Sri Lanka, Burundi, Ethiopia, Rwanda, Ghana & Global	
2)	Forms of diversity mentioned (ethnic, linguistic, religions, etc) NA if not specified	racial, clan, ethnic, linguistic	
3)	What is the article's position ont the diversity dividend?		
		Y/N	Mechanism/rationale
3A)	Pro, diversity increases economic growth or development	Y	yes at level of business or city
3B)	Anti, diversity decreases economic growth or development	N	ty, no at level of country and not in developing countries
3C)	Agnotsitc, diversity has no impact on economic growth or development		
3D)	Agnostic, diversity has no effect but ethnic polarisation is negative		
3E)	Other relationship, explain		
3F)	Please list the hypothesized channels of the relationship between diversity and growth (or lack thereof)	with econ growth and examples of positive correlation in cities in developed countries however predominently the evidence in this lit review is negative for the diversity dividend in developing countries at	
4	Please list any policy recommendations made in the paper	relevant in at least two areas: immigration policies and local policies that may increase or decrease racial integration.The implication of promoting racial homogeneity is unappealing and probably incorrect.a	
5)	Overall, how useful is this article to the aims of the assignment? Select from options below: A) Very useful, priority to include B) Somewhat, some relevant information but not essential C) Not particularly relevant, not a priority to include Response: B Comments: relevant for snowballing but actual article is not that useful		
6)	Please paste the paper abstract	We survey and asses the literature on the positive and negative effects of ethnic diversity on economic policies and outcomes. Our focus is on countries, on cities in developed countries (the US) and on villages in developing countries. We also consider the endoge- nous formation of political jurisdictions and we highlight several open issues in need of further research.	
7)	Please add a 4 sentence summary of the article	The potential benefits of heterogeneity come from variety in production. The costs come from the inability to agree on common public goods and public policies. The benefits in production from variety in skills are more likely to be relevant for more advanced societies. Talks about an association between fragmentation and ethnically based patronage or even corruption is created. fractionalization has more negative effects at lower levels of income. rich democracies are more capable of "handling" productively ethnic diversity. the negative effect of ethnic diversity is significantly mitigated by the presence of "good" institutions. whatever the mechanisms relating ethnic diversity to economic growth, channelling diversity towards productive uses may require a particular set of "rules of the game". ethnic fragmentation is negatively correlated with measures of infrastructure quality, illiteracy and school attainment and positively correlated with infant mortality	

Appendix 3: Annotated Bibliography

Ahlerup, P., Baskaran, T., & Bigsten, A. (2016). Government Impartiality and Sustained Growth in Sub-Saharan Africa. World Development, 83, 54

Country Examples	20 Sub-Saharan African countries
Forms of Diversity discussed:	ethnic, national, religious, linguistic
Policy Insights:	Impartial government policies can lead to economic growth. In order to ensure economic development, it is not only important to choose the ‘‘right” policies, but also to implement these policies in a fair manner
Diversity Dividend Mechanism:	Impartiality implies less ethno-regional favouritism. Impartiality implies less room for rent-seeking. As the stake in elections will be lower, there will be more stability in economic and political conditions. Together, these mechanisms suggest that impartiality could lead to a more efficient use of available resources and higher social acceptance of potential relative changes in the income distribution resulting from economic growth.

This paper asks whether the government’s impartiality and salience of group identities matters.

The authors explore whether the impartiality of the government toward different ethnic groups is a significant determinant of the incidence of sustained growth in a sample of sub-Saharan African countries. The results suggest that as the government becomes more impartial, the likelihood of sustained growth increases.

A standard deviation increase in the population share that sees the government as treating their group fairly is associated with an increase in the probability of obtaining sustained growth in a range from about seven to 19 percentage points. While causality remains an issue, the authors believe that a reasonable policy conclusion is that also moderate improvements in the impartiality of the governments in these countries would be a vital step for ensuring lasting growth in Africa, and possibly elsewhere in the developing world.

Akay, A., Constant, A., Giulietti, C., & Guzi, M. (2017). Ethnic diversity and well-being. Journal of Population Economics, 30(1), 265-306 [graded A]

Country Examples	Germany
Forms of Diversity discussed:	nationality
Policy Insights:	Well-being is relatively lower when people live in ethnically segregated enclaves. Socio/economic assimilation of immigrants in the region is important.
Diversity Dividend Mechanism:	Productivity, as captured by immigrants' skills and assimilation Social capital, particularly in relation to the creation of a multicultural environment.

This paper investigates how ethnic diversity, measured by immigrants' nationalities, influences the well-being of the host country. The authors find a positive effect of ethnic diversity on the well-being of German natives.

This paper argues that the positive effect of ethnic diversity is stronger for immigrant groups that are culturally and economically closer to Germany. The paper documents a welfare gain from higher diversity and importantly it is the diversity within each region that positively correlates with well-being, but not the diversity across areas.

Alesina, A., & La Ferrara, E. (2005). Ethnic Diversity and Economic Performance. Journal of Economic Literature, 43(3), 762-800

Country Examples	USA, Zambia, Malawi, Kenya, Zimbabwe, Pakistan, Sri Lanka, Burundi, Ethiopia, Rwanda, Ghana & Global
Forms of Diversity discussed:	racial, clan, ethnic, linguistic
Policy Insights:	Channelling diversity towards productive uses may require a particular set of "rules of the game"
Diversity Dividend Mechanism:	multiple

A survey and assessment of the literature on the positive and negative effects of ethnic diversity on economic policies and outcomes. The focus is on countries, on cities in developed countries and on villages in developing countries.

The findings show that the potential benefits of heterogeneity come from variety in production. The costs come from the inability to agree on common public goods and public policies. The benefits in production from variety in skills are more likely to be relevant for more advanced societies.

Findings show that rich democracies are more capable of "handling", productively, ethnic diversity. The findings also show that the negative effect of ethnic diversity is significantly mitigated by the presence of "good" institutions and that ethnic fragmentation is negatively correlated with measures of infrastructure quality, illiteracy and school attainment and positively correlated with infant mortality.

This paper talks about an association between fragmentation and ethnically based patronage or even corruption is created. The paper also shows that fractionalization has more negative effects at lower levels of income.

Anderson, C., & Paskeviciute, A. (2006). How Ethnic and Linguistic Heterogeneity Influence the Prospects for Civil Society: A Comparative Study of Citizenship Behaviour. Journal of Politics, 68(4), 783-802

Country Examples	multi
Forms of Diversity discussed:	ethnic, linguistic
Policy Insights:	Important to focus interventions and support on language diversity in less democratic countries. The barriers to coordination, cooperation, and trust in less democratic countries may be overcome through communication rather than minimizing ethnic differences.
Diversity Dividend Mechanism:	Motivations to extract and guard material benefits for the group may produce greater psychological and other involvement in politics or the desire to be organized socially. These motivations should be particularly pronounced in more heterogeneous communities Associations and networks are vehicles for articulating and aggregating interests as well as act as intermediaries between citizens and elites, greater heterogeneity thus might lead to more, not less, citizen involvement. In heterogeneous societies politics may matter more because competition takes place across easily understood group lines.

This paper looks at how the positive consequences of social capital and civil society originate and how they can be sustained. The authors approach this question from a cross-national and individual-level perspective by examining how population heterogeneity in the form of ethnic and linguistic diversity affects citizenship.

Findings show that increased heterogeneity leads to higher levels of some citizenship behaviours, while diminishing others, this suggest that heterogeneity may be a necessary ingredient for building a vibrant and stable civil society and democratic life rather than being a prime cause of democratic distress.

The paper importantly finds that heterogeneity does affect the quality of civil society in a country, however indicators of population heterogeneity do not have uniformly positive or negative effects on individual-level measures of civil society, while they reduce some, they shore up others.

The authors find that linguistic heterogeneity reduces people's interest in politics but does not significantly affect membership in voluntary associations in established democracies. It also increases the odds that citizens are members of voluntary associations or express an interest in politics in less democratic countries.

Andrews, R. (2009). Civic Engagement, Ethnic Heterogeneity, and Social Capital in Urban Areas. Urban Affairs Review, 44(3), 428-440

Country Examples	UK
Forms of Diversity discussed:	ethnic and racial
Policy Insights:	Civic engagement can moderate negative externalities for social capital associated. Planners and policy makers seeking to build social capital should encourage associational activity and support initiatives that promote democratic participation.
Diversity Dividend Mechanism:	Political participation and associational activity can minimize the negative externalities for social capital associated with ethnic heterogeneity, such as mistrust and lack of respect.

This research note tests the assumption that civic engagement is intrinsically linked to social capital by analysing the relationship between civic engagement, ethnic heterogeneity, and perceptions of mutual respect and social cohesion among citizens in urban local government areas across England.

The statistical results suggest that associational life is positively associated with social capital and that political participation enhances perceptions of mutual respect in ethnically diverse areas. The evidence provides support for arguments that civic engagement can moderate negative externalities for social capital associated with ethnic heterogeneity.

The findings suggest that studies of social capital may be right to focus on the salience of civic engagement for its development. The findings also indicate that the number of community-based organisations in urban local government areas appears to have a large effect on perceptions of mutual respect and social cohesion, whereas political participation seems to create positive externalities for social capital in ethnically diverse areas.

Ayob, A. (2018). Diversity, Trust and Social Entrepreneurship. Journal of Social Entrepreneurship, 9(1), 1-12

Country Examples	22 countries – high and middle-income economies
Forms of Diversity discussed:	ethnic, religious
Policy Insights:	N/A
Diversity Dividend Mechanism:	Ethnic and religious diversity cause more social deficits that require alternative, or complementary, solutions from others than existing market and government sectors. Thus, more ventures into SE activities are expected to emerge in highly diversified countries.

This paper examines the effects of ethnic and religious heterogeneity, and trust as a moderator on social entrepreneurship.

The results suggest that an increase in ethnic diversity within countries leads to a higher engagement in SE. It is also found that inter-religious trust attenuates the negative relationship between religious diversity and SE. The paper argues that ethnic diversity encourages more SE activity engagements because diversity causes instability, and instability creates more social problems to be solved.

The study contributes mainly by uniting knowledge from two domains: diversity and trust mainly studied in sociology, and SE studied in the business and management fields.

Birnir, J., & Waguespack, D. (2011). Ethnic inclusion and economic growth. Party Politics, 17(2), 243-260 [graded A]

Country Examples	Bolivia, Spain & multi
Forms of Diversity discussed:	ethnic, religious
Policy Insights:	A positive impact of ethnicity can be observed as more groups are included in the policy process with increasing access to cabinet.
Diversity Dividend Mechanism:	A population finding its preferences represented in the policy process likely supports implementation of resultant policy. The policy quality likely improves with greater variety in input. Increased legitimacy in policy implementation the greater and more diverse the number of groups with a stake in the policy; greater quality when formulation of policy benefits from a larger and more diverse share of the available talent; and increased policy stability as the number and divergence of actors with veto power over the policy increase.

This paper asks the question is ethnic social diversity relevant to cross-national variation in economic development, or is the inclusion or exclusion of said groups in political decision-making the more salient factor?

The paper shows that the deleterious policy effects resulting in diminished economic growth are caused by the exclusion of ethnic groups from the policy process and not just ethnic social diversity per se. The deleterious effects of ethnic social fragmentation on growth-related policies are restricted to the implementation phase and that ethnic group inclusion during the formulation of policy partially offsets this effect with a positive impact on economic output.

Most importantly, the authors argue that a population that finds its preferences represented in the policy process more likely supports implementation of resultant policy. Second, policy quality probably increases along with the greater variety of input. Third, a greater number of included ethnic groups in cabinet increases the number of ethnic partisan veto players in the policy process – thereby generating increased policy stability.

However, the authors do find that increasing ethnic social fragmentation still negatively impacts on the economy.

Bluedorn, J. (2001). Can democracy help? Growth and ethnic divisions. Economics Letters, 70(1), 121-126

Country Examples	multi
Forms of Diversity discussed:	ethnic, linguistic

Policy Insights:	Endogeneity problems and a direct negative growth effect of democracy place inherent limitations on the strength of policy implications which may be drawn from the evidence.
Diversity Dividend Mechanism:	Shows empirical evidence supportive of democracy's positive role in ameliorating ethnic diversity

This paper presents further empirical evidence suggestive of democracy's positive role in ameliorating the negative growth effects of ethnic diversity in nations.

The paper shows that democracy's positive role in ameliorating the negative growth effects of ethnic diversity in nations is due to the existence of democratic institutions but may be a sign that the ethnic divisions in that nation are not deep or strong, the authors make it clear that regression results must be approached cautiously.

Bove, V., & Elia, L. (2017). Migration, Diversity, and Economic Growth. World Development, 89, 227 [graded A]

Country Examples	multi
Forms of Diversity discussed:	cultural: "the range of citizens with different origins, religions, and traditions living and interacting together"
Policy Insights:	More effort should be devoted to the integration of macro data with individual-level information on cultural and social characteristics.
Diversity Dividend Mechanism:	Immigrants are carriers of a variety of ideas and abilities and are an important factor input into the process of technological progress. Their composition seems to be crucial issue in stimulating the rate of technological progress in the destination country

In this article the authors investigate the extent to which cultural diversity affects economic growth and whether this relationship depends on the level of development of a country.

This paper uses a large dataset on international migration and diversity by referring to a main identifying characteristic, the nationality of the immigrants - accounting for (i) social changes over time, (ii) cross-country variations in the starting level of development, and (iii) country-specific unobservable characteristics.

The authors find that both indices of diversity, fractionalisation, and polarisation, have a distinct positive impact on real GDP growth over large time periods, with the effect of diversity appearing to be more pronounced and consistent in developing countries.

Their conservative estimates suggest that an increase of one percentage point in the degree of fractionalisation or polarisation increases the per capita output by about 0.1 percentage point in the developing countries, whereas the effect of diversity in the developed economies is indiscernible from zero.

Carroll, Barbara Wake, & Carroll, Terrance. (2000). Accommodating ethnic diversity in a modernising democratic state: Theory and practice in the case of Mauritius. Ethnic and Racial Studies, 23(1), 120-142

Country Examples	Mauritius
Forms of Diversity discussed:	religion, caste, language, ethnicity and phenotype
Policy Insights:	New means of incorporating ethnic communities into the functioning of the state are required. Widespread consultations on policy issues with a civic network that incorporates all interested organizations and communities can help to reduce and disperse ethnic conflict. Symbolic recognition of the right of an ethnic community to play a full role in social and political life can be just as important as actual power-sharing. Inclusiveness appears to be more important than strict proportionality.
Diversity Dividend Mechanism:	Development of a competent and representative public service; the incorporation of civic associations, including those with an ethnic character, in the policy process by means of a civic network; and the evolution of political parties into ethnically diverse organisations.

This paper is about the management, regulation or accommodation of ethnic conflict using the example of Mauritius, one of the clearest success stories among ethnically divided developing states.

The authors find that power-sharing that includes all communities may produce a general perception of social justice and governmental legitimacy, even if that power-sharing is not proportionate to the groups' respective populations. Institutional representation of the various communities can also be provided effectively by the party system, and by the state bureaucracy, quite apart from the outcomes of the particular type of electoral laws that are in place.

Carroll, Barbara Wake, & Carroll, Terrance. (1997). State and ethnicity in Botswana and Mauritius: A democratic route to development? Journal of Development Studies, 33(4), 464-486

Country Examples	Botswana & Mauritius
Forms of Diversity discussed:	religion, caste, language, race, tribe
Policy Insights:	Constitutional entrenchment of the independence of the public service. Development of an excellent system of in-service training greatly enhanced the ability of the public service to function in an honest and competent fashion while still achieving representativeness on the basis of ethnicity (and gender). Social forces should provide a meaningful counterbalance to the dominance of the state. Treat ethnic representation and participation as the best available substitute for a civil society in situations in which the population is divided by powerful ethnic or tribal loyalties.
Diversity Dividend Mechanism:	N/A

This paper compares the experiences of Botswana and Mauritius with the goal of identifying aspects of a democratic route to development that avoids the inherent authoritarianism of the East Asian model. These two countries suggest ways in which the ethnic and tribal divisions that are so common in LDCs can be recognised by the state so that social pluralism makes a positive contribution to effective and democratic governance.

The authors show that social forces do provide a meaningful counterbalance to the dominance of the state. In both cases, this check on the power of the state is, to a considerable degree, a result of another balance – between universalistic and particularistic norms in the public realm.

Chakravarty, S., & Fonseca, M. (2014). The effect of social fragmentation on public good provision: An experimental study. Journal of Behavioural and Experimental Economics, 53(C), 1-9

Country Examples	none – lab experiment
Forms of Diversity discussed:	identity
Policy Insights:	The fact that different social groups exist triggers a meaning to belonging to a group, and thus a utility from membership of that group. This in turn creates the willingness to contribute to the public good, as it will benefit one's in-group members. So long as the positive in- group biases dominate the negative out-group biases, then the net effect is higher public good provision.
Diversity Dividend Mechanism:	The share of those in the majority group who contribute fully to the public good diminishes with social fragmentation, while the share of free-riders is unchanged. Social identity preferences drive the result, as opposed to self-interest. An in-group affiliation is a powerful driver for cooperation, such that some diversity may be beneficial; however, such an affiliation only works in the presence of an out-group.

This is a study on the role of social identity in determining the impact of social fragmentation on public good provision using laboratory experiments. The authors find no difference in contribution between homogeneous and maximally-fragmented treatments, reinforcing their finding that majority groups contribute most in the presence of some diversity.

The authors argue that a higher degree of social fragmentation leads to significantly lower contribution levels by members of the majority group and the highest contribution levels by the majority are observed in the treatment with the lowest level of fragmentation.

Collier, P. (1998) The Political Economy of Ethnicity, Paper prepared for the Annual World Bank Conference on Development Economics, Washington, D.C., Centre for the Study of African Economies Institute of Economics and Statistics University of Oxford

Country Examples	23 countries
Forms of Diversity discussed:	ethnic
Policy Insights:	The maintenance or creation of extreme ethnic fractionalisation may be the best hope of peace. In civil war societies, federating to build highly fractionalised societies may be a more effective solution than economic development. However, such highly fractionalised societies must be democratic if they are not to suffer high economic costs. Political institutions matter more where a society has a potential problem of ethnic fractionalisation than in homogenous societies. Democracy has the capacity almost completely to offset the economic damage which can be done by a high level of fractionalisation.
Diversity Dividend Mechanism:	N/A

This paper investigates the effects of ethnic diversity on economic performance and the risk of violent conflict. Findings indicate that highly diverse societies, such as are typical of Africa, are actually even safer than homogenous societies. The author argues that a democratic Africa can thus reap the benefits that ethnic diversity provides in terms of reduced risk of violence, while avoiding the potential costs of reduced growth.

The paper also shows that the relationship between ethnic fractionalisation and the risk of violent conflict is more subtle than has been thought. Highly fractionalised societies are actually directly safer than less fractionalised societies. Indeed, the high level of diversity in Africa is a source of strength, not of danger. It is the middle levels of fractionalisation that are more dangerous for violence, whereas the effects of fractionalisation on economic growth are continuously negative.

De Soysa, I., & Vadlamannati, K. (2017). Does social diversity impede sound economic management? An empirical analysis, 1980-2012. Social Science Research, 62(C), 272-290 [graded A]

Country Examples	115 countries (OECD and non-OECD countries)
Forms of Diversity discussed:	social and ethnic
Policy Insights:	Why some political leaders manage their diversity and identity-related questions better than others is still an open question worthy of greater empirical scrutiny. The role of institutions, both formal and informal, is certainly a promising path for future inquiry.
Diversity Dividend Mechanism:	Minorities play a crucial role in the advance of liberty because they acted as a check against abusive majorities and absolute power. Democracy and market forces are strengthened by the inner conflicts driven by social divisions. Multiple cross- cutting cleavages have a stabilising effect on democracy, whereas reinforcing cleavages tend to generate instability.

This paper addresses the question of whether or not social diversity hampers the adoption of sound economic policies, including institutions that promote property rights and the rule of law. The authors also examine whether democracy conditions diversity's effect on sound economic management, defined as economic freedom, because the index of economic freedom is strongly associated with higher growth and is endorsed by proponents of the 'diversity deficit' argument.

The paper asks the question, are political leaders constrained from making better institutional and economic policy choices because of social diversity?

Findings suggest that higher levels of ethno-linguistic and cultural fractionalization are conditioned positively on higher economic growth by an index of economic freedom. The effect of diversity, moreover, is conditioned positively by higher democracy. The results suggest a diversity dividend at the national level, and the authors discuss supporting studies suggesting the same conducted at the sub-national level.

DiRienzo, C., & Das, J. (2015). Innovation and role of corruption and diversity. International Journal of Cross Cultural Management, 15(1), 51-72

Country Examples	multi
Forms of Diversity discussed:	ethnic, religious, linguistic
Policy Insights:	Understanding how the different kinds of diversities can affect innovation is relevant in policy development. Leaders and managers operating in highly diverse countries should consider ways to foster collaboration as part of the policies designed to encourage innovation. Business managers and leaders operating in highly ethnically diverse societies or organisations should recognise the benefits from the cross-pollination of ideas and develop mechanisms to enhance communication across different ethnic groups. If more religiously diverse societies and organisations are more tolerant and willing to adopt new ideas and technologies, business leaders and managers operating in such societies or organisations should consider designing policies to harness and use this positive attribute.
Diversity Dividend Mechanism:	Religious diversity increases innovation. More religiously diverse countries can be more tolerant of different thoughts and view-points and thus be more likely to adopt and accept new ideas and technologies.

This study builds on previous research using the Global Innovation Index to empirically explore the impact of corruption and its interactive relationship with economic development, in addition to the effect of three different measures of diversity on country-level innovation. The results of this analysis suggest that corruption significantly harms innovation activities across countries, but the effect is mitigated in wealthier countries. Ethnic diversity weakens innovation activities; however, religious diversity, which can be a proxy for tolerance, is found to positively contribute to innovation.

Durkin Jr., J. (1998). Immigration, assimilation and growth. Journal of Population Economics, 11(2), 273-291

Country Examples	theoretical model
Forms of Diversity discussed:	ethnic
Policy Insights:	Immigration can actually lower the level of diversity by increasing the number of natives willing to assimilate. The conditions under which this can occur are: The country must be sufficiently diverse that it can attract immigrants, the government must be able to restrict immigration of high time preference individuals and the government must be able to limit the total number of low time preference immigrants.
Diversity Dividend Mechanism:	The productivity of workers depends on their own human capital and on the average human capital. The impact of the average human capital on a worker's productivity depends on the share of that worker's ethnic group in the population. Workers have either high or low rates of time preference which corresponds to low and high levels of human capital respectively. The main result is that a higher level of ethnic diversity implies lower levels and/or growth rates of output.

This paper analyses the welfare effects of immigration and its subsequent effect on ethnic diversity in a model featuring human capital spill overs which depend on the degree of ethnic heterogeneity, variation rates of time preference across individuals and endogenous levels of immigration and assimilation.

The paper presents findings which show that an increase in diversity through immigration can raise welfare even for the majority as long as it increases the average level of human capital. If immigration raises welfare, a lower level of diversity can imply a lower level of welfare because it prevents an economy from attracting immigrants. Finally, the results suggest that if immigration raises the average level of human capital then it may lead to a lower level of diversity because it raises the net benefits to assimilation.

Easterly, W., Ritzen, J., & Woolcock, M. (2006). Social Cohesion, Institutions, and Growth. Economics and Politics, 18(2), 0954–1985

Country Examples	multi
Forms of Diversity discussed:	class, linguistic
Policy Insights:	An important policy lever for enhancing social cohesion is education. Given the vital role the state has in shaping the context and climate within which civil society is organised it can also actively help to create social cohesion by ensuring that public services are provided fairly and efficiently and by actively redressing overt forms of discrimination and other social barriers. Countries strongly divided along class and ethnic lines will place severe constraints on the attempts of even the boldest, civic-minded, and well-informed politician (or interest group) seeking to bring about policy reform. A nation-state that has developed a common language among its citizens is more cohesive than one that is linguistically fragmented.
Diversity Dividend Mechanism:	Socially cohesive societies are not necessarily demographically homogenous, but rather ones that have fewer potential and/or actual leverage points for individuals, groups, or events to expose and exacerbate social fault lines, and ones that find ways to harness the potential residing in their societal diversity.

The authors of this paper present evidence that measures of 'social cohesion', such as income inequality and ethnic fractionalisation, endogenously determine institutional quality

The paper argues that one of the primary reasons why even good politicians in countries all over the world, but especially in low-income countries, often enact bad policies is that they experience significant social constraints on their efforts to bring about reform. These constraints are shaped by the degree of 'social cohesion' within their country. We show that social cohesion determines the quality of institutions, which in turn has important impacts on whether and how pro-growth policies are devised and implemented. Countries strongly divided along class and ethnic lines will place severe constraints on the attempts of even the boldest, civic-minded, and well-informed politician (or interest group) seeking to bring about policy reform.

Fedderke, J. W., & Luiz, J. M. (2007). Fractionalization and long-run economic growth: Webs and direction of association between the economic and the social - South Africa as a time series case study. Applied Economics, 39(8), 1037–1052

Country Examples	South Africa
Forms of Diversity discussed:	race, ethnicity, religion and language
Policy Insights:	Economic growth, and the policies and choices that are associated with it, might be as important in creating linguistic homogeneity as linguistic homogeneity is in favouring growth. All social cleavage holds the potential danger of being mobilised in a manner that is disruptive of economic development – for purposes of economic growth we should guard against the mobilisation of them all.
Diversity Dividend Mechanism:	The direction of association runs from the economic to the social and political. Economic growth is not only the source of social and political development, but as a necessary corollary it will entail significant disruption of established political order in the process of realizing the change.

This paper conducts a detailed clinical analysis of the growth experience of South Africa. The authors find strong evidence of webs of association between the various social, political and institutional dimensions; the direction of association in many cases runs from economic to social, political and institutional variables, rather than the other way around.

The authors find that in the case of South Africa, fractionalisation is subject to strong change over time, there remain significant impacts from some, but only some fractionalisation indexes on economic growth. Which social cleavage, when, how and for what period of time will depend on the historical path of specific societies. There is some evidence to suggest that economic development in turn can also impact on social fractionalisation – without clear signs of association. Economic development appears to increase fractionalisation in some dimensions, and to homogenise in others.

Fish, M. S., & Brooks, R. S. (2004). Does Diversity Hurt Democracy? Journal of Democracy (Vol. 15).

Country Examples	multi
Forms of Diversity discussed:	ethnic, linguistic, racial
Policy Insights:	If a robust connection between social homogeneity and political openness does not exist in global perspective, and if a substantial number of the developing world's relatively liberal democracies are decidedly multi-ethnic, then the number of plausible pretexts for despotism falls by one.
Diversity Dividend Mechanism:	Social fractionalisation does not appear to matter for democracy.

This paper tests the hypothesis that greater uniformity, understood as stronger numerical predominance by the largest ethnic group, creates better conditions for democracy.

The authors argue that closer inspection reveals surprisingly scanty evidence that diversity countervails open politics. They find little evidence for a strong link between social diversity and economic performance and provide grounds for doubt about the idea that mono-ethnic societies have an edge when it comes to founding and preserving democratic rule.

Gerring, J., Hoffman, M., & Zarecki, D. (2016). The Diverse Effects of Diversity on Democracy. British Journal of Political Science, 48(April), 1–32

Country Examples	India & mutli
Forms of Diversity discussed:	ethnic, religious, linguistic, caste
Policy Insights:	In a society with religious differences, one must harmonise edicts that are laid down by law and sanctified by centuries of established practice. Groups based on religion have clearer boundaries than those based on ethnic or linguistic ties. If mobilised for political purposes, these boundaries may not be conducive to democratic rules. Language is the only constitutional issue implied by ethnicity, and it is easier solved by multilingualism – perhaps in conjunction with a territorial devolution of power – than the parallel solution of multi-religiosity.
Diversity Dividend Mechanism:	Citizens in societies with ethnic divisions have a corporate view of citizenship. That is, they perceive their rights and interests from the perspective of the group they identify with. Political legitimacy flows from the political power their group enjoys. If this group controls the state or is represented in the policy-making process, members of that ethnic group are likely to view state authority favourably. Accordingly, they will feel comfortable delegating power to the state, or at least will not actively resist its dictates. Ethnic diversity may exert pressure to achieve a more democratic system of rule because problems of legitimacy are more severe in a diverse society, and can only be handled successfully over the long term by limiting the concentration of power at the apex.

This article argues that different types of social diversity have differential effects on regime type. Specifically, ethno-linguistic diversity increases prospects for democracy while religious diversity decreases prospects for democracy. It deploys cross-national regressions in a variety of econometric formats.

The authors show that a democratic transition is more likely to occur when the social base is diverse rather than homogeneous; ethnic diversity may facilitate democracy by making it more difficult for any single clique to monopolize power over the long term. They argue that religious – but not ethnic – diversity may promote autocratic outcomes.

The authors demonstrate that inter-ethnic conflict tends to involve material goods, for example, property rights, job opportunities and other perquisites. As such, they are amenable to take-a-little/give-a- little compromises. It is possible to split the pie or to pay off all parties so that everyone feels like a beneficiary (even if some obtain more than others) and zero-sum conflicts are avoided. Consequently, ethnic politics often follows a 'distributive' logic argue the authors.

Gerring, J., Hoffman, M., & Zarecki, D. (2016). The Diverse Effects of Diversity on Democracy. British Journal of Political Science, 48(April), 1–32 [graded A]

Country Examples	36 countries
Forms of Diversity discussed:	ethnic, religious, linguistic, racial
Policy Insights:	Multi-party electoral competition, well-functioning legislative committees, civil liberties, an independent judiciary, an independent press, a well-developed civil society, and consociational channels of communication that explicitly integrate different groups into policymaking. Establishing and maintaining coordination across diverse social groups is more difficult at the national than the sub-national level.
Diversity Dividend Mechanism:	At the sub-national level, diversity may have a positive effect – sub-national diversity is characterised by voluntary membership within smaller communities, mechanisms of optimal sorting and scale effects operate quite differently. Patterns of diversity that develop at sub-national levels are less likely to be accompanied by the pathologies posited by the Diversity Debit thesis. Diversity achieved under conditions of voluntary choice is different from diversity achieved by arbitrary place of birth.

This study uses DHS data from a large number of developing countries to examine evidence at multiple levels-country, sub-national region, and district and measures diversity in a variety of ways. This approach reveals that although diversity may have negative ramifications on human development at national levels it is very unlikely to have these same effects at sub-national levels.

The study focuses on human development outcomes rather than on conflict, social capital, or the quality of governance. The authors state that if diversity has no measurable impact on human development its status as a fundamental cause is dubious. The findings also persist when a measure of public goods is included, suggesting that findings are not driven by the varying quality of governance in regions or districts across a country.

Gershman, B., & Rivera, D. (2018). Subnational diversity in Sub-Saharan Africa: Insights from a new dataset. Journal of Development Economics, 133(June 2017), 231–263 [graded A]

Country Examples	36 countries
Forms of Diversity discussed:	ethnic, linguistic, religious
Policy Insights:	Need to differentiate between the types of development indicators in studies of diversity, it is important to account for the group. Similarities when measuring sub-national diversity and are consistent with the view that the degree of distinctiveness between groups indeed matters for aggregate outcomes requiring collective action such as local public goods provision.
Diversity Dividend Mechanism:	N/A

This paper presents a new dataset on sub-national ethnolinguistic diversity in Sub-Saharan Africa covering 36 countries and almost 400 first-level administrative units. The authors exploit this dataset to investigate the connection between diversity, as captured by fractionalisation and polarisation indices, and development indicators at the sub-national level.

The paper finds that while educational and health outcomes, electricity access, and night-time luminosity are all negatively related to diversity, this only applies if the underlying ethnolinguistic groups are sufficiently aggregated into more basic language families or if linguistic similarities between them are taken into account.

It is the indices adjusted for linguistic relatedness that are systematically negatively related to a range of development outcomes in a broad sample of African regions. This finding is consistent with the notion that the extent of dissimilarity between groups matters for the ultimate impact of diversity on cooperation, collective action, and the provision of local public goods.

Gesthuizen, M., Van Der Meer, T., & Scheepers, P. (2009). Ethnic diversity and social capital in Europe: Tests of putnam's thesis in European countries. Scandinavian Political Studies, 32(2), 121–142

Country Examples	28 European countries
Forms of Diversity discussed:	ethnic
Policy Insights:	Economic inequality appears to reduce significantly all dimensions of formal social capital.
Diversity Dividend Mechanism:	The higher the level of economic inequality, the higher the 'social barriers' between different (ethnic) groups, the less people there are around of one's 'own kind' with whom people feel familiar with and whom they can trust, the less people will connect to other people, be it formally or informally. The longer the history of continuous democracy, the more interpersonal trust, the more informal social capital, the more formal social capital.

To what extent do national-level characteristics like ethnic diversity, next to other national characteristics, actually affect dimensions of social capital of individual citizens in European countries? The authors set out to answer this question by testing hypotheses on cross-national data from 28 European countries.

The main finding is that Putnam's hypothesis on ethnic diversity must be refuted in European societies. Instead, it is found that economic inequality and the national history of continuous democracy in European societies turn out to be more important for explaining cross-national differences in social capital in Europe.

The overall picture is that it is not ethnic fractionalisation as suggested by Putnam, but instead, the years of continuous democracy and the level of economic inequality that are important for social capital in European societies. Economic inequality may increase social barriers between ethnic groups that in turn reduce social capital. The length or stability of democracy increases interpersonal trust and social capital.

Gisselquist, R., Leiderer, S., & Niño-Zarazúa, M. (2016). Ethnic Heterogeneity and Public Goods Provision in Zambia: Evidence of a Subnational "Diversity Dividend'. World Development, 78, 308 [graded A]

Country Examples	Zambia
Forms of Diversity discussed:	ethnic
Policy Insights:	Key task for future work is not to address why the relationship is negative, but to study under what conditions such direction holds true, and the mechanisms that underlie a diversity dividend. necessary to consider central government transfers rather than local-level expenditure, along with other measures of implementation and related welfare outcomes.
Diversity Dividend Mechanism:	At the sub-national level - populations in more heterogeneous communities may demand and make use of public services more actively than in more homogeneous ones, as a result of more intense inter-group competition in the education system and the local labour markets. local communities can coordinate to provide common pool resources Informal processes would be consistent with the positive relationship between ethnic diversity and public goods outcomes. For instance, if one assumes that central government transfers captured by local leaders are not used for the provision of public goods but mainly for private consumption and patronage spending on each leader's own group, then each group might have a strong incentive to curtail such capture by competing groups.

This article challenges the conventional wisdom on ethnic diversity and economic growth. It demonstrates at the sub-national level there is strong evidence for a 'diversity dividend'; a positive relationship between ethnic heterogeneity and some measures of public goods provision.

The authors demonstrate that diversity can be good for communities, not only for normative reasons, but also because, under some conditions, it can support concrete welfare gains. For the education sector, the results show a clearly positive relationship across specifications between ethnic fractionalisation and primary school enrolment. For the health sector, the results are in line with those obtained from the education sector: there is a positive effect of ethnic diversity on all immunisation rates, the under-five mortality rates, and the share of underweight children under five.

Hooghe, M., Reeskens, T., Stolle, D., & Trappers, A. (2009). Ethnic Diveristy and Generalized Trust in Europe A Cross-National Multilevel Study. Comparative Political Studies, 42(2), 198–223

Country Examples	European countries
Forms of Diversity discussed:	ethnic, racial, nationality
Policy Insights:	N/A
Diversity Dividend Mechanism:	N/A

In this article, attitudinal measurements from the European Social Survey are combined with Organization for Economic Co-Operation and Development data on migration patterns, thus examining the relationship between diversity and trust in a comparative manner across 20 European countries.

The authors find that the much-researched pessimistic conclusions about the negative effects of ethnic diversity on generalised trust cannot be confirmed at the aggregate level across European countries. Diversity does not exert the consistent and strong negative effects often attributed to it. the full- blown negative relationship between ethnic diversity and generalised trust does not hold across Europe.

Latt, S., & Roth, R. (2015). Agrarian change and ethnic politics: Restructuring of hmong and shan labour and agricultural production in Northern Thailand. Journal of Agrarian Change, 15(2), 220–238

Country Examples	Thailand
Forms of Diversity discussed:	ethnic
Policy Insights:	Scholars and practitioners interested in the conditions of production need to take seriously the discursive and material ways in which ethnic identity is constructed and trace the ways in which that enables (and possibly constrains) agrarian change.
Diversity Dividend Mechanism:	The particularities of ethnic politics in the region have helped to create a situation in which both more labour is needed and a willing labour force is available. Agrarian change in the uplands has been made possible by a restructuring of agricultural labour; a process that has relied upon prevailing ethnic politics.

This paper examines how the discursive construction of ethnic identity has facilitated the particular form of agrarian intensification and labour restructuring under way in the uplands of Thailand. Agricultural intensification has relied upon the construction of Hmong farmers as environmentally destructive and in need of development, while Shan labour arriving from Burma are simultaneously constructed as 'illegal migrants', a social nuisance and hard workers, helping to make them into an available, willing and preferred labour force.

The authors argue that the discursive construction of ethnic identity has facilitated this particular form of agrarian intensification and labour restructuring. They argue for examining ethnic politics, saying that it requires investigating how ethnic identities are produced, performed, imposed from outside and articulated from within, in addition to documenting how those identities are contested and negotiated in everyday social relations to mobilise political, ideological and material resources.

Lee, A. (2017). Ethnic Diversity and Ethnic Discrimination: Explaining Local Public Goods Provision. https://doi.org/10.1177/0010414017740604

Country Examples	India, Kenya & USA
Forms of Diversity discussed:	ethnic, caste, religion
Policy Insights:	A focus on the policies of regional or national political actors is often appropriate. A good place to start is by accepting that the problems of diverse communities are, at least in some cases, beyond their control.
Diversity Dividend Mechanism:	N/A

This paper tests the hypothesis that the main findings regarding ethnic diversity and development as having a negative relationship, may be explained in some cases by central governments discriminating against areas inhabited by less powerful groups.

The authors find that the presence of socially powerful groups is positively associated with service provision and that in these cases, the evidence for the diversity debt hypothesis is weak.

Their results suggest that failures of public services in diverse areas may reflect larger inequalities within the political system rather than local problems in cooperation. They find no evidence of a negative association between diversity and public goods, even for goods with little non-local involvement.

Lee, N. (2015). Migrant and ethnic diversity, cities and innovation: Firm effects or city effects? Journal of Economic Geography, 15, 769–796

Country Examples	UK
Forms of Diversity discussed:	ethnic and migrant
Policy Insights:	Firms with more owners/partners born outside of the UK are more innovative. The general level of city diversity is unimportant but local human capital seems to be important in determining firm level innovation.
Diversity Dividend Mechanism:	The primary channel through which cultural diversity influences innovation is migrant run firms, rather than wider benefits of culturally diverse local labour markets. Migrant-run firms are both better at creating new ideas and also introducing processes learnt from elsewhere. Migrant run firms are also likely to introduce products which are entirely new to the market. At the level of the firm - cultural diversity may help bring new cognitive perspectives, improving problem solving and helping create new products and processes. In situations of new product or process development, a variety of diverse cultures can help introduce ideas from elsewhere to be adapted and introduced in new forms.

This paper tests for relationships between firm level cultural diversity (the share of owners or partners who are foreign born or members of an ethnic minority) and local workforce on six measures of product and process innovation. This article uses a dataset of over 2000 UK small- and medium-sized enterprises to test between these two.

The authors find significant evidence for the firm effect: Firms with a greater share of migrant owners or partners are more likely to introduce new products and processes. Urban context appears to matter and firms in London with more migrant owners and partners are more innovative than others. Firms in cities with high levels of human capital are also more innovative.

Lee, N. (2011). Ethnic diversity and employment growth in English cities. Urban Studies, 48(2), 407–425

Country Examples	UK
Forms of Diversity discussed:	ethnic and migrant
Policy Insights:	Considerable attention needs to be paid to the variable used to indicate 'diversity' and the impact of diversity varies

	according to nature of the groups any indicator for 'diversity' is representing. Diversity in teams, for example, is likely to be beneficial only in situations where employment has some non-routine cognitive aspect.
Diversity Dividend Mechanism:	In terms of migrant communities - ethnic minorities may be more likely to engage in entrepreneurship than majority groups. Ethnic diversity might attract human capital, tourists or firms, increase productivity through diverse approaches to problem-solving or ethnic minority entrepreneurship.

This paper asks if more diverse English cities have grown faster? Is it important to have a multinational population or an ethnically diverse one?

The authors find that cities with a high proportion of their populations born abroad in 1981 grew faster in the subsequent 10 years. They also find that neither diversity by country of birth nor ethnic diversity is significant in the period 1991–2001.

Further findings indicate that cities with a large number of migrants saw higher employment growth in the 1990s, but that ethnically diverse cities were less successful. This evidence suggests that cities with more diverse populations have grown faster, but that the effect is driven by diversity of country of birth rather than diversity of ethnicity. Alongside this, there is some evidence that the effect of diversity of ethnicity and diversity of country of birth are operating in different directions.

Levine, S. S., Apfelbaum, E. P., Bernard, M., Bartelt, V. L., Zajac, E. J., & Stark, D. (2014). Ethnic diversity deflates price bubbles (Vol. 111). https://doi.org/10.1073/pnas.1407301111

Country Examples	Southeast Asia and North America
Forms of Diversity discussed:	ethnic, racial, linguistic
Policy Insights:	The evidence may inform public discussion on ethnic diversity: it may be beneficial not only for providing variety in perspectives and skills, but also because diversity facilitates friction that enhances deliberation and upends conformity.
Diversity Dividend Mechanism:	Price bubbles arise not only from individual errors or financial conditions, but also from the social context of decision making. Ethnic diversity facilitates friction. This friction can in-crease conflict in some group settings, whether a work team, a community, or a region. in modern markets, vigilant scepticism is beneficial. Modern markets rely on organic solidary, which turns on heterogeneity, role differentiation, and division of labour.

This paper examines a prominent failure of markets: price bubbles. The authors argue that price bubbles are affected by ethnic homogeneity in the market and can be thwarted by diversity.

The authors find that in homogenous markets, traders place undue confidence in the decisions of others, they are less likely to scrutinize others' decisions. Traders are more likely to accept prices that deviate from true values.

When bubbles burst, homogenous markets crash more severely. Traders in diverse markets reliably price assets closer to true values. They are less likely to accept offers inflated offers and more likely to accept offers that are closer to true value, thereby thwarting bubbles. This pattern is similar in Southeast Asia and North America, even if the two sites differ greatly in culture and ethnic composition, in what is implied by "ethnic diversity" and how it is operationalised.

Loh, F. K. W. (2017). Ethnic diversity and the nation state: from centralization in the age of nationalism to decentralization amidst globalization. Inter-Asia Cultural Studies, 18(3), 414–432 [graded A]

Country Examples	Malaysia & Southeast Asia countries
Forms of Diversity discussed:	ethnic, linguistic, tribe, religion, caste
Policy Insights:	The nation-state building process should be imagined in more inclusive civic territorial lines rather than exclusive ethnic-genealogical lines. Problems will persist unless all the people of any particular country are accorded similar citizenship rights, regardless of whether they belong to the majority or minority groups. Adopt federalism or decentralization strategies when it comes to state building. Federalism offers a set of formal/constitutional arrangements as well as conventions to help us deal with diversity. Local governments should be encouraged to set-up non-profit corporations, or to enter into public-private set-ups, to fast track necessary economic development and employment opportunities locally.
Diversity Dividend Mechanism:	Minority groups reject political domination by majority groups. Instead they pursue greater political autonomy via policies of decentralisation and the establishment of federal systems; still others attempt to secede from over-bearing central control. Minority groups reject unequal economic development of the regions. Instead, they demand that the regions where they are domiciled, be accorded a just share of the economic cake.

The article explores nation-state building and the related pursuit of economic growth in Malaysia and some parts of Southeast Asia.

The authors call for decentralisation and federalism; a form of promoting “shared rule for common interests” while allowing for the pursuit of “self-rule in specific instances and regions.”. Political parties can also play important roles in facilitating unity amidst diversity.

The authors argue that the cause of conflict in multi-ethnic and multi-religious societies is not diversity in and of itself. Rather, it is one’s attitude towards diversity.

Madhoo, Y. N., & Nath, S. (2013). Ethnic Diversity, Development and Social Policy in Small States The Case of Mauritius, UN Research Institute for Social Development, Research Paper 2 [graded A]

Country Examples	Mauritius
Forms of Diversity discussed:	ethnic, linguistic & religious
Policy Insights:	The strengths of Mauritius' growth stem from the strategy of economic diversification, political stability, high-quality policy making and a reasonable governance structure. The appropriateness of policies and quality of institutions have both contributed to the success of public interventions in terms of generating favourable socioeconomic outcomes in recent years. The success of Mauritius' welfare state has largely depended on effective social policies, which have integrated the advantages of the labour market based social outcomes into mainstream social policy.
Diversity Dividend Mechanism:	The ethnically divided Mauritian society has proved to be growth and welfare promoting because of small country size, colonial and diasporic links and a high degree of fragmentation, resulting in a variety of human resources and experience.

This study examines social policy performance in Mauritius in terms of the quality of institutions, overall resources of the government, social welfare orientation of government budgets and ethnic balance in social policy formulation.

The authors find that ethnic factions in Mauritius have not resulted in conflict for power and resources as in some sub-Saharan African countries. Rather they find that these factions recognise the benefits of sharing, thereby producing a congenial environment for social cohesion and social capital growth. Rapid economic development, institutional quality and improved income distribution have acted as additional harmonising factors. The findings do not contribute to the contention that ethnic or religious factors exert any perceptible influence on social budgets. They also find that as income inequality increases, share of social spending in total government expenditure does not increase commensurately.

Manole, S., Laura, P., & Păunescu, A. (2017). Impact of Migration upon a Receiving Country's Economic Development. Amfiteatru Economic, 19(46), 670–681

Country Examples	28 EU Member States
Forms of Diversity discussed:	migrant
Policy Insights:	N/A
Diversity Dividend Mechanism:	Most immigrants carry out activities that require a low level of qualification and

	receive salaries that are below the average wage level in that country. As a result, immigrants contribute to increasing the value of goods and services produced in the receiving country.

This paper aims at highlighting the effects of migration upon the economic development of EU Member State receiving countries.

The authors find that there is an economic impact of migration on receiving countries of the European Union; migration has a significant positive impact on economic development, an increase in the number of migrants by 100,000 determines an increase in the GDP per capita of the receiving country by 0.838% compared to the EU-28 average.

Mavridis, D. (2015). Ethnic Diversity and Social Capital in Indonesia. World Development, 67, 376–395 [graded A]

Country Examples	Indonesia
Forms of Diversity discussed:	ethnic, linguistic, religious
Policy Insights:	Consider a district where migrants want to move to, thus leading to an increase in ethnic diversity and a fall in social capital. A policy maker should weigh in the small loss of social capital against the likely much greater welfare loss from restricting migration. Policy makers should ask themselves how much social capital the district is willing to give up in the short term in order to gain tolerance for diversity and the benefits of a more diverse society? A final policy implication is related to the measure of diversity: policy makers might want to encourage fractionalisation at the expense of polarisation, as the latter has a negative effect on trust measures.
Diversity Dividend Mechanism:	Diversity seems to increase tolerance, despite its negative effect on other social capital variables such as trust, perceived safety, and participation to community activities, and voting in elections.

This paper uses the variations of ethnic diversity between districts in Indonesia to show that diversity leads to lower social capital outcomes. The author argues that much less is known about the relationship between trust and ethnic diversity when one looks at within-country variations of ethnic diversity in developing countries. He finds that diversity reduces trust (conflict) but increases tolerance (contact).

The author also argues that the difference between polarisation and fractionalisation is important; tensions are more likely to rise in polarised rather than in fractionalised places.

While this study is specific to the sub-national level in Indonesia, it is a helpful contribution to the literature on both social capital and sub-national studies in relation to ethnic diversity and development.

Momani, B., & Stirk, J. (2017). Diversity Dividend Canada's Global Advantage Special Report. Centre for International Governance & The Pierre Elliott Trudeau Foundation
https://www.cigionline.org/publications/diversity-dividend-canadas-global-advantage **[graded A]**

Country Examples	Canada
Forms of Diversity discussed:	ethno-cultural, migrant
Policy Insights:	Unlock talent: promote inclusive hiring, Passport to employment: recognizing foreign education, credentials and experience More than just words: invest in language training Measuring diversity and inclusion, what gets measured gets done Procurement policies: leadership to drive innovation Corporate culture: moving beyond numbers Understanding the story: the data deficit
Diversity Dividend Mechanism:	The benefits of diversity include access to a wider talent pool, the innovation and creativity that comes with different points of view, the ability to develop and tailor services for a more diverse group of customers at home and the improved understanding of market opportunities abroad.

This report explores the link between a diverse workforce and economic prosperity in Canada, drawing on new statistical research, consultations with the business community and stakeholders, and academic literature.

The authors find in almost all sectors, a significant, positive relationship between ethno-cultural diversity and increased productivity and revenue. Viewed across all sectors, a 1% increase in ethno-cultural diversity is associated with an average 2.4% increase in revenue and a 0.5% increase in workplace productivity. The relationship between ethno-cultural diversity and performance is strongest in sectors that depend on creativity and innovation, communications and utilities, business services and legal and other professional services.

The authors argue that if immigrants are marginalised, either economically or socially, not only will they fail to reach their economic potential, but they may fail to thrive, producing implications for broader social cohesion.

Moncrieffe, J. (2004). Ethnic Diversity and State Response in the Caribbean. Background paper for HDR 2004

Country Examples	Guyana, Trinidad and Tobago, Jamaica, Cuba & the French Caribbean
Forms of Diversity discussed:	ethnic, religious, race, class
Policy Insights:	Supplying incentives for assimilation; coercion and manipulation; exclusion

	and/or adverse incorporation; reframing identities around select national symbols. All these strategies, altruistic or perverse, influence the extent to which and pace at which it is possible to subsequently build 'state-nations' out of forced 'nation-states'.
Diversity Dividend Mechanism:	N/A

This paper uses select case studies from the Caribbean to describe some of the root causes of racial and ethnic tensions; highlight differing state responses to diversity; outline the sorts of political and social responses that are critical for ethnic and racial accommodation and equity; and identify the challenges of reform.

These country summaries describe various challenges to implementing the structural and social reforms envisioned for 'state-nations'. The authors argue that the challenges are not insurmountable but they argue that they do demand prudent and responsible politics, particularly in small countries where issues tend to appear more pressing.

Montalvo, J. G., & Reynal-Querol, M. (2005). Ethnic diversity and economic development. Journal of Development Economics, 76(2), 293–323

Country Examples	multi
Forms of Diversity discussed:	ethnic, linguistic, religious
Policy Insights:	An increase in social polarisation has a negative effect on growth because it reduces the rate of investment and increases public consumption and the incidence of civil wars.
Diversity Dividend Mechanism:	N/A

This paper analyses the role that different indices and dimensions of ethnicity play in the process of economic development. Firstly, the authors discuss the advantages and disadvantages of alternative data sources for the construction of indices of religious and ethnic heterogeneity. Secondly, they compare the index of fractionalisation and the index of polarisation.

The authors argue that an index of the family of discrete polarisation measures is an adequate indicator to measure potential conflict. They find that ethnic (religious) polarisation has a large and negative effect on economic development through the reduction of investment and the increase of government consumption and the probability of a civil conflict.

Nathan, M. (2011). The economics of super-diversity: Findings from British Cities , 2001-2006. Discussion Paper 68, Spatial Economics Research Centre http://eprints.lse.ac.uk/33578/

Country Examples	UK
Forms of Diversity discussed:	economic, cultural, ethnic
Policy Insights:	N/A
Diversity Dividend Mechanism:	Worker heterogeneity accelerates ideas generation via production complementarities. Specifically, 'cognitively diverse' teams leverage a wider pool of perspectives Diverse firms may have better access to new ideas and markets, by leveraging international networks and diasporas. Diasporas reduce information and communication costs, migrants themselves act as mobile carriers of knowledge. Migration decisions reflect both expected returns and the taste for risk-taking. Migrants may be highly entrepreneurial, and more likely to look for and develop new ideas.

This paper explores the economics of cultural diversity in British cities, focusing on the years 2001-2006 and the emergence of so-called 'super-diversity' in some urban areas. It looks at the distribution of diversity across urban areas in the UK, using new and innovative measures based on cultural-ethnic-linguistic name classification and scoring. It also presents results from cross-sectional analysis of these diversity measures on urban wages and employment.

The authors find some positive associations between super-diversity and UK urban economic performance. They find that there is a zero or negative association between some diversity measures and employment rates, some of which may be explained by long term structural changes to urban labour markets.

Nathan, M. (2015). Same difference? Minority ethnic inventors, diversity and innovation in the UK. Journal of Economic Geography, 15, 129–168

Country Examples	UK
Forms of Diversity discussed:	ethnic, migrant
Policy Insights:	Results suggest that minority ethnic inventors are a net positive for patenting in the UK and imply that policymakers should aim to increase both the skills and the mix of the country's research communities.
Diversity Dividend Mechanism:	Cultural diversity may improve ideas generation in groups of inventors, if the benefits of a larger set of ideas or perspectives outweigh trust or communication difficulties between those groups. Co-ethnic group membership can improve information flow and lower transaction costs, accelerating within-group ideas generation and transmission. Demographic shifts may introduce highly skilled 'stars' who make a substantial difference to knowledge generation, or who are more willing to introduce disruptive ideas.

This article explores whether the UK innovation system has benefited from minority ethnic inventors, and the diversity they introduce. The author asks the question, does the cultural diversity of inventor groups influence patenting rates? Regressions find a small, positive effect of inventor group diversity on individual patenting activity.

Nathan, M., & Lee, N. (2013). Cultural Diversity, Innovation, and Entrepreneurship: Firm-level Evidence from London. Economic Geography, 89(4), 367-394

Country Examples	UK
Forms of Diversity discussed:	ethnic, migrant, racial
Policy Insights:	Diasporic links and local embeddedness are both important to the diversity dividend. Results could provide an economic rationale for proponents of multicultural cities.
Diversity Dividend Mechanism:	Companies with diverse management are more likely to introduce new product innovations than are those with homogeneous 'top teams.'. Diversity is particularly important for reaching international markets and serving London's cosmopolitan population. Migrant status has positive links to entrepreneurship.

This paper looks at a sample of 7,600 firms to investigate links among cultural diversity, innovation, entrepreneurship, and sales strategies in London businesses between 2005 and 2007.

The results suggest a small but significant “diversity bonus” for all types of London firms. The results suggest a small but robust positive connection between managerial diversity on the development of major new products and between migrant-run firms and process innovation.

The authors also find a link between the diversity of migrants and exporting: while ethnically diverse firms are more likely to sell in London’s large and diverse home markets than are UK-run businesses, migrant-diverse firms are more internationally oriented. Finally they find that migrant status has robust associations with proactive entrepreneurial behaviour.

Nathan, M., & Lee, N. (2011). Does Cultural Diversity Help Innovation in Cities? Evidence from London Firms, Discussion Paper 69, Spatial Economics Research Centre http://eprints.lse.ac.uk/33579/

Country Examples	UK
Forms of Diversity discussed:	economic, migrant, class
Policy Insights:	N/A
Diversity Dividend Mechanism:	Culturally diverse teams may be better at generating new thinking or problem solving, particularly in knowledge-intensive environments. Through diasporic networks, migrant or minority staff and business owners can access additional upstream and downstream markets, assisting process innovation and the commercialisation of new ideas. 'Ethnic entrepreneurs' are argued to play a number of critical roles in urban innovation. They are seen as more likely to develop new ideas.

The authors of this paper ask the question, does it help London firms to innovate? The results suggest small but robust positive effects of management diversity on the development of new products and processes.

They find that diversity helps support innovative activity, and thus helps strengthen the capital's long-term economic position. In other words, they argue that London's diversity is an economic asset, not just a social one.

Ottaviano, G., & Peri, G. (2006). The economic value of cultural diversity: Evidence from US cities. Journal of Economic Geography, 6(1), 9-44 [graded A]

Country Examples	USA
Forms of Diversity discussed:	migrant, cultural
Policy Insights:	Policymakers need to analyse, more closely, the effects of diversity in different sectors and on different skill groups in order to gain a better understanding of these channels. Complementarity of skills between the US and foreign born seems a very promising avenue of research.
Diversity Dividend Mechanism:	Problem solving, creativity and adaptability may differ between native and foreign-born workers so that reciprocal learning may take place. Foreign-born workers may provide services that are not perfectly substitutable with those of natives. Because of a taste for variety, this may increase the value of total production.

The authors of this paper find that US-born citizens living in metropolitan areas where the share of foreign-born increased between 1970 and 1990, experienced a significant increase in their wage and in the rental price of their housing. As people and firms are mobile across cities in the long run they argue that, in equilibrium, these correlations are consistent with a net positive effect of cultural diversity on the productivity of natives.

The paper discusses that cultural diversity may very well be an important aspect of urban diversity, influencing local production and/or consumption. They find that on average, cultural diversity has a net positive effect on the productivity of US-born citizens because it is positively correlated with both the average wage received and the average rent paid by US-born individuals.

Philip J. Williamsa, & Mola, P. F. L. de. (2007). RELIGION AND SOCIAL CAPITAL AMONG MEXICAN IMMIGRANTS IN SOUTHWEST FLORIDA. Latino Studies, 5, 233–253

Country Examples	USA
Forms of Diversity discussed:	religion, migrant
Policy Insights:	N/A
Diversity Dividend Mechanism:	N/A

This essay investigates the diverse ways in which religious and civic institutions operate in a multi-ethnic migrant farmworker community.

The authors find that while religious organisations are an important source of social capital, they may be ill-equipped to deal with the heterogeneity and mobility of migrant populations.

Ponížilová, M. (2012) The Limits of Human Development in Weak and Religiously Fractured States: The Case of Lebanon, Limits of Human Development within Weak and Failed States (Con sgs-2012-015), University of West Bohemia in Pilsen

Country Examples	Lebanon
Forms of Diversity discussed:	Religious
Policy Insights:	Proposes an alternative model of 'functional networking' as a strategy to fulfil human development based on support and emphasising cooperation in securing livelihoods. This model has the potential to overcome fracture lines in a society. Societies need to be motivated in some way to unite and stand together. Such an approach, based on creating functionally-focused groups of people who are in need of financial or technical aid from donors and NGOs, has the potential to build mutual trust between individual groups.
Diversity Dividend Mechanism:	N/A

Using Lebanon as a case study, this paper considers the concept of human development in the context of a weak and failed state to provide insights into ways of enhancing the implementation of development strategies.
This study argues that providing development aid and services based on religious affiliations and political loyalties only exacerbates domestic societal tensions and deepens religious divisions. It proposes an alternative model of 'functional networking' as a strategy to fulfil human development based on support and emphasising cooperation in securing livelihoods.

The finding indicate that the poor management of Lebanon's religious diversity has led to it being a weak state and that allowing religious group affiliated organisations to be in charge of development has been a failed policy.

Putnam, R. (2007). E Pluribus Unum: Diversity and Community in the Twenty – first Century The 2006 Johan Skytte Prize Lecture. Scandinavian Political Studies, 30(2), 137-174

Country Examples	USA
Forms of Diversity discussed:	racial and migrant
Policy Insights:	We need to respect people's ethnicity but also give them an opportunity to meet and want to be with people with whom they have something in common that is not defined by their ethnicity. about fostering a sense of shared citizenship. Expanding public support for English-language training, especially in set- tings that encourage ties among immigrants and natives of diverse ethnic backgrounds, should be a high priority. Locally based programs to reach out to new immigrant communities are a powerful tool for mutual learning. Religious institutions have a major role to play in incorporating new immigrants and then forging shared identities across ethnic boundaries.
Diversity Dividend Mechanism:	A society will more easily reap the benefits of immigration, and overcome the challenges, if immigration policy focuses on the reconstruction of ethnic identities, reducing their social salience without eliminating their personal importance

This paper explores the implications of the transition to a more diverse, multicultural society for 'social capital'. The evidence suggests that where levels of social capital are higher, children grow up healthier, safer and better educated, people live longer, happier lives, and democracy and the economy work better. Ethnic diversity is, on balance, an important social asset.

In the short to medium run, however, this paper shows that immigration and ethnic diversity challenge social solidarity and inhibit social capital. In the medium to long run, on the other hand, this paper shows that successful immigrant societies create new forms of social solidarity and dampen the negative effects of diversity by constructing new, more encompassing identities.

R. Wagle, U. (2014). Linking population heterogeneity with poverty. International Journal of Sociology and Social Policy, 34(1/2), 47–68

Country Examples	17 high-income OECD countries
Forms of Diversity discussed:	ethnic, racial, migrant
Policy Insights:	Minorities are likely to exhibit lower levels of resources and greater needs for welfare state support suggests that the majorities may have an incentive to hold interests and preferences against social solidarities needed to effect developments in welfare state policies.
Diversity Dividend Mechanism:	Ethno-racial and religious heterogeneity helps expand welfares state policies and may be indicative of the tolerance that can exist amidst diversity.

This paper examines how population heterogeneity contributes to poverty. It tests whether the direct and indirect links of heterogeneity are supported by cross-national data.

The author's findings support the widely held poverty-reducing roles of welfare state policies. Ethno-racial and religious diversities are found to positively contribute to welfare state policies and, through them, lower poverty, whereas immigration assumes opposite roles. The analysis uncovers a negative relationship of immigration with welfare state policies and its somewhat positive relationship with poverty.

Raco, M., & Kesten, J. (2016). The politicisation of diversity planning in a global city: Lessons from London. Urban Studies, 55(4), 891–916

Country Examples	UK
Forms of Diversity discussed:	ethnic
Policy Insights:	The term diversity is not simply 'celebrated' but directly associated with the production of 'a fairer and more equal city', in marked contrast to the trickle-down rhetoric of earlier rounds of policy. An explicit 'business case' for diversity and openness continues to feature strongly and the Mayor plans to set up a Business Advisory Board to give business voices a direct say on core policy arrangements. The new Mayor's Manifesto seeks to re-politicise the governance of diversity with the stated ambition that 'London should be a global beacon of tolerance, acceptance, and respect'.
Diversity Dividend Mechanism:	The mechanisms in and through which diversity narratives and representations have been politicised provide a graphic example of the chaotic and open character of urban politics. Diversity is presented as both an object of governance, whose selective presence should be carefully crafted and shaped by policy interventions, and a subject that possesses the causal power to help bring about policy objectives, such as economic growth, the creation of modern and vibrant urban cultures, or the establishment of globally competitive, creative urban economies.

This paper explores the politics of diversity planning in one of Europe's most socially and economically divided and globally-oriented cities, London. It uses the example of diversity planning to examine the 'what' and 'how' of urban politics. It shows that on the one hand diversity is represented in pragmatic, consensual, and celebratory terms. However, at the same time this celebratory rhetoric represents part of a wider effort to deflect political attention away from the socially and economically divisive impacts of global models of economic growth and physical development.

The authors of this paper argue that diversity narratives alone have not directly brought about changes to the built environment and/or the types of resurgent urban policy that now exist. What is evident, they say, is that the term has evolved to legitimate development discourses that marginalise broader concerns over the impacts of globally-focussed economic and population growth in the city and direct political attention towards more consensual narratives, such as 'cultural

vibrancy' and the 'positive contributions' that in-migrants and investors make to collective economic well-being.

Raco, M., Kesten, J., Colomb, C., Moreira de Souza, T. (2017): DIVERCITIES: Dealing with Urban Diversity: The case of London. Utrecht: Utrecht University, Faculty of Geosciences

Country Examples	UK
Forms of Diversity discussed:	socio-economic, socio-demographic, ethnic and cultural
Policy Insights:	Policies aimed at improving the social cohesion in neighbourhoods will not work when the hyper-diversity of the population is not considered. Diversity as a consensual construct should be openly celebrated and commodified in dominant urban and planning policy strategies and marketing materials for the city. Particular emphasis should be put on the creation, or continuous support, to spaces of encounters that are known to cut across ethnicity, culture, gender, and class. Regeneration policies have to pay stronger attention to the existing diversity of residents and businesses in urban areas. preservation and successful coexistence of a diversity of people is only possible if basic 'rights to the city' are secured.
Diversity Dividend Mechanism:	Much of the growth taking place in London is sustained by low-paid work and individuals from migrant backgrounds are fundamental to this. The functioning of London's welfare services (e.g. transport and healthcare) is also heavily reliant on migrants.

This book is one of the outcomes of the DIVERCITIES project. It focuses on the question of how to create social cohesion, social mobility and economic performance in today's hyper-diversified cities.

The authors show that those living (and working) in diverse urban areas see advantages in doing so, especially when it comes to aspects of social cohesion and social mobility and in terms of day-to-day activities near their homes. The analysis also shows that changes in the built environment, involving processes of urban redevelopment, regeneration, densification and gentrification, are negatively affecting residents and businesses alike.

Raco, M.; Kesten, J.; Colomb, C. (2014), Assessment of Urban Policies in London, UK. Bartlett School of Planning, University College London

Country Examples	UK
Forms of Diversity discussed:	economic and demographic
Policy Insights:	Policies towards migration and diversity should be more open and more pragmatic. There is a positive view put

	forward of the ways in which integration and mainstreaming will foster social cohesion, the social mobility of individuals, and, in turn the economic competitiveness of individual businesses and London as whole.
Diversity Dividend Mechanism:	N/A

This paper explores the key governance frameworks that shape urban policy in the city of London and the narratives and discourses of diversity contained within them. The authors argue that London's governance structures are complex and that despite possessing the most powerful elected Mayor in the UK, core decisions over migration policy are still framed at the national level.

The authors also argue that the discourse of diversity at the city level has become consensual in form. It is celebrated and characterised as a 'good' thing that has to be accepted and on which all can agree. Diversity in London is to be pragmatically embraced, tolerated, and accepted. It is, therefore, a discourse that serves to marginalise broader concerns and conflicts and directs attention towards more consensual narratives such as 'cultural vibrancy', a global city 'brand' and/or economic performance.

Rasul, I., & Rogger, D. (2015). The impact of ethnic diversity in bureaucracies: Evidence from the Nigerian civil service. American Economic Review, 105(5), 457–461

Country Examples	Nigeria
Forms of Diversity discussed:	ethnic, religious, tribal
Policy Insights:	Poor policy choices are a channel through which ethnic fragmentation lowers economic growth. Future work should study the assignment of projects the Nigerian bureaucracy is tasked to implement, and also whether the implementation of projects is impacted by the ethnic fractionalisation among the communities being served by the project. Project completion rates might be higher in more ethnically diverse organisations if such bureaucracies bring together civil servants with divergent experiences, beliefs, and motivations.
Diversity Dividend Mechanism:	Diversity can positively impact on organisations by matching workers of a variety of perspectives or experiences, enhancing team creativity or problem-solving capacities. Diversity creates increased skill complementary of workers in the production function.

This paper documents the correlation between the workplace diversity of bureaucracies and public services delivered in the context of the Federal Civil Service in Nigeria, an important government bureaucracy operating in a highly ethnically fractionalised society in which ethnicity is a salient form of identity.

The authors find that diversity in bureaucracies is found to be a force for good: more diverse organisations have significantly higher project completion rates. They also find that ethnic diversity in bureaucracies matters. Ethnic diversity of public sector organizations is positively correlated with their performance.

Ratna, N., Grafton, R., & To, H. (2017). The 'Paradox of Diversity': Economic Evidence from US Cities 1980–2010. Asia & the Pacific Policy Studies, 4(1), 20-37 [graded A]

Country Examples	USA
Forms of Diversity discussed:	social, migrant, racial, linguistic, ethnic
Policy Insights:	There may be an economic justification to subsidise English-language education for migrants from non-English speaking backgrounds. Physical transportation infrastructure, urban planning and public transport provides help with social cohesion as well as potentially helping overcome the paradox of diversity.
Diversity Dividend Mechanism:	There is a positive effect of diversity, however this diminishes the higher the proportion of the foreign-born population who lack English fluency.

This paper evaluates the economic significance of linguistic barriers to communication in 226 US cities from 1980 to 2010.

The results show that linguistic, racial and composite diversity increase the average income of working age population in American cities.

The authors find that while diversity has positive economic benefits because it allows for mutually beneficial exchanges across people with different knowledge sets and experiences, these exchanges appear to be moderated by linguistic barriers.

Repkine, A. (2014). Ethnic diversity, political stability and productive efficiency: Empirical evidence from the african countries. South African Journal of Economics, 82(3), 315–333 [graded A]

Country Examples	Sub-Saharan African countries
Forms of Diversity discussed:	ethnic, tribal
Policy Insights:	Since the importance of ethnic diversity to economic performance appears to be comparable to the importance of biodiversity to the survival of an ecosystem, the authors strongly advocate the view that ethnic diversity should be preserved and managed by the responsible government not only because it per se constitutes an invaluable cultural asset but since it also has a substantial socio-economic value.
Diversity Dividend Mechanism:	Ethnically diverse societies are more efficient at producing private goods. Ethnic heterogeneity creates the potential for exploiting unique comparative advantages possessed by different ethnicities, increasing efficiency with which goods and services are produced.

The author of this paper hypothesises and tests several explanations why higher levels of ethnic diversity may be associated with better socio-economic outcomes in a range of African countries.

The author finds that productive efficiency is higher in the societies where ethnicities can benefit from the complementarity of skills. He argues that incentives to engage in an ethnic conflict will be lower and the extent of political stability higher in those countries where the opportunity costs of ethnic conflict are more substantial.

This paper represents the first attempt to directly estimate the effect of ethnic diversity on productive efficiency at the individual country level in the African continent. The author's most robust empirical result is that ethnic diversity is positively associated with increased levels of aggregate productive efficiency and political stability. His results strongly suggest a robust positive, statistically significant direct link between ethnic diversity and both political stability and productive efficiency in the ethnically heterogeneous countries, corroborating a hypothesis of vested interests and skills complementarity.

Reynal-Querol, M., & Montalvo, J. G. (2017). Ethnic Diversity and Growth: Revisiting the Evidence. Economics Working Paper Series 1585, University Pompeu Fabra

Country Examples	Sub-Saharan African countries
Forms of Diversity discussed:	ethnic, tribal
Policy Insights:	N/A
Diversity Dividend Mechanism:	The increase in trade at the boundaries between ethnic groups due to ethnic specialisation. Those areas which have more ethnic diversity, also have a higher proportion of markets.

This paper presents a measurement of religious and ethnic diversity and their effects on economic development and analyses the effect of religious and ethnic diversity on economic development. The authors compare the empirical performance of different dimensions of ethnicity as well as alternative indices to measure diversity and potential conflict.

The authors find that religious fractionalisation has no direct effect on economic growth, while ethnolinguistic fractionalisation does. By contrast, the results suggest that an increase in social polarisation has a negative effect on growth because it reduces the rate of investment and increases public consumption and the incidence of civil wars.

Rodríguez-Pose, A., & Von Berlepsch, V. (2014). When Migrants Rule: The Legacy of Mass Migration on Economic Development in the United States. Annals of the Association of American Geographers, 104(3), 628-651 [graded A]

Country Examples	USA
Forms of Diversity discussed:	racial, migrant, ethnic
Policy Insights:	The potential consequences of considerably curbing migration flows will be felt in the long run. The economic dynamism of the USA a century down the line is bound to be a result of decisions regarding migration. This makes migration policy today crucial for the economic health of the USA for decades and centuries to come.
Diversity Dividend Mechanism:	Mass migration could have created a shock capable of altering the institutions of the places where migrants settled, giving them a unique character that still distinguishes them from other areas in the USA. More research is needed, however, to unveil the exact mechanisms through which this transmission takes place.

This article examines the extent to which the settlement pattern of migrants arriving in the United States during the major migration waves of the late nineteenth and early twentieth centuries left a legacy on the economic development of the counties where newcomers settled and whether this legacy endures today.

The authors find that U.S. counties that attracted large numbers of migrants more than a century ago remain more dynamic today than counties that did not.

The results of their analysis are strong and clearly contradict the dominant view about the irrelevance of migration for long-term economic performance. Almost a century and a half after the first large migration wave of the late nineteenth century, those places where migrants settled in large numbers in the USA are significantly better off than those that were relatively untouched by migration, the results show.

Rupasingha, A., Goetz, S. J., & Freshwater, D. (2002). Social and institutional factors as determinants of economic growth: Evidence from the United States counties. Papers in Regional Science, 81, 139–155

Country Examples	USA
Forms of Diversity discussed:	ethnic, racial
Policy Insights:	Income inequality is harmful for economic growth because it leads to redistributive policies that may hamper investment opportunities.
Diversity Dividend Mechanism:	N/A

The authors of this paper assess the contribution of differences in social and institutional variables on growth rates of per capita income for counties in the United States; finding that ethnic diversity is associated with faster rates of economic growth

The authors argue that their results fail to support the finding in the cross-country literature that ethnic diversity is harmful for economic growth. At least, they argue, it is difficult to make the case that ethnic diversity detracts from growth in the United States.

Sandbrook, R. (2005). Origins of the Democratic Developmental State: Interrogating Mauritius. Canadian Journal of African Studies, 39(3), 549–581

Country Examples	Mauritius
Forms of Diversity discussed:	ethnic, racial
Policy Insights:	Shrewd leadership has been crucial in negotiating highly favourable preferential trade arrangements with the EU and USA.
Diversity Dividend Mechanism:	N/A

The authors show that in contrast to nearly all sub-Saharan countries, Mauritius has made steady progress in attaining its ambitious growth goals.

They show that this underdeveloped and racially stratified country has achieved not only sustained growth but also a degree of equity, a remarkable welfare state, and a consolidated democracy. But they also show that this desirable approach is unlikely to be widely emulated because they present evidence for how it has evolved on the basis of 'peculiar' historical conditions.

The article is useful however is giving examples on how best to manage a diverse society toward economic growth.

Savelkoul, M., Gesthuizen, M., & Scheepers, P. (2011). Explaining relationships between ethnic diversity and informal social capital across European countries and regions: Tests of constrict, conflict and contact theory. Social Science Research, 40, 1091–1107

Country Examples	European countries
Forms of Diversity discussed:	ethnic, migrant
Policy Insights:	N/A
Diversity Dividend Mechanism:	N/A

This paper focuses on the relationship between ethnic diversity and informal social capital.

The results reveal a direct positive effect of ethnic diversity at the country level on informal helping, yet no indirect effect via the mediating variables. At the regional level, the authors only found an indirect effect of ethnic diversity. At this level, they find that ethnic diversity increases the likelihood of intergroup contact that in turn is positively related to both informal social meeting and helping.

Perceived ethnic threat turned out to have a negative effect on informal social meeting.

The authors find no support for Putnam's constrict theory proposing a negative effect of ethnic diversity on this type of social capital.

Schaub, M. (2017). Second-order ethnic diversity: The spatial pattern of diversity, competition and cooperation in Africa. Political Geography, 59, 103–116 [graded A]

Country Examples	33 African countries
Forms of Diversity discussed:	First-order ethnic diversity – the diversity of a local community Second-order ethnic diversity – the ethnic diversity of the hinterland of a community
Policy Insights:	From the idea of second-order diversity, a new synthetic understanding of the effects of ethnic diversity could be developed. Outgroup threat may join market exposure, settlement size and monotheistic religion as a factor explaining why cooperation levels vary between different communities and regions.
Diversity Dividend Mechanism:	Second-order ethnic diversity can strengthen community cooperation. This is because second-order diversity induces ethnic competition. Ethnic competition, in turn, has been linked to increased levels of mobilisation and cooperation in historical and contemporary cases.

This paper introduces the concept of second-order ethnic diversity, the ethnic diversity of the hinterland.

The author presents evidence showing that it is ethnic competition that accounts for the positive association between second-order ethnic diversity and increased cooperation. Second-order ethnic diversity goes along with higher levels of cooperation where contemporary geographic and political factors identified to raise levels of interethnic competition are present: in urbanised areas, where ethnic and administrative boundaries coincide and where government is dominated by a single group (and thus faces many challengers).

The author shows that the cooperation-inducing effect of second-order ethnic diversity is particularly pronounced where contemporary and historical factors predict increased interethnic tensions. Several of these factors, such as the drawing of colonial borders, the geographic pattern of the transatlantic slave trade, and the distribution of the tsetse fly are the authors argues, plausibly exogenous to current-day social dynamics, suggesting a causal link running from ethnic competition to increased cooperation.

Schündeln, M. (2013). Ethnic Heterogeneity and the Private Provision of Public Goods. Journal of Development Studies, 49(1), 36–55

Country Examples	Uganda
Forms of Diversity discussed:	ethnic, linguistic
Policy Insights:	Given that private provision of public goods might be able to alleviate some of

	the most pressing problems in countries which usually do not provide public goods in a sufficient amount, these results call for more future research in these directions to get a better understanding of what determines collective action at the community level.
Diversity Dividend Mechanism:	The mechanism, through which public goods are provided, that is whether they are provided publicly or privately, is important in understanding the role of ethnic diversity in public goods provision. More ethnic diversity may be associated with higher uncertainty about the expected contribution of other individuals. This in turn will theoretically lead to higher private contributions to public goods under ethnic diversity than under ethnic homogeneity. Increases in ethnic diversity lead to increased uncertainty about who else values any given public good, which in turn leads to larger individual propensity to be willing to contribute.

This article provides an investigation of the role of ethnic heterogeneity as determinants of the willingness to contribute privately to public goods using the case of Uganda.

The author finds that an increase in ethnic heterogeneity is associated with an increase in the willingness to contribute to public goods. He also finds that higher levels of ethnic fragmentation are associated with an increased willingness to provide public goods privately in neighbourhoods of Kampala. The results hold across a number of public goods and are robust to different specifications.

Singh, P. (2011). We-ness and Welfare: A Longitudinal Analysis of Social Development in Kerala, India. World Development, 39(2), 282-293 [graded A]

Country Examples	India
Forms of Diversity discussed:	ethnic, religion, caste
Policy Insights:	Suggestion for a refocusing of scholarly attention away from the conventional question of the impact of a heterogeneous ethnic demography on public goods provision toward an exploration of the factors that promote a subjective sense of cohesion, which can moderate the influence of ethnic diversity.
Diversity Dividend Mechanism:	A shared identity can generate a politics of the common good. A closer identification with a group reduces the perceived distance between members such that they are less likely to make a distinction between their own and others' welfare and more likely to view each other as having common goals. A "we-feeling" generates a web of mutual obligations, which makes people more willing to work toward common ends.

This paper challenges the conventional wisdom that ethnic diversity negatively influences public goods provision through a longitudinal study of the Indian state of Kerala.

The author finds that it is not objective diversity but a subjective sense of "we-ness," which is the key determinant of the level of public goods provision and social development.

The author argues that a cohesive sub-national community generates progressive social policy as well as societal monitoring of schools and clinics, which together give rise to relatively high levels of education and health outcomes.

The results show that it is not so much objective diversity but the extent to which people share a subjective sense of belonging, which has no necessary relation to objective diversity, that is the key determinant of public goods provision.

This article seeks to separate the objective diversity of group membership from subjective feelings of cohesion or division. It grants an independent causal role to the politics of identity. The case study of Kerala illustrates how a sense of one-ness among ethnic groups fosters support for collective welfare and makes residents more likely to work together to monitor social services.

Singh, P., & vom Hau, M. (2016). Ethnicity in Time: Politics, History, and the Relationship between Ethnic Diversity and Public Goods Provision. Comparative Political Studies, 49(10), 1–38 [graded A]

Country Examples	multi
Forms of Diversity discussed:	ethnic
Policy Insights:	It is important to focus on the threat perceptions, group identifications, and normative commitments of state officials when seeking to understand how politicised ethnicity might affect public service provision.
Diversity Dividend Mechanism:	N/A

This paper seeks to open up the debate around how distinct manifestations of politicised ethnicity might influence state provision of public goods.

The authors argue that the case for the "diversity-development deficit thesis" is overstated, largely because it has been derived, for the most part, in isolation from a serious consideration of history and politics.

The authors argue that past state intentions and capabilities to provide public goods shape both contemporary patterns of ethnic diversity and state provision of public services. They also suggest that the relationship between diversity and state provision of public goods looks different when the analytical lens is extended back in time and the relationship in different temporal contexts is investigated.

The authors show that their state-centred approach has allowed them to endogenise contemporary diversity and public goods provision, by treating them as likely outcomes of macro-historical processes of nation-building and state development, and the state strategies and capabilities to provide public goods associated with them.

Sluiter, R., Tolsma, J., & Scheepers, P. (2015). At which geographic scale does ethnic diversity affect intra-neighborhood social capital? Social Science Research, 54, 80–95

Country Examples	Netherlands
Forms of Diversity discussed:	ethnic, racial
Policy Insights:	N/A
Diversity Dividend Mechanism:	Inter-ethnic personal contacts between people in the neighbourhood, and opposition to having members of ethnic out-groups as next-door neighbours. Intra-ethnic personal contacts between people in the neighbourhood, and opposition to having a member of the ethnic in-group as next-door neighbours.

This paper studies whether ethnic diversity effects depend on the geographic scale at which ethnic diversity is measured using the Netherlands as a case study.

The authors find that ethnic diversity of smaller localities is positively associated with bridging social capital. At larger scales, the findings are mixed: ethnic diversity is positively related to inter-ethnic contacts and opposition to out-group neighbours. Ethnic diversity of smaller localities is negatively related to bonding social capital.

The authors argue that not only the strength, but also the direction of the relationship between ethnic diversity and social capital can depend on the geographic scale at which ethnic diversity is assessed.

The authors' findings imply that ethnic diversity assessed at different geographic scales differentially affects bonding and bridging social capital, and using egocentric neighbourhoods is a powerful approach to delineate effects of locality characteristics on individual responses.

Smallbone, D., Kitching, J., & Athayde, R. (2010). Ethnic diversity, entrepreneurship and competitiveness in a global city. International Small Business Journal (Vol. 28)

Country Examples	UK
Forms of Diversity discussed:	black and minority ethnic
Policy Insights:	The proposition is potentially powerful in political terms, since it suggests that an ethnically diverse society is potentially stronger economically than a less diverse one, with potential welfare gains for the population as a whole.
Diversity Dividend Mechanism:	Ethnic diversity as a source of creativity and innovation. This particularly applies in the case of the relationship between diversity, creativity and innovation, which in London is associated with generational change and the greater human capital found in second generation Asian-owned firms in the creative industries.

The aim of this article is to assess the proposition that ethnic diversity is a potential source of competitiveness at the city/regional level.

The authors find that ethnic and linguistic diversity may be a potential asset for city competitiveness, but the evidence is uneven. Although a number of plausible hypothesised links between diversity and competitiveness are proposed, and evidence is presented to support them, further systematic research is required before the frequency of occurrence of such diversity/ competitiveness connections can be determined and their importance in economic development fully assessed.

Snodgrass, D. R. (1995). Successful Economic Development in a Multi-ethnic Society: The Malaysian Case. Development discussion paper, Harvard Institute for International Development, Harvard University [graded A]

Country Examples	Malaysia
Forms of Diversity discussed:	ethnic, linguistic
Policy Insights:	Targets were set for poverty alleviation and the ethnic restructuring of employment and business ownership and control. Creation of a large public sector.
Diversity Dividend Mechanism:	An ambitious affirmative action program, significant natural resources, creation of a large public sector.

This paper looks at what would have happened in Malaysia in 1970-90 if the New Economic Policy had not been undertaken and what made it possible for Malaysia able to grow while redistributing?

Malaysia is an ethnically heterogeneous country which had the world' s tenth-fastest growing economy in 1970-90. The author argues that the Malaysian experience over the next couple of decades will show whether an affirmative action program like the NEP is capable of changing ethnic heterogeneity from a liability into an asset for economic development.

The author considers three possibilities in answer to his questions: good policy, good luck, and pragmatism. Although he shows that all three played a part, he awards the greatest credit to pragmatism, illustrated by key policy changes introduced in 1986.

Sparber, C. (2010). Racial diversity and macroeconomic productivity across US states and cities. Regional Studies, 44(1), 71–85

Country Examples	USA
Forms of Diversity discussed:	racial
Policy Insights:	Need to evaluate the channels through which diversity affects productivity. These important issues are probably better served by alternative methodologies, including those employing experimental, behavioural, and less aggregated data. Further research in these areas will provide valuable added insight into the economic consequences of diversity.
Diversity Dividend Mechanism:	N/A

This paper exploits variation across US regions from 1980 to 2000 to determine whether racial heterogeneity creates gains or losses for states and cities – the author finds that diversity enhances the productivity of cities.

Spoonley, P. (2014). Superdiversity, social cohesion, and economic benefits. IZA World of Labor. https://doi.org/10.15185/izawol.46

Country Examples	Australia, Canada, New Zealand, UK, France, Germany, Switzerland
Forms of Diversity discussed:	migrant, racial
Policy Insights:	Policy is critical in addressing these dimensions to realise the potential of super-diversity. Governments can support intercultural dialogue, adopt anti-discrimination laws, improve credentials recognition, promote language training and job search techniques, and ameliorate disadvantage that impedes social mobility. Government policy needs to address the challenges of integration and social cohesion, economic performance, and social mobility. To promote integration and social cohesion, governments can support inclusive intercultural dialogue, adopt anti-discrimination law and policies, support migrant organizations, and address negative attitudes and discrimination that contribute to community tension and exclusion. Governments can work to enhance economic performance and outcomes for immigrants through credential recognition, transition programs that provide relevant qualifications or work experience, language training, and job search techniques or business start-up support, as well as by encouraging firms to employ migrant job- seekers.
Diversity Dividend Mechanism:	Super-diversity can lead to positive social and economic benefits for welcoming communities and economies. Diversity creates an environment for the cross- fertilisation of ideas that contributes to creativity and innovation. Investments and increased local aggregate demand created by diversity encourage product and process innovation. Super-diversity reflects and contributes to new global connections and a local or international cosmopolitanism.

This paper highlights some of the positive and negative factors that arise from super-diversity and looks at whether super-diversity provides societies with real economic benefits; the answer is mixed.

Super-diversity can result in real economic benefits—but the author argues that it also raises concerns about social cohesion. Studies find a diversity dividend of higher productivity and innovation for regions and cities with large immigrant populations. There is also evidence to indicate that the presence of super-diversity is a contributor to open and innovative societies and cities.

Stichnoth, H., & Van der Straeten, K. (2013). Ethnic diversity, public spending, and individual support for the welfare state: A review of the empirical literature. Journal of Economic Surveys, 27(2), 364–389

Country Examples	USA, Germany, Scandinavia, Canada, Europe
Forms of Diversity discussed:	migrant
Policy Insights:	Conduct a meta-analysis in order to find out when and where ethnic diversity does seem to matter for public spending and individual support for it.
Diversity Dividend Mechanism:	Ethnic diversity will matter most near a 'tipping point' at which ethnic minorities are perceived as posing a political or economic threat to the native majority.

The authors surveyed the empirical literature on the effects of ethnic diversity on natives' attitudes towards redistribution and their main conclusion from this survey was that the evidence is mixed at best.

Syrett, S., & Sepulveda, L. (2011). Realising the diversity dividend: Population diversity and urban economic development. Environment and Planning A, 43(2), 487–504

Country Examples	multi
Forms of Diversity discussed:	ethnic, migrant, racial
Policy Insights:	A more critical and wide-ranging approach to the complex relationship between population diversity and city development is required if a more just form of urban economic development is to be achieved. Policy practice needs to be embedded within the development and understanding of a `just city', which recognises the importance of social justice, equality and the democratic process within urban economic development, and the inherent clashes and trade-offs required between the pursuit of these different agendas. For interventions to achieve greater effectiveness, they need to be based upon a critical understanding of how population diversity in its various forms contributes to economic development within different urban contexts, something that has to date frequently been lacking.
Diversity Dividend Mechanism:	Population diversity not only contributes to a different mix of human capital in terms of formal and tacit skills, knowledge, and education, but also creates new markets for goods and services, new business networks and opportunities for innovation and entrepreneurship, and urban environments attractive to workers, investors, and visitors.

This paper identifies an often narrow focus upon higher skilled and higher income populations and their needs within much urban economic policy thinking. The authors identify a number of fundamental tensions across this agenda and demonstrate how current thinking and practice frequently feed into a narrow policy focus upon the high-skilled members of diverse populations at the expense of the interests of the majority lower skilled and lower income ethnic populations.

The authors also find that the presence of population diversity can, and often does, contribute positively to an entrepreneurial and innovative urban economic growth dynamic. However, they argue that a partial and overly simplistic `boosterist' reading of the diversity dividend is problematic for a number of reasons.

Tasan-Kok, T., van Kempen, R., Raco, M. and Bolt, G. (2013), Towards Hyper-Diversified European Cities: A Critical Literature Review. Utrecht: Utrecht University, Faculty of Geosciences

Country Examples	European countries + Canada
Forms of Diversity discussed:	socio-economic, social and ethnic terms and lifestyles, attitudes and activities
Policy Insights:	Policies aimed at traditional categories such as 'the' poor or specific ethnic or age groups or policies focused on one specific area without taking account of the immense diversity in such an area are probably doomed to fail. There is a need to develop understandings of how national and local policy-makers are now coping with growing (and sometimes declining) inflows of in-migrants. Austerity may encourage policy shifts towards more diversity as one way of enhancing future resilience and growth.
Diversity Dividend Mechanism:	Diversity creates positive influences on economic performance of individuals and groups. Policy arrangements may play an important role in stimulating these circumstances.

This paper examines under which conditions can urban hyper-diversity positively affect social cohesion, economic performance and social mobility of individuals and groups suffering from socio-economic deprivation? The authors do this by exploring and assessing some of the key literature on contemporary urban diversity and its relationships with the broader themes of governance, social cohesion, economic competitiveness, and social mobility

Hyper-diversity refers to an intense diversification of the population in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities.

The authors argue that European cities are entering a new era of hyper-diversity that goes beyond traditional understandings of urban and demographic change. They emphasise that too much of the existing literature is wedded to simple conceptions of population difference, often characterised through binaries between 'host' and 'migrant' population groups. The reality in many EU cities is one of much greater forms of diversity as expressed through class, identities, social position, and structural economic changes.

Tatarko, A., Mironova, A., & Van de Vijver, F. (2017). Ethnic Diversity and Social Capital in the Russian Context. Journal of Cross-Cultural Psychology, 48(4), 542-559

Country Examples	Russia
Forms of Diversity discussed:	ethnic, migrant
Policy Insights:	The discourse in many affluent countries is anti-immigration. One of the arguments used against immigration is the poor

	cohesion of multicultural societies. It is important to appreciate that the link does not always appear and can indeed also lead to the opposite effects: There are many examples of neighbourhoods where a strong social cohesion is combined with a high diversity.
Diversity Dividend Mechanism:	N/A

The authors of this paper, examine the link between ethnic diversity and social capital to test Putnam's hypothesis on the negative impact of ethnic diversity on social capital

The authors argue that the long-standing ethnic diversity in Russia is positively related to informal sociability and does not affect generalised trust and community organisational life. They find a high level of long-standing ethnic diversity.

This paper is important because of its focus on long-standing ethnic diversity, which has never been addressed in the discussion on the link between diversity and social capital.

Tonini, S., & Zhang, P. (2018). Ethnic Diversity and Labour Market Outcomes : Evidence from Post-Apartheid South Africa *, Job Market. Retrieved from https://pengzhangecon.com/research/

Country Examples	South Africa
Forms of Diversity discussed:	Ethnic
Policy Insights:	A successful intervention must encourage more inter-ethnic connection which can motivate people to invest in more social skills. It can be an efficient policy the initial investment in social skills is important to the ultimate equilibrium. An attempt at fostering inter-ethnic communication in a more diverse society will have long-lasting effects on overall skill investments. Policies which directly improve people's social skills may also be effective in preparing them for better employment opportunities.
Diversity Dividend Mechanism:	As inter-ethnic communication requires more skills than intra-ethnic connection, people in ethnically diverse districts are motivated to invest more in social skills to be able to communicate with those outside their own group. The acquisition of these social skills makes them better equipped for the labour market. For groups with smaller size who heavily rely on inter-ethnic connection, they do not have the incentive to deviate and will always participate in inter-ethnic interaction and invest in social skills regardless of the diversity level.

This paper investigates how ethnic diversity amongst black South Africans affects their labour market outcomes in the post-Apartheid era.

The authors find that ethnic diversity has a positive impact on the employment rate of black South Africans, and it only affects ethnic groups with relatively large population size. They show that people respond differently in places with low and high levels of ethnic diversity not because ethnically diverse districts bring about more groups which contribute to something unique in these diverse places, but because the relative size of their group results in different motivations to invest in social skills.

Van Staveren, I., & Pervaiz, Z. (2017). Is it Ethnic Fractionalization or Social Exclusion, Which Affects Social Cohesion? Social Indicators Research, 130(2), 711-73 [graded A]

Country Examples	multi
Forms of Diversity discussed:	ethnic, religious, linguistic, minority
Policy Insights:	Future studies of social cohesion and its relation to growth may benefit from using measures of social exclusion next to ethnic diversity.
Diversity Dividend Mechanism:	Ethnic diversity has no negative effect on social cohesion when it is controlled for social exclusion.

This paper analyses the effect of fractionalisation on social cohesion with a different inequality measure from many other studies, namely a social measure of inequality: Inclusion of Minorities Index.

The results indicate that it is social exclusion, which reduces social cohesion, rather than diversity as such. The results indicate that once controlled for horizontal inequality, ethnic diversity has no statistically significant negative impact on social cohesion.

At the same time, social exclusion, which the authors measured with an index of inclusion of minorities, shows a positive relatively large and statistically significant effect on social cohesion, indicating that social exclusion reduces social cohesion.

Vermeulen, F., Tillie, J., & Van de Walle, R. (2012). Different Effects of Ethnic Diversity on Social Capital: Density of Foundations and Leisure Associations in Amsterdam Neighbourhoods. Urban Studies, 49(2)

Country Examples	Netherlands
Forms of Diversity discussed:	ethnic, racial, religious
Policy Insights:	N/A
Diversity Dividend Mechanism:	Ethnic diversity has a significant positive effect on the density of foundations in the city's neighbourhoods.

This study looks at the effect of a changing context in Amsterdam in which ethnic diversity has increasingly come to be perceived as problematic by inhabitants and local politicians.

The authors find that ethnic diversity has a different effect on both forms of civil society: the horizontal heterogeneous networks suffer more from ethnic diversity than the homogeneous networks. The authors also find that a ethnic diversity has a significant negative effect on the density of leisure associations and except for those with a high percentage of highly educated residents, the authors argue that diverse neighbourhoods present even more challenges for people to connect with each other.

Walker, S. (2007). Are Regimes in Diverse Societies More Repressive? a Crosstemporal, Crossnational Analysis. Political Science, 59(1), 23-44

Country Examples	global sample of developing countries
Forms of Diversity discussed:	ethnic, linguistic, religious
Policy Insights:	Important for policy makers to consider why ethnolinguistic diversity does not have quite as pronounced an effect as religious diversity?
Diversity Dividend Mechanism:	Authors offer a limited amount of support for the contention of Etzioni and others who argue that diversity is conducive to greater toleration and societal harmony.

This study investigates the impact of diversity on a characteristic of governance related to societal conflict and governments' basic human rights.

The author shows that both kinds of diversity do exercise statistically significant impacts, and very probably substantively important impacts, on state terror. Contrary to much of the existing theory and thinking on ethnic and religious fractionalisation, the author finds that greater diversity in a society is associated with governments using less state terror, when other factors associated with the level of state terror are controlled for.

Wunnava, P., Mitra, A., & Prasch, R. (2015). Globalization and the Ethnic Divide: Recent Longitudinal Evidence. Social Science Quarterly, 96(5), 1475-1492

Country Examples	103 countries
Forms of Diversity discussed:	ethnic, linguistic
Policy Insights:	Societies with greater ethnic fragmentation may find it in their interest to adopt policies promoting greater integration of the local economy into international markets. Such policies, if carefully constructed, constitute a direct impetus to economic growth. As importantly, they provide a partial mitigation of the detrimental economic impact of fragmentation.
Diversity Dividend Mechanism:	N/A

This article investigates the impact of increasing global integration on economic growth, emphasising its interaction with the level of ethnic heterogeneity in a society.

The authors find that economic globalisation has generally had a beneficial impact on economic growth. They also find that societies marked by greater ethnic heterogeneity have gained more from global integration.

The results show that ethnic heterogeneity has been a significant impediment to growth over the sample period, religious and linguistic heterogeneity have not.

Type of Evidence used by Article/Report	Number of Occurrences
Secondary, using existing dataset	52
Secondary, using existing literature	10
Primary - Qualitative	7
Primary - Quantitative	6