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Diverse Homo Socialis

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At the entrance to Higashi Honganji Temple in Kyoto, the ancient capital of Japan, a visitor is greeted by two sentences written on the wall:

"Living together in diversity. Learning to accept our differences."

Diversity is a fact of life, whether we want it or not, whether we like it or not.

In economics it is difficult to find a *representative consumer*.

Before discussing the impact of diversity in Russia and elsewhere,

Is diversity good or bad?

Good:

Saxenian (1996, 1999) argued that the success of Silicon Valley in 80s and 90s was due to a diverse cultural and professional background of scientists and entrepreneurs, coming from India, China, Russia, Israel, Europe. At that time 40% of businesses there had a foreign-born co-owner.

Florida (2002), Florida and Gates (2001) examined the importance of diversity to urban high-tech growth. They ranked 50 US cities in terms of diversity (number of artists, foreign-born) and showed the success of more diverse ones (from San Francisco to Buffalo).

There is a research (Otaviano and Peri) showing that earnings in in more diverse cities are higher than in less diverse ones.

Is diversity good or bad?

Bad:

Ethnic, religious and linguistic conflicts conflicts everywhere (Asia, Africa, Latin America, Europe)

Tragedy of Africa.

Papua New Guinea - 857 active languages. And this is not that exceptional. Most of the countries have more than 100 languages.

Example: Production of cocoa in Ghana (Kwame Nkrumah).

European Union. Excessive degree of diversity? (24 official languages!).

If look at diversity as a spice for the society, then maybe a little amount of diversity is good but if too much of diversity could have a negative effect.

How many spoons of sugar do we put in a cup of tea?

How much salt or pepper do we put in our meal?

How much colour do we like in painting we see?

The question is not only what is an optimal degree of societal diversity, but also what kind of public policies should be selected in order to take into account differences between people, groups and regions?

Why diversity is important?

Big shocks (economic changes, financial crises, fluctuation of oil prices,natural disasters) impacts various groups in different ways, and one has to account for group differences.

Even if we talk about the rapid growth, there are sectors in population and economy, and various regions, that may suffer.

If we talk about inclusive growth, we should develop mechanisms that guarantee the engagement of all, even weak sectors, of the society.

Diversity

Diversity covers a large range of aspects:

- religious
- historical
- economic
- ideological
- geographical
- linguistic.
- genetic
- and many others.

Research on diversity is interdisciplinary in its nature.

Measurement of diversity

Biodiversity

There are different characteristics (religion, language, ethnicity).
Biodiversity is concerned with a number of different characteristics in the
society, say 857 languages in Papua New Guinnea.

The biodiverslty is maximal when the principle of Noah's Ark is satisfied.

But in social sciences we are concerned not only with the number of the
groups characteristics but also with the distribution of the society across
the groups. **The numbers matter!**

Measurement of diversity

Group sizes. Suppose we have several languages in the society. Then we calculate
the probability that two randomly chosen individuals in the society belong to different groups?
This index is

$$A = 1 - \sum_k s_k^2.$$

where the s_k is the proportion of members of group k in the entire society.

The first time the A-index (the mutuality index) has been proposed by Gini (1912). Then Simpson (1948) in biodiversity, and Greenberg (1956) in linguistics, and many others. It is also one minus Hirschman-Herfindahl index. Also the Shannon entropy (1948,1949).

Measurement of diversity

In order to use the A index one needs Group Identification (a partition of society into the groups.)

One of the first and most famous linguistic and ethnic fractionalization datasets has been compiled by the Institute Miklucho-Maklay (Atlas Narodov Mira, 1964) in Moscow, called ELF (ethnolinguistic fractionalization).

Till now the most often used index of ethnolinguistic fractionalization is the A index based on the MM dataset.

Group identification: Are Italian and Venetian different languages? Are Serbian and Croatian different languages?

Measurement of diversity

Proximity between the groups
We introduce the notion of similarity (or dissimilarity) between characteristics (languages) and determine the distance every pair of languages.

We have the B-index, which is the average distance between two randomly chosen society members.

An example of the distance matrix follows.

	IT	FR	SP	PT	GE	DU	SW	DA	EN	LI	LA	SV	CZ	SL	PL	GR	RU
IT	0	0,20	0,21	0,23	0,73	0,74	0,74	0,74	0,75	0,76	0,78	0,76	0,75	0,75	0,76	0,82	0
FR	0,20	0	0,27	0,29	0,76	0,76	0,76	0,76	0,76	0,78	0,79	0,78	0,77	0,76	0,78	0,84	0
SP	0,21	0,27	0	0,13	0,75	0,74	0,75	0,75	0,76	0,77	0,79	0,77	0,76	0,76	0,77	0,83	0
PT	0,23	0,29	0,13	0	0,75	0,75	0,74	0,75	0,76	0,78	0,80	0,78	0,76	0,76	0,77	0,83	0
GE	0,73	0,76	0,75	0,75	0	0,16	0,30	0,29	0,42	0,78	0,80	0,73	0,74	0,74	0,75	0,81	0
DU	0,74	0,76	0,74	0,75	0,16	0	0,31	0,34	0,39	0,79	0,80	0,75	0,76	0,75	0,77	0,81	0
SW	0,74	0,76	0,75	0,74	0,30	0,31	0	0,13	0,41	0,78	0,79	0,75	0,75	0,74	0,76	0,82	0
DA	0,74	0,76	0,75	0,75	0,29	0,34	0,13	0	0,41	0,78	0,80	0,73	0,75	0,73	0,75	0,82	0
EN	0,75	0,76	0,76	0,76	0,42	0,39	0,41	0,41	0	0,78	0,80	0,75	0,76	0,75	0,76	0,84	0
LI	0,76	0,78	0,77	0,78	0,78	0,79	0,78	0,78	0,78	0	0,39	0,66	0,62	0,60	0,64	0,83	0
LA	0,78	0,79	0,79	0,80	0,80	0,80	0,79	0,80	0,80	0,39	0	0,68	0,67	0,64	0,67	0,85	0
SV	0,76	0,78	0,77	0,78	0,73	0,75	0,75	0,73	0,75	0,66	0,68	0	0,34	0,31	0,37	0,82	0
CZ	0,75	0,77	0,76	0,76	0,74	0,76	0,75	0,75	0,76	0,62	0,67	0,34	0	0,09	0,23	0,84	0
SL	0,75	0,76	0,75	0,76	0,74	0,75	0,74	0,73	0,75	0,60	0,64	0,31	0,09	0	0,22	0,83	0
PL	0,76	0,78	0,77	0,78	0,75	0,77	0,76	0,75	0,76	0,64	0,67	0,37	0,23	0,22	0	0,84	0
GR	0,82	0,84	0,83	0,83	0,81	0,81	0,81	0,82	0,84	0,83	0,85	0,82	0,84	0,83	0,84	0	0
RU	0,76	0,77	0,77	0,77	0,76	0,78	0,75	0,74	0,76	0,62	0,64	0,39	0,26	0,26	0,27	0,83	0
UKR	0,77	0,78	0,78	0,78	0,76	0,79	0,76	0,76	0,78	0,63	0,64	0,36	0,24	0,19	0,20	0,77	0,22

Figure: Dyen Matrix of distances between the EU25 + RU, UKR languages

IT - Italian; FR - French; SP - Spanish; PT - Portugal; GE - German; DU - Dutch; SW - Swedish; DA - Danish; EN - English; LI - Lithuanian; LA - Latvian; SV - Slovenian; CZ - Czech; SL - Slovak, PL - Polish; GR - Greek.

General Results

• Ethnic and linguistic fragmentation decreases institutional efficiency and increases corruption. All correlation coefficients are very significantly different from zero. Mauro (1995).

• Negative impact on growth. Easterly and Levine (1997) - the tragedy of Africa.

• Ethnic and linguistic fragmentation reduces the quality of government. Alesina et al. (2003), La Porta et al. (1999).

• Ethnically fragmented communities run larger deficits and exhibit lower spending shares on basic public goods, including education. Alesina, Baqir and Easterly (1999).

• Ethnic fractionalization leads to political instability and excessive government consumption that may, in turn, have a negative impact on growth. Annett (2001).

Note that I have not mentioned here economic inequality, which requires many hours to discuss and thousands of articles have been already written.

The prevailing view (Bourguignon (2013)) that there is no empirical evidence that income inequality is directly related to growth.

However, Areetey (2013) claims that the combination of income inequality and ethic diversity represent an impediment for growth. It is quite possible that the future research will go in this direction.
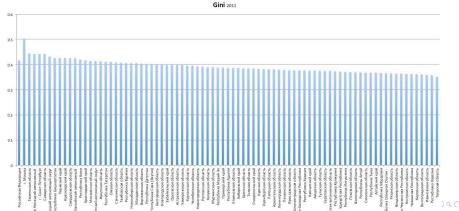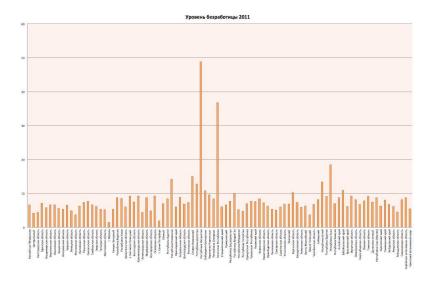
Russia

Gini

Russia: 0.41 (2009)

Compare: Belarus 0.26 (2011), Zambia 0.57 (2010), India 0.34 (2009)

(Source: World Bank)

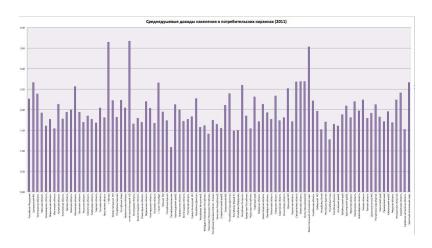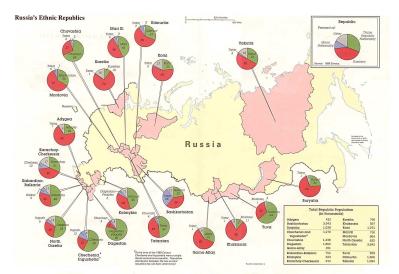Gini 2011

Unemployment and Real income

Уровень безработицы 2011

Figure: Source: Rosstat

Ethnic diversity
81% Russians, 3.87 % Tatars, Ukranians 1.4 %.

Figure: Source: CIA, Russia 1994

Linguistic diversity

The number of individual languages listed for Russian Federation is 106. Of these, 103 are living and 3 are extinct. Of the living languages, 24 are institutional, 18 are developing, 4 are vigorous, 27 are in trouble, and 30 are dying. (Ethnologue)

Red – Caucas. Maximal distance – Ingushetia. Minimal – regions of the Central Russia.

Michael Alexeev and I have recently edited the Oxford Handbook of Russian economy that describes the successes but also the slow development in other sectors.

In additional to geographical challenges, slow change of management patterns and government involvement in market practices, I would add an immigration issue, as Russia has 11 280 905 foreigners living on its territory (including more than 5 million from the Central Asia and more than 2 million from Caucasus).

• protection rights of immigrants (there is no government office now dealing with that)

• education of children of immigrants.

The latter is especially important as properly managing diversity could be bring tremendous economic and social benefits to the country.