LINGUISTIC DIVERSITY AND REDISTRIBUTION

Klaus Desmet
Universidad Carlos III

Ignacio Ortuño-Ortín
Universidad Carlos III

Shlomo Weber
Southern Methodist University

1 July 2009

Abstract

This paper investigates the effect of linguistic diversity on redistribution in a broad cross-section of countries. We use the notion of "linguistic distances" and show that the commonly used fractionalization index, which ignores linguistic distances, yields insignificant results. However, once distances between languages are accounted for, linguistic diversity has both a statistically and economically significant effect on redistribution. With an average level of redistribution of 9.5% of GDP in our data set, an increase by one standard deviation in the degree of diversity lowers redistribution by approximately one percentage point. We also demonstrate that other measures, such as polarization and peripheral heterogeneity, provide similar results when linguistic distances are incorporated. (JEL: D6, D74, H5, Z10)