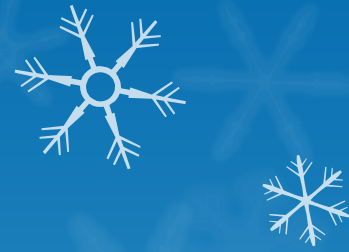


Increasing Heterogeneity and its Impact

Final reflections and discussion points

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Reflections

- Clear focus of the conference increased effectiveness
- Two very accessible and informative keynotes
- Excellent presentations covering a range of angles
- Evidence of considerable progress in this area of scientific inquiry
- Great social interaction (venue, food, “buzz”)

Heterogeneity and diversity

- The challenge of the potential impact of unobserved heterogeneity
- Macro versus micro
 - Research focus is often determined by the available data
 - There are many separate channels through which diversity influences socio-economic impacts. Most research to date simply estimates a net effect.
- The definition of diversity should depend on phenomenon under consideration
- We must disentangle “diversity across groups” versus “diversity across space” versus “socio-economic distance between groups”

Modelling issues

- What is the appropriate time frame?
- Defining diversity by single or multiple attributes
- Subjective versus objective measurement
- There are many impact measures (growth, income, wellbeing, innovation, trust, participation, discrimination, spatial interaction (trade, tourism, FDI,...), etc.
- The challenge of identifying the causal links (IV, matching, natural experiments, etc.)
 - Demand factors (from firms) versus supply factors (from workers) are inadequately identified
- Problem with panel models in this area of research: FE often doesn't work due to small "within firm" variation

Policy perspectives

- Interesting recent research by Andres Rodrigues-Pose and colleagues suggest the opposite of earlier research by Putnam:
 - In the short-term, diversity has a positive impact and migration has a negative impact (on GDP per capita)
 - In the long-run, diversity has a negative or insignificant impact and migration has a positive impact (on GDP per capita)
 - What are the policy implications?
- Is the concept of optimal diversity meaningful?
- Developing versus developed countries: impacts differ
- Spatial policies: intervene in market-driven endogenous clustering?

Thank you very much,
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