



## The Social Effects of Local Diversity\*

The main contribution of our paper is to identify the effect of ethnic diversity on social relationships and the quality of public *at the block level*. This is a key improvement for the analysis of how diversity shapes social relationships compared to the previous literature which is based on aggregated data at the county, regional or country levels. Diversity might matter for various reasons at different levels and the channels through which diversity operates are likely to depend on the size of the unit of observation. By focusing on the provision of public goods at an aggregate level, the

previous literature is mainly interested in the effect of diversity on collective action through lobbying or patronage. Instead, we analyze in this paper how diversity within a small community affects individual well-being and satisfaction with housing conditions through relationships among neighbors. We exploit the French Housing Survey that reports specific information about the neglect and voluntary degradations of the public areas, the quality of the housing, and interpersonal conflicts between neighbors. This data makes it possible for the first time to identify various effects of diversity on

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\* This Info IEB is based on the content of a paper of the IEB researcher Camille Hémet, with Yann Algan and David Laitin, titled “The Social Effects of Ethnic Diversity at the Local Level: A Natural Experiment with Exogenous Residential Allocation”, that has been accepted for publication in the *Journal of Political Economy*, which is a top five economic journal.

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local social relationships and public goods outcomes, and to explore the possible channels explaining this link.

We observe that block diversity, measured as nationality at birth, increases vandalism by a great deal, decreases building maintenance by a moderate (but overall significant) degree, and has no effect on security. For instance, a one standard deviation increase in diversity is associated with a rise by 9.2 percentage points in the probability of observing graffiti, which represents 21 percent of the total standard deviation of this outcome. Similarly, a one standard deviation increase in diversity is associated with a 4.7 percentage point increase in the probability that the elevator was out of order during at least 24 hours over the last three months, which is 13.1 percent of the standard deviation of this outcome.

When residents of more diverse blocks report that neglect and voluntary degradations are rife in their housing unit, we interpret this as a result of the residents' failure to develop social norms that would help punish defectors. When they report the breakdown and the poor quality of basic facilities (such as heating and soundproofing), we interpret this as a result of a diminished capacity for collective action for social improvement. Those goods are of course not directly degraded by diversity. But diversity might be associated with lower ability for collective action, explaining the irregularity of maintenance and the

absence of repairs in more diverse blocks. In this case, the result could be supported in equilibrium if the landlords reckon that they can neglect facilities in ethnically heterogeneous housing projects, knowing that they will not face collective action from their tenants demanding better services. We can thus conclude that diversity leads to social anomie, preventing the emergence of social norms and collective action. Finally, the absence of effect on public safety outcomes can be explained by the fact that security is provided at a higher level of government (e.g. municipal police), independently on the level of diversity.

In order to make unbiased causal inferences, we provide a new strategy for identifying the causal effect of diversity on economic and social outcomes. The general concern in this literature is that the endogenous residential sorting of individuals on ethnic grounds biases the estimate of the impact of diversity. We address this issue by using a natural experiment in which households in France are allocated to public housing blocks without taking their ethnic origin or their preference for diversity into account. Due to a strongly republican ideology, the French public housing system allocates state planned moderate cost rental apartments to natives and immigrants without concern for their cultural and ethnic background, mixing people indiscriminately. Some HLM neighborhoods are consequently quite diverse, and others quite homogeneous. Furthermore, HLM inhabitants rarely move, as the rents are much lower than market rates. Consequently, residents cannot choose whether to live near people like themselves. Rather, they accept their placement, whether next to co-ethnics or strangers. Methodologically, this means that we can take the degree of diversity in any one HLM block as exogenous, connect the level of diversity with the housing situation, and examine whether greater heterogeneity leads to poorer provision of public goods or



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more troubled social relationships in French communities.

Although we do not make any policy recommendations in the paper, our results would call for policies promoting integration in diverse communities and communication across groups, in order to facilitate the creation of social norms and to enhance efficient collective actions.

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