Segregation and the Quality of Government in a Cross-Section of Countries

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Online Appendix

A Online Appendix

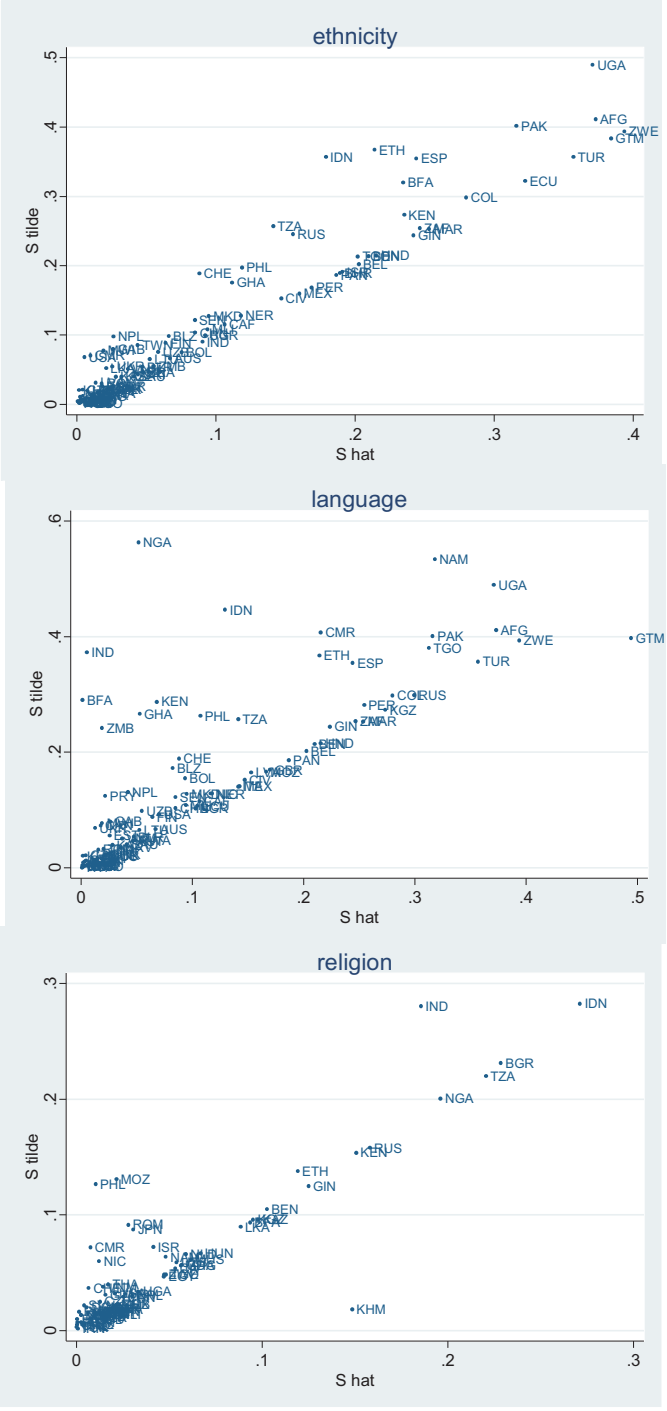

Figure A.1: Segregation indices $\widetilde{S}$ and $\widehat{S}$

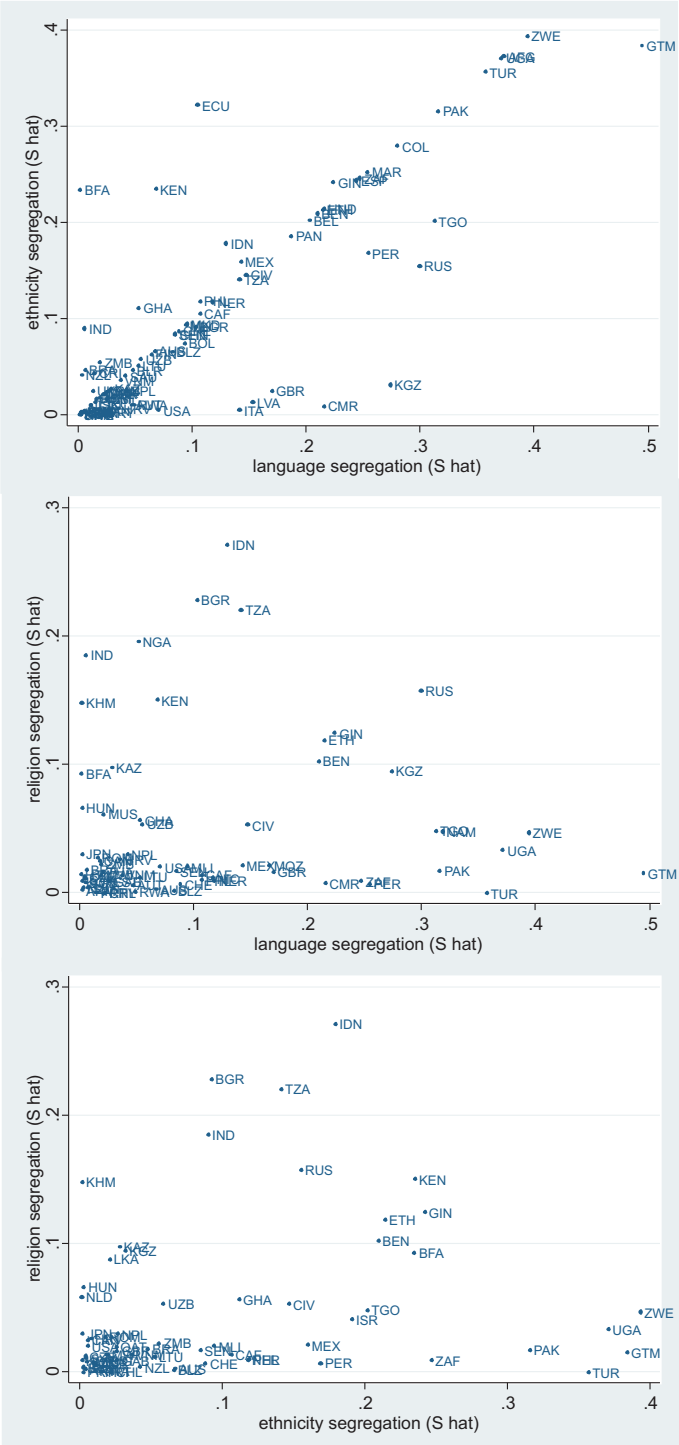

Figure A.2: Segregation indices along the three dimensions of diversity

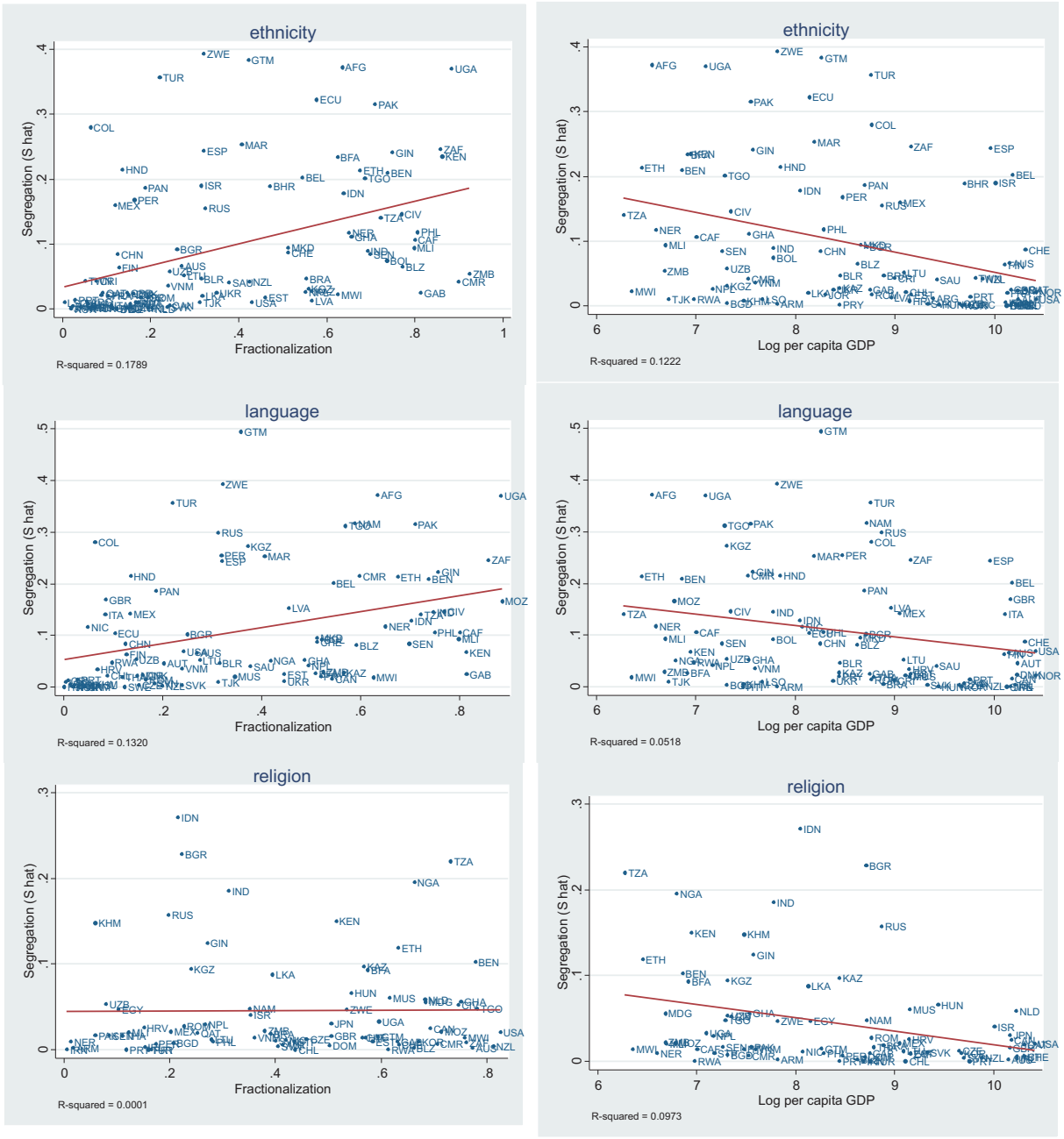

Figure A.3: Segregation and fractionalization (left); Segregation and per capita GDP (right)

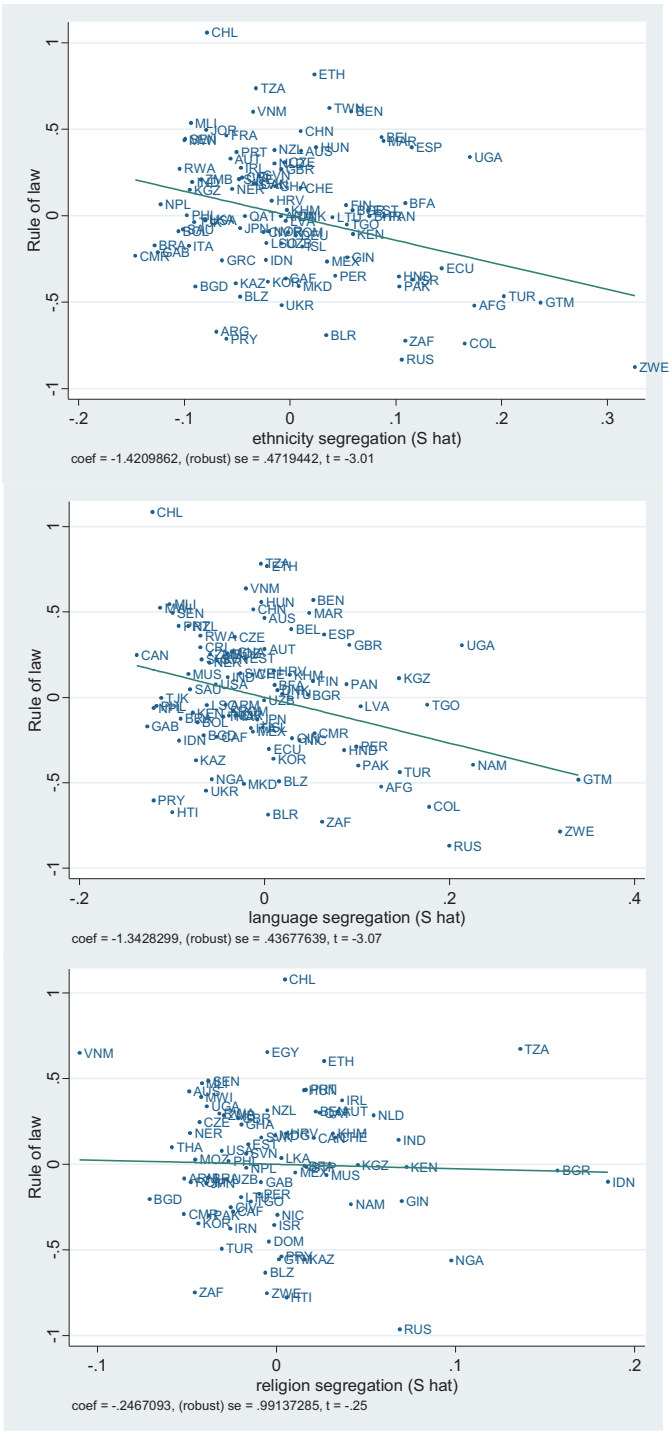

Figure A.4: Residual scatter plots for rule of law and segregation (OLS)

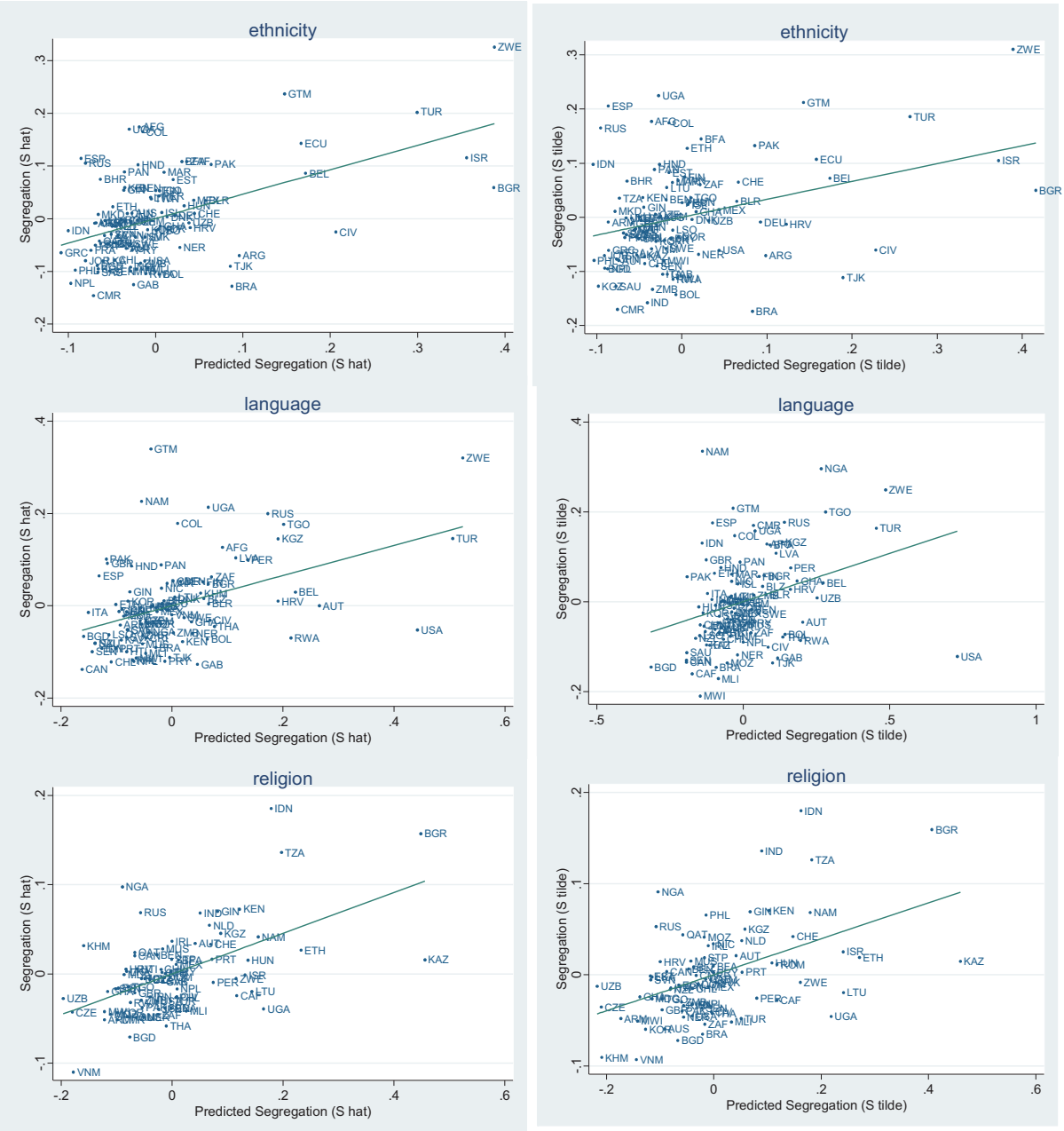

Figure A.5: Predictive power of the instrument conditional on all controls

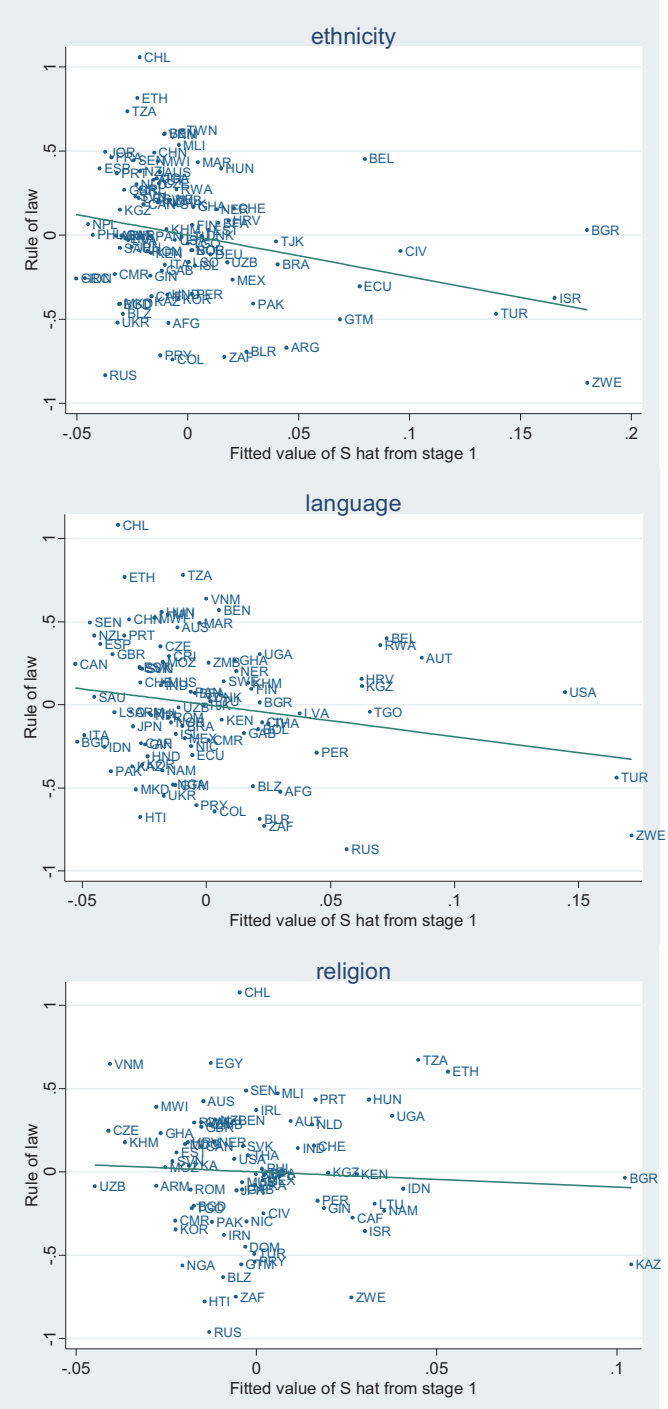

Figure A.6: Residual scatter plots for the rule of law and segregation (second stage of 2SLS)

Table A.1: Sources of data on group composition

Country	Ethnicity	Language	Religion
Afghanistan	Lang	NSO (www.mrrd.gov.af)	.
Argentina	INDEC (www.indec.mecon.ar)	.	.
Armenia	Census (www.armstat.am)	Census (www.armstat.am)	DHS (www.measuredhs.com)
Australia	Lang	Census (www.abs.gov.au)	Census (www.abs.gov.au)
Austria	NSO (www.statistik.at)	NSO (www.statistik.at)	NSO (www.statistik.at)
Bahrain	Census (www.bahrain.gov.bh)	.	.
Bangladesh	NSO (www.bbsgov.org)	Ethn	NSO (www.bbsgov.org)
Belarus	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	.
Belgium	Lang	www.eurolang.net	.
Belize	Census (www.statisticsbelize.org.bz)	Census (www.statisticsbelize.org.bz)	Census (www.statisticsbelize.org.bz)
Benin	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Bolivia	Census (www.ine.gov.bo)	Census (www.ine.gov.bo)	.
Brazil	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)
Bulgaria	Census (www.nsi.bg)	Census (www.nsi.bg)	Census (www.nsi.bg)
Burkina Faso	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Cambodia	Lang	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)
Cameroon	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Canada	Census (www.statcan.ca)	Census (www.statcan.ca)	Census (www.statcan.ca)
Central African Rep.	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Chile	Census (www.ine.cl)	Ethn	Census (www.ine.cl)
China	Census (www.ipums.umn.edu)	Ethn	.
Colombia	Census (www.ipums.umn.edu)	Ethn	.
Costa Rica	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	.
Cote D'Ivoire	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Croatia	Census (www.dzs.hr)	Census (www.dzs.hr)	Census (www.dzs.hr)
Czech Rep.	Census (www.czso.cz)	Ethn	Census (www.czso.cz)
Denmark	Council of Europe report	Ethn	.
Dominican Rep.	.	.	DHS (www.measuredhs.com)
Ecuador	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	.
Egypt	.	.	DHS (www.measuredhs.com)
Estonia	Census (http://pub.stat.ee)	Census (http://pub.stat.ee)	Census (http://pub.stat.ee)
Ethiopia	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Finland	Lang	NSO (www.stat.fi)	.
France	INED, Population, 2004 (www.ined.fr)	.	.
Gabon	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Germany	NSO (www-ec.destatis.de)	.	.
Ghana	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Greece	NSO (www.statistics.gr)	.	.
Guatemala	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Guinea	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Haiti	.	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Honduras	Census (www.ine-hn.org)	Ethn	.
Hungary	Census (www.nepszamlalas.hu)	Census (www.nepszamlalas.hu)	Census (www.nepszamlalas.hu)
Iceland	NSO (www.statice.is)	Ethn	.
India	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Indonesia	Census (www.bps.go.id)	DHS (www.measuredhs.com)	Census (www.bps.go.id)
Iran	.	.	NSO (www.sci.org.ir)
Ireland	Census (www.cso.ie)	.	Census (www.cso.ie)
Israel	NSO (www1.cbs.gov.il)	.	NSO (www1.cbs.gov.il)
Italy	NSO (www.dossierimmigrazione.it)	NSO (www.dossierimmigrazione.it)	.
Japan	Census (www.stat.go.jp)	Ethn	Census (www.stat.go.jp)
Jordan	Census (www.dos.gov.jo)	.	.
Kazakhstan	NSO (http://en.government.kz)	Ethn	DHS (www.measuredhs.com)
Kenya	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Korea	NSO (www.kosis.kr)	Ethn	NSO (www.kosis.kr)

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Country	Ethnicity	Language	Religion
Kyrgyzstan	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Latvia	NSO (www.csb.lv)	NSO (www.csb.lv)	.
Lesotho	Lang	DHS (www.measuredhs.com)	.
Lithuania	NSO (www.stat.gov.lt)	Ethn	NSO (www.stat.gov.lt)
Macedonia	NSO (www.stat.gov.mk)	Ethn	.
Madagascar	.	.	DHS (www.measuredhs.com)
Malawi	Lang	NSO (www.nso.malawi.net)	DHS (www.measuredhs.com)
Mali	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Mauritius	.	NSO (www.gov.mu)	NSO (www.gov.mu)
Mexico	Census (http://censos.ccp.ucr.ac.cr)	Census (http://censos.ccp.ucr.ac.cr)	Census (http://censos.ccp.ucr.ac.cr)
Morocco	Lang	Census (www.statistic-hcp.ma)	.
Mozambique	.	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Namibia	.	Census (www.npc.gov.na/census/index.htm)	DHS (www.measuredhs.com)
Nepal	Census (www.cbs.gov.np)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Netherlands	NSO (www.cbs.nl)	.	NSO (www.cbs.nl)
New Zealand	Census (www.stats.govt.nz)	Census (www.stats.govt.nz)	Census (www.stats.govt.nz)
Nicaragua	.	Census (http://censos.ccp.ucr.ac.cr)	Census (http://censos.ccp.ucr.ac.cr)
Niger	NSO (www.stat-niger.org/)	Ethn	DHS (www.measuredhs.com)
Nigeria	.	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Norway	Census (http://statbank.ssb.no)	Ethn	.
Pakistan	Lang	Census (www.statpak.gov.pk)	Census (www.statpak.gov.pk)
Panama	Census (http://censos.ccp.ucr.ac.cr)	Ethn	.
Paraguay	Census (http://www.dgeec.gov.py)	Census (http://www.dgeec.gov.py)	Census (http://www.dgeec.gov.py)
Peru	DHS (www.measuredhs.com)	Census (www.inei.gob.pe/)	Census (www.inei.gob.pe/)
Philippines	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)
Portugal	NSO (www.sef.pt)	Ethn	NSO (www.sef.pt)
Qatar	Census (www.planning.gov.qa)	.	Census (www.planning.gov.qa)
Romania	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)
Russia	Census (www.perepis2002.ru)	Census (www.perepis2002.ru)	Census (www.perepis2002.ru)
Rwanda	DHS (www.measuredhs.com)	NSO (www.statisticsrwanda.gov.rw)	NSO (www.statisticsrwanda.gov.rw)
Sao Tome	.	.	Census (www.ine.st)
Saudi Arabia	NSO (www.cds.gov.sa)	Ethn	.
Senegal	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Slovakia	Census (http://portal.statistics.sk)	Ethn	Census (http://portal.statistics.sk)
Slovenia	Census (www.stat.si)	Census (www.stat.si)	Census (www.stat.si)
South Africa	Lang	Census (www.ipums.umn.edu)	Census (www.ipums.umn.edu)
Spain	Lang	Centro De Investigaciones Sociologicas (www.cis.es)	.
Sri Lanka	NSO (www.statistics.gov.lk)	.	NSO (www.statistics.gov.lk)
Sweden	NSO (www.ssd.scb.se)	Ethn	.
Switzerland	Lang	Piguet, E. and Wanner P., Population Studies 31, 2000.	Piguet, E. and Wanner P., Population Studies 31, 2000.
Taiwan	NSO (http://eng.dgbas.gov.tw)	.	.
Tajikistan	NSO (www.stat.tj)	Ethn	.
Tanzania	DHS (www.measuredhs.com)	Ethn	DHS (www.measuredhs.com)
Thailand	.	Census (web.nso.go.th)	Census (web.nso.go.th)
Togo	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Turkey	Multu, Servet (Int. J. Middle East Stud., 28, 1996)	Ethn	DHS (www.measuredhs.com)
Uganda	NSO (www.ubos.org)	Ethn	DHS (www.measuredhs.com)
Ukraine	Census (www.ukrcensus.gov.ua)	Census (www.ukrcensus.gov.ua)	.
United Kingdom	Council of Europe report	Council of Europe report	Council of Europe report
Usa	Census (www.census.gov)	Census (www.census.gov)	Census (www.census.gov)
Uzbekistan	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Vietnam	Census (www.ipums.umn.edu)	Ethn	Census (www.ipums.umn.edu)
Zambia	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)
Zimbabwe	Lang	DHS (www.measuredhs.com)	DHS (www.measuredhs.com)

Note: "NSO" – National Statistical Office; "DHS" – Demographics and Health Survey. "Lang" means that language data were used for ethnicity and "Enth" means that ethnicity data were used for language. This happens when there are no independent sources of regional-level data for language and ethnicity and, at the same time, national-level statistics on ethnic and linguistic diversity coincide. More detailed information about the data sources is available from the authors upon request.

Table A.2: Segregation indices $\widehat{S}$ and their corresponding instruments

Country	Ethnicity		Language		Religion		Country	Ethnicity		Language		Religion	
	seg	inst	seg	inst	seg	inst		seg	inst	seg	inst	seg	inst
Afghanistan	.373	.152	.373	.401	.	.	Kyrgyzstan	.032	.050	.273	.425	.095	.308
Argentina	.012	.141	.	.	.	.	Latvia	.014	.022	.153	.190	.	.
Armenia	.004	.000	.002	.000	.002	.002	Lesotho	.011	.000	.011	.000	.	.
Australia	.067	.000	.067	.000	.003	.000	Lithuania	.052	.057	.052	.057	.013	.270
Austria	.011	.000	.047	.392	.006	.011	Macedonia	.095	.044	.095	.062	.	.
Bahrain	.189	.000	.	.	.	.	Madagascar	.	.	.	.	.056	.000
Bangladesh	.005	.012	.005	.000	.008	.063	Malawi	.023	.014	.019	.011	.014	.026
Belarus	.047	.111	.047	.103	.	.	Mali	.094	.155	.094	.121	.021	.090
Belgium	.203	.279	.203	.327	.	.	Mauritius	.	.	.021	.000	.062	.000
Belize	.066	.005	.082	.014	.002	.004	Mexico	.160	.078	.142	.061	.022	.005
Benin	.210	.092	.210	.037	.103	.111	Morocco	.253	.142	.253	.275		
Bolivia	.075	.108	.093	.118	.	.	Mozambique	.	.	.166	.014	.022	.022
Brazil	.047	.149	.006	.000	.019	.001	Namibia	.	.	.318	.038	.048	.134
Bulgaria	.092	.453	.103	.141	.229	.630	Nepal	.026	.004	.042	.010	.030	.116
Burkina Faso	.235	.094	.028	.019	.093	.167	Netherlands	.001	.000	.	.	.059	.058
Cambodia	.009	.001	.006	.001	.148	.008	New Zealand	.042	.000	.003	.000	.005	.000
Cameroon	.042	.007	.215	.072	.007	.010	Nicaragua	.	.	.116	.000	.012	.007
Canada	.006	.000	.017	.000	.025	.000	Niger	.118	.180	.118	.216	.010	.007
Central African Rep.	.106	.000	.106	.000	.014	.146	Nigeria	.	.	.052	.039	.196	.083
Chile	.022	.006	.022	.001	.000	.000	Norway	.022	.000	.022	.036	.	.
China	.085	.001	.085	.000	.	.	Pakistan	.316	.204	.316	.124	.018	.046
Colombia	.280	.027	.280	.033	.	.	Panama	.186	.000	.186	.000	.	.
Costa Rica	.044	.007	.014	.000	.	.	Paraguay	.002	.002	.022	.002	.001	.001
Cote D'Ivoire	.147	.303	.147	.109	.053	.160	Peru	.169	.048	.254	.189	.007	.031
Croatia	.008	.051	.035	.229	.026	.071	Philippines	.119	.000	.107	.000	.010	.000
Czech Rep.	.004	.002	.004	.002	.013	.011	Portugal	.015	.000	.015	.000	.000	.000
Denmark	.024	.000	.024	.000	.	.	Qatar	.025	.000	.	.	.020	.007
Dominican Rep.	.	.	.	.	.005	.000	Romania	.018	.007	.016	.030	.028	.104
Ecuador	.322	.244	.104	.001	.	.	Russia	.155	.012	.299	.314	.158	.132
Egypt	.	.	.	.	.047	.031	Rwanda	.011	.025	.048	.286	.001	.003
Estonia	.018	.003	.025	.088	.010	.071	Sao Tome	.	.	.	.	.010	.000
Ethiopia	.214	.079	.214	.021	.119	.360	Saudi Arabia	.041	.000	.041	.018	.	.
Finland	.064	.000	.064	.070	.	.	Senegal	.085	.097	.085	.034	.017	.037
France	.020	.000	.	.	.	.	Slovakia	.004	.009	.004	.009	.011	.145
Gabon	.026	.000	.026	.015	.010	.047	Slovenia	.003	.004	.007	.007	.004	.006
Germany	.001	.017	.	.	.	.	South Africa	.247	.096	.247	.185	.009	.048
Ghana	.112	.035	.053	.047	.057	.036	Spain	.244	.005	.244	.000	.	.
Greece	.002	.007	.	.	.	.	Sri Lanka	.021	.000	.	.	.088	.000
Guatemala	.384	.205	.495	.021	.016	.024	Sweden	.001	.000	.001	.000	.	.
Guinea	.242	.090	.224	.055	.125	.173	Switzerland	.088	.069	.088	.140	.007	.022
Haiti	.	.	.001	.000	.015	.000	Taiwan	.044	.000	.	.	.	.
Honduras	.215	.036	.215	.000	.	.	Tajikistan	.011	.197	.011	.257	.	.
Hungary	.003	.026	.002	.016	.067	.317	Tanzania	.141	.008	.141	.006	.220	.390
Iceland	.004	.000	.004	.000	.	.	Thailand	.	.	.020	.072	.017	.032
India	.090	.090	.146	.004	.186	.127	Togo	.202	.083	.312	.222	.048	.067
Indonesia	.179	.003	.129	.001	.271	.225	Turkey	.357	.468	.357	.865	.001	.003
Iran	.	.	.	.	.001	.006	Uganda	.371	.024	.371	.008	.033	.324
Ireland	.003	.000	.	.	.004	.000	Ukraine	.025	.016	.012	.007	.	.
Israel	.191	.435	.	.	.041	.179	United Kingdom	.026	.000	.170	.000	.017	.000
Italy	.006	.062	.141	.001	.	.	USA	.011	.012	.070	.604	.021	.022
Japan	.002	.000	.002	.000	.031	.000	Uzbekistan	.058	.121	.055	.163	.054	.044
Jordan	.019	.030	.	.	.	.	Vietnam	.037	.003	.037	.002	.014	.053
Kazakhstan	.028	.043	.028	.036	.098	.752	Zambia	.055	.031	.030	.019	.023	.036
Kenya	.235	.008	.068	.002	.151	.246	Zimbabwe	.394	.406	.394	.539	.047	.244
Korea	.002	.000	.002	.000	.009	.000							

Note: "seg" indices the value of the index of segregation, while "inst" indicates the value of the instrument for segregation.

Table A.3: Segregation indices $\widetilde{S}$ and their corresponding instruments

Country	Ethnicity		Language		Religion		Country	Ethnicity		Language		Religion	
	seg	inst	seg	inst	seg	inst		seg	inst	seg	inst	seg	inst
Afghanistan	.412	.169	.412	.446	.	.	Kyrgyzstan	.040	.065	.273	.425	.096	.315
Argentina	.012	.141	.	.	.	.	Latvia	.031	.052	.165	.214	.	.
Armenia	.006	.000	.009	.000	.007	.012	Lesotho	.002	.000	.002	.000	.	.
Australia	.067	.000	.067	.000	.005	.000	Lithuania	.066	.072	.066	.072	.017	.402
Austria	.014	.000	.047	.392	.016	.027	Macedonia	.128	.060	.128	.084	.	.
Bahrain	.189	.000	.	.	.	.	Madagascar	.	.	.	.	.056	.000
Bangladesh	.005	.012	.005	.000	.010	.081	Malawi	.078	.048	.078	.046	.015	.027
Belarus	.054	.127	.054	.118	.	.	Mali	.108	.182	.108	.142	.014	.110
Belgium	.203	.279	.203	.327	.	.	Mauritius	.	.	.021	.000	.062	.000
Belize	.098	.008	.173	.030	.014	.025	Mexico	.160	.078	.142	.061	.023	.005
Benin	.214	.095	.214	.038	.105	.114	Morocco	.253	.142	.253	.275	.	.
Bolivia	.075	.108	.156	.204	.	.	Mozambique	.	.	.166	.014	.131	.136
Brazil	.047	.149	.003	.000	.018	.001	Namibia	.	.	.534	.065	.064	.190
Bulgaria	.100	.495	.103	.141	.231	.639	Nepal	.098	.014	.131	.034	.031	.117
Burkina Faso	.320	.129	.291	.262	.093	.167	Netherlands	.003	.000	.	.	.066	.066
Cambodia	.021	.005	.021	.006	.018	.014	New Zealand	.046	.000	.011	.000	.006	.000
Cameroon	.071	.013	.407	.140	.072	.094	Nicaragua	.	.	.128	.000	.060	.033
Canada	.007	.000	.073	.000	.029	.000	Niger	.128	.196	.128	.235	.011	.012
Central African Rep.	.116	.000	.116	.000	.016	.173	Nigeria	.	.	.563	.497	.200	.085
Chile	.022	.006	.022	.001	.005	.000	Norway	.022	.000	.022	.036	.	.
China	.104	.001	.104	.000	.	.	Pakistan	.401	.265	.401	.161	.019	.051
Colombia	.299	.029	.299	.036	.	.	Panama	.186	.000	.186	.000	.	.
Costa Rica	.044	.007	.014	.000	.	.	Paraguay	.011	.009	.125	.011	.010	.014
Cote D'Ivoire	.153	.323	.153	.117	.054	.166	Peru	.169	.048	.281	.224	.011	.058
Croatia	.019	.151	.035	.229	.032	.089	Philippines	.197	.000	.263	.000	.127	.000
Czech Rep.	.021	.013	.021	.013	.025	.023	Portugal	.016	.000	.016	.000	.007	.000
Denmark	.024	.000	.024	.000	.	.	Qatar	.025	.000	.	.	.021	.020
Dominican Rep.	.	.	.	.	.020	.000	Romania	.030	.012	.032	.062	.092	.354
Ecuador	.322	.244	.107	.001	.	.	Russia	.245	.019	.299	.314	.158	.132
Egypt	.	.	.	.	.047	.031	Rwanda	.013	.031	.048	.286	.017	.046
Estonia	.027	.004	.056	.196	.013	.096	Sao Tome	.	.	.	.	.014	.000
Ethiopia	.367	.146	.367	.040	.138	.427	Saudi Arabia	.041	.000	.041	.018	.	.
Finland	.088	.001	.088	.103	.	.	Senegal	.122	.144	.122	.050	.017	.037
France	.017	.001	.	.	.	.	Slovakia	.012	.026	.012	.026	.015	.203
Gabon	.080	.000	.080	.048	.012	.066	Slovenia	.007	.011	.010	.010	.022	.033
Germany	.005	.140	.	.	.	.	South Africa	.254	.099	.254	.191	.017	.090
Ghana	.175	.058	.267	.293	.057	.036	Spain	.355	.008	.355	.000	.	.
Greece	.003	.013	.	.	.	.	Sri Lanka	.052	.000			.090	.000
Guatemala	.384	.205	.398	.022	.031	.053	Sweden	.004	.000	.004	.000	.	.
Guinea	.244	.091	.244	.061	.125	.173	Switzerland	.189	.149	.189	.303	.037	.126
Haiti	.	.	.001	.000	.015	.000	Taiwan	.086	.000	.	.	.	.
Honduras	.215	.036	.215	.000	.	.	Tajikistan	.015	.356	.015	.465	.	.
Hungary	.003	.026	.002	.016	.067	.326	Tanzania	.257	.014	.257	.011	.220	.390
Iceland	.004	.000	.004	.000	.	.	Thailand	.	.	.033	.124	.040	.078
India	.090	.090	.373	.010	.280	.202	Togo	.213	.090	.380	.290	.049	.068
Indonesia	.357	.006	.447	.003	.282	.237	Turkey	.357	.468	.357	.865	.003	.073
Iran	.	.	.	.	.002	.016	Uganda	.489	.032	.489	.011	.034	.396
Ireland	.003	.000	.	.	.004	.001	Ukraine	.054	.035	.069	.037	.	.
Israel	.191	.435	.	.	.072	.322	United Kingdom	.027	.000	.170	.000	.019	.000
Italy	.006	.062	.141	.001	.	.	USA	.069	.087	.092	1	.032	.038
Japan	.003	.000	.003	.000	.087	.000	Uzbekistan	.076	.161	.098	.604	.059	.049
Jordan	.019	.030	.	.	.	.	Vietnam	.051	.005	.051	.003	.038	.142
Kazakhstan	.040	.063	.040	.052	.096	.787	Zambia	.055	.031	.242	.157	.023	.058
Kenya	.273	.010	.288	.009	.154	.253	Zimbabwe	.394	.406	.394	.540	.049	.316
Korea	.002	.000	.002	.000	.015	.000							

Note: "seg" indices the value of the index of segregation, while "inst" indicates the value of the instrument for segregation.

Table A.4: Summary statistics

variable	Obs.	Mean	SD	Min	Max
Panel A: Segregation and Fractionalization Indices					
Segregation (ethnicity) $\widetilde{S}$	97	0.12	0.12	0	0.49
Segregation (ethnicity) $\widehat{S}$	97	0.10	0.11	0	0.39
Segregation (language) $\widetilde{S}$	92	0.16	0.14	0	0.56
Segregation (language) $\widehat{S}$	92	0.11	0.11	0	0.49
Segregation (religion) $\widetilde{S}$	78	0.06	0.06	0	0.28
Segregation (religion) $\widehat{S}$	78	0.05	0.06	0	0.27
Fractionalization (ethnicity)	97	0.37	0.27	0	0.92
Fractionalization (language)	93	0.36	0.27	0	0.89
Fractionalization (religion)	78	0.43	0.24	0	0.83
Panel B: Dependent and control variables					
Voice and accountability	109	0.07	0.93	-1.63	1.54
Political stability	109	-0.11	0.88	-2.26	1.48
Government effectiveness	109	0.13	1.00	-1.46	2.29
Regulatory quality	109	0.15	0.86	-2.12	1.67
Rule of law	109	0.05	1.00	-1.68	2.07
Control of corruption	109	0.06	1.06	-1.41	2.47
ln (population)	109	16.41	1.57	11.84	20.95
ln (GDP per capita)	109	8.53	1.20	6.27	10.41
Protestants share	109	12.96	22.38	0	97.80
Muslims share	109	19.61	33.04	0	99.40
Catholics share	109	34.09	36.76	0	96.90
Latitude	109	0.32	0.20	0	0.72
English legal origin	109	0.25	0.43	0	1
French legal origin	109	0.44	0.50	0	1
German legal origin	109	0.06	0.23	0	1
Socialist legal origin	109	0.21	0.41	0	1
Scandinavian legal origin	109	0.05	0.21	0	1
Democratic tradition	109	4.86	3.62	0	10
Mountains	109	0.28	0.26	0	0.94
Panel C: Instrumental variables					
Predicted $\widetilde{S}$ (ethnicity)	97	0.08	0.11	0	0.49
Predicted $\widehat{S}$ (ethnicity)	97	0.06	0.10	0	0.47
Predicted $\widetilde{S}$ (language)	92	0.12	0.19	0	1
Predicted $\widehat{S}$ (language)	92	0.09	0.15	0	0.86
Predicted $\widetilde{S}$ (religion)	78	0.11	0.15	0	0.79
Predicted $\widehat{S}$ (religion)	78	0.09	0.14	0	0.75

Table A.5: Pair-wise correlations: Indices of actual and predicted segregation and indices of fractionalization

		Ethnicity					Language					Religion				
		$\widetilde{S}$ seg	$\widehat{S}$ seg	$\widetilde{S}$ inst	$\widehat{S}$ inst	F frac	$\widetilde{S}$ seg	$\widehat{S}$ seg	$\widetilde{S}$ inst	$\widehat{S}$ inst	F frac	$\widetilde{S}$ seg	$\widehat{S}$ seg	$\widetilde{S}$ inst	$\widehat{S}$ inst	F frac
Ethnicity	$\widetilde{S}$ seg	1														
Ethnicity	$\widehat{S}$ seg	0.96	1													
Ethnicity	$\widetilde{S}$ inst	0.40	0.48	1												
Ethnicity	$\widehat{S}$ inst	0.43	0.53	0.97	1											
Ethnicity	F frac	0.50	0.42	0.19	0.18	1										
Language	$\widetilde{S}$ seg	0.85	0.80	0.28	0.31	0.55	1									
Language	$\widehat{S}$ seg	0.80	0.84	0.41	0.46	0.32	0.80	1								
Language	$\widetilde{S}$ inst	0.20	0.22	0.53	0.47	0.10	0.28	0.29	1							
Language	$\widehat{S}$ inst	0.25	0.31	0.57	0.56	0.05	0.25	0.43	0.89	1						
Language	F frac	0.48	0.39	0.17	0.15	0.89	0.54	0.36	0.05	0.03	1					
Religion	$\widetilde{S}$ seg	0.32	0.21	0.12	0.11	0.29	0.46	0.16	-0.03	-0.10	0.34	1				
Religion	$\widehat{S}$ seg	0.33	0.22	0.13	0.13	0.23	0.41	0.13	0.01	-0.06	0.26	0.89	1			
Religion	$\widetilde{S}$ inst	0.28	0.23	0.32	0.31	0.21	0.20	0.18	-0.02	0.03	0.26	0.50	0.50	1		
Religion	$\widehat{S}$ inst	0.27	0.22	0.29	0.27	0.23	0.19	0.16	-0.04	0.01	0.26	0.52	0.58	0.96	1	
Religion	F frac	0.09	0.07	-0.15	-0.15	0.31	0.10	0.03	0.00	-0.10	0.26	0.07	0.01	0.05	0.05	1

Note: "seg" indicates the actual indices of segregation; "inst" indicates their corresponding instruments; "frac" indicates indices of fractionalization.

Table A.6: Sources of control variables

Variable	Definition
ln (Population)	Natural log of population in the country. Average for the years 1995-2004. Source: World Development Indicators 2006.
ln (GDP per capita)	Natural log of GDP in constant 2000 international dollars per capita. Average for the years 1995-2004. Source: World Development Indicators 2006. For initial value of GDP per capita we use natural log of GDP in constant 2000 international dollars per capita. Average for the years 1975-1980. Source: World Development Indicators 2006.
Religion	Identifies the percentage of the population of each country that belonged to the three most widely spread religions in the world in 1980. For countries of recent formation, the data is available for 1990-95. The numbers are in percent (scale from 0 to 100). The three religions identified here are: (1) Romanic Catholic; (2) Protestant; and (3) Muslim. Source: La Porta et. al. (1998). Original sources: World Christian Encyclopedia 1982, Worldmark Encyclopedia of Nations 1995, Statistical Abstract of the World 1995, Demographic Yearbook 1995, CIA World Factbook 1996
Legal origin	Identifies the legal origin of the Company Law or Commercial Code of each country. There are five possible origins: (1) English Common Law; (2) French Commercial Code; (3) German Commercial Code; (4) Scandinavian Commercial Code; and (5) Socialist/Communist laws. Source: La Porta et. al. (1998). Original sources: CIA World Factbook 1996.
Latitude	The absolute value of the latitude of the country, scaled to take values between 0 and 1. Source: La Porta et. al. (1998). Original source: CIA World Factbook 1996
Democratic tradition	Democracy score index. Scale from 0 to 10, with lower values indicating a less democratic environment. Average for the years 1975-2004. Source: Polity IV Project: Political Regime Characteristics and Transitions, 1800-2006.
Fertility	Fertility rate (births per woman). Average for the years 1975-2004. Source: World Development Indicators 2006.
Investment	Investment share as % of GDP. Average for the years 1975-2004. Source: Penn World Table 6.2.
Openness	Export plus Import as % of GDP. Average for the years 1975-2004. Source: Penn World Table 6.2.
Mountains	Measure of mountains in the country. Source: William Easterly's data.
Colonial origin	Identifies countries that were colonized by a Western overseas colonial power since 1700 for at least 10 years. Source: Teorell and Hadenius (2005).
Region	Identifies the region where the country is situated. There are six possible regions: (1) East Asia and Pacific; (2) Europe and Central Asia; (3) Latin America and Carribean; (3) Middle East and North Africa; (4) North America; (5) South Asia; and (6) Sub-Saharan Africa. Source: World Bank.
Island	Identifies countries that are situated on islands and therefore have no bordering countries. Source: CIA World Factbook 1996
OECD	Identifies countries that are currently members of OECD. These countries are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Mexico, Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, USA. Source: wikipedia.org.
Transition	Identifies transition countries. These countries are Armenia, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Romania, Russian Federation, Slovak Republic, Slovenia, Tajikistan, Ukraine, Uzbekistan, Source: wikipedia.org.
Partitioned	Percent of the population of each country that belongs to groups partitioned by the border. Source: Alesina et. al. (2006).
Squiggliness	Log of basic fractal index based on World Vector Shoreline Dataset (GIS format). This variable measures squiggliness of each country's border. Source: Alesina et. al. (2006).
Elevation	Standard deviation of elevation of each country in meters. Source: GIS dataset.
Rivers	Share of area of the country covered by large perennial bodies (rivers, lakes, seas). Source: GIS dataset.

Table A.7: Religious segregation and the quality of government, OLS

	Religion					
	Voice	Political stability	Govern-t effectiv.	Regul. quality	Rule of law	Control of corr.
Panel A. Baseline: All controls and full sample						
Segregation	0.51	-0.97	0.28	0.9	0.03	0.11
	[0.91]	[1.20]	[0.88]	[0.85]	[0.93]	[0.84]
Fractionalization	0.13	0.59*	0.43	0.15	0.36	0.52*
	[0.25]	[0.35]	[0.27]	[0.23]	[0.25]	[0.28]
R-squared	0.814	0.679	0.838	0.762	0.839	0.831
Controls	yes	yes	yes	yes	yes	yes
Sample	full	full	full	full	full	full
Obs.	78	78	78	78	78	78
Panel B. No controls and full sample						
Segregation	-3.71***	-4.72***	-4.29***	-3.53***	-4.53***	-5.07***
	[1.40]	[1.39]	[1.29]	[1.25]	[1.33]	[1.32]
Fractionalization	0.78*	0.72**	0.75*	0.63*	0.76*	0.94**
	[0.40]	[0.35]	[0.43]	[0.37]	[0.42]	[0.44]
R-squared	0.109	0.153	0.11	0.103	0.118	0.146
Controls	no	no	no	no	no	no
Sample	full	full	full	full	full	full
Obs.	78	78	78	78	78	78
Panel C: All controls; sample excludes dictatorships						
Segregation	-0.23	-1.3	0.53	0.38	0.06	0.39
	[0.92]	[1.11]	[0.78]	[0.85]	[0.81]	[0.72]
Fractionalization	0.49**	0.68*	0.45	0.06	0.36	0.45
	[0.24]	[0.37]	[0.28]	[0.25]	[0.26]	[0.30]
R-squared	0.809	0.722	0.862	0.789	0.861	0.854
Controls	yes	yes	yes	yes	yes	yes
Sample	democ	democ	democ	democ	democ	democ
Obs.	64	64	64	64	64	64

Note: Robust standard errors adjusted for heteroscedasticity in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%.

Table A.8: Religious segregation and the quality of government, the second stage of 2SLS

	Religion					
	Voice	Political stability	Govern-t effectiv.	Regul. quality	Rule of law	Control of corr.
Panel A. Baseline: All controls and full sample						
Segregation	0.55	-2.13	-1.14	0.97	-0.87	-1.11
	[2.09]	[2.34]	[2.03]	[2.03]	[1.98]	[1.98]
Fractionalization	0.12	0.65*	0.50*	0.14	0.4	0.58**
	[0.27]	[0.38]	[0.27]	[0.25]	[0.25]	[0.28]
R-squared	0.814	0.675	0.834	0.762	0.837	0.827
Controls	yes	yes	yes	yes	yes	yes
Sample	full	full	full	full	full	full
Obs.	78	78	78	78	78	78
F-stat (het)	16.08	16.08	16.08	16.08	16.08	16.08
F-stat (hom)	29.49	29.49	29.49	29.49	29.49	29.49
Panel B. No controls and full sample						
Segregation	-5.72	-4.39	-6.56**	-4.46	-6.65**	-7.50**
	[3.52]	[2.84]	[2.70]	[2.74]	[2.92]	[3.07]
Fractionalization	0.78*	0.72**	0.75*	0.63*	0.76*	0.94**
	[0.41]	[0.35]	[0.43]	[0.38]	[0.43]	[0.45]
R-squared	0.09	0.152	0.089	0.099	0.1	0.124
Controls	no	no	no	no	no	no
Sample	full	full	full	full	full	full
Obs.	78	78	78	78	78	78
F-stat (het)	14.96	14.96	14.96	14.96	14.96	14.96
F-stat (hom)	38.64	38.64	38.64	38.64	38.64	38.64
Panel C: All controls; sample excludes dictatorships						
Segregation	0.1	-2.41	-0.61	-0.39	-0.04	0.22
	[1.99]	[2.79]	[1.42]	[2.21]	[1.65]	[1.64]
Fractionalization	0.48*	0.72*	0.49*	0.08	0.36	0.46
	[0.25]	[0.40]	[0.28]	[0.26]	[0.26]	[0.30]
R-squared	0.808	0.718	0.859	0.788	0.861	0.854
Controls	yes	yes	yes	yes	yes	yes
Sample	democ	democ	democ	democ	democ	democ
Obs.	64	64	64	64	64	64
F-stat (het)	22.24	22.24	22.24	22.24	22.24	22.24
F-stat (hom)	26.03	26.03	26.03	26.03	26.03	26.03

Note: Robust standard errors adjusted for heteroscedasticity in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%. "F-stat (het)" reports F-statistics for the excluded instrument from the first stage under the assumption of heteroscedasticity; and "F-stat (hom)" – under the assumption of homoscedasticity.

Table A.9: Linguistic segregation and alternative measures of government quality

Dep. var.	ICRG quality of government		TI corruption index		EF corruption index	
	OLS	2SLS	OLS	2SLS	OLS	2SLS
L $\widehat{S}$	-0.36*	0.09	-3.08**	-0.52	-32.40**	-10.67
	[0.18]	[0.61]	[1.51]	[4.81]	[15.61]	[47.03]
L F	-0.24***	-0.31***	-2.23***	-2.60***	-23.85***	-27.02***
	[0.08]	[0.11]	[0.73]	[0.90]	[7.39]	[8.78]
Obs.	79	79	91	91	91	91
F-het		16.41		15.52		15.52
F-hom		12.99		19.65		19.65
R-sqrd	0.16	0.11	0.12	0.11	0.14	0.13
Specification	Full sample, no additional controls					
L $\widehat{S}$	-0.34*	-0.49	-1.76	-2.04	-25.71**	-48.49**
	[0.17]	[0.32]	[1.07]	[2.22]	[10.75]	[21.33]
L F	0.11	0.13	0.31	0.35	3.35	6.52
	[0.09]	[0.09]	[0.57]	[0.55]	[5.48]	[6.15]
Obs.	66	66	75	75	75	75
F-het		4.54		7.04		7.04
F-hom		8.30		14.01		14.01
R-sqrd	0.84	0.83	0.87	0.87	0.89	0.88
Specification	Democracies sample, all controls					

Dep. var.	EF Property rights index		EF Regulation index		Tax evasion index	
	OLS	2SLS	OLS	2SLS	OLS	2SLS
L $\widehat{S}$	-50.92***	-11.5	-15.31	-10.1	-4.73***	-1.06
	[17.77]	[62.79]	[15.89]	[42.47]	[1.32]	[3.62]
L F	-19.01**	-24.77**	-22.55***	-23.31***	-0.01	-0.61
	[7.95]	[11.27]	[6.05]	[7.77]	[0.67]	[0.78]
Obs.	91	91	91	91	33	33
F-het		15.52		15.52		9.93
F-hom		19.65		19.65		6.78
R-sqrd	0.13	0.10	0.16	0.16	0.23	0.11
Specification	Full sample, no additional controls					
L $\widehat{S}$	-53.12***	-66.84**	-4.9	-46.3	-1.65	-0.97
	[19.20]	[29.89]	[19.57]	[33.35]	[1.72]	[2.98]
L F	4.8	6.71	-1.09	4.67	-0.06	-0.13
	[7.64]	[8.01]	[7.01]	[8.74]	[0.78]	[0.78]
Obs.	75	75	75	75	32	32
F-het		7.04		7.04		3.83
F-hom		14.01		14.01		3.92
R-sqrd	0.80	0.80	0.69	0.64	0.76	0.76
Specification	Democracies sample, all controls					

Note: Robust standard errors adjusted for heteroscedasticity in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%. "F-stat(het)" reports F-statistics for the excluded instrument from the first stage under the assumption of heteroscedasticity; and "F-stat(hom)" – under the assumption of homoscedasticity.

Table A.10: Controls for artificial states

	Voice		Political stability		Govern-t effectiv.		Regul. Quality		Rule of law		Control of corr.	
	OLS	IV	OLS	IV	OLS	IV	OLS	IV	OLS	IV	OLS	IV
Coefficient on segregation in baseline specification (presented for comparison)												
Segregation (ethnicity)	-1.18**	-1.28	-1.98***	-3.65**	-0.45	-2.14***	-0.88	-2.10*	-1.20**	-2.47***	-0.57	-1.77***
	[0.51]	[1.04]	[0.64]	[1.43]	[0.57]	[0.65]	[0.78]	[1.22]	[0.52]	[0.67]	[0.55]	[0.65]
Results with control for squiggliness from Alesina et al. (2010)												
Segregation (ethnicity)	-1.43***	-1.34	-2.32***	-3.83***	-0.56	-2.06***	-1.06	-2.00	-1.35**	-2.40***	-0.62	-1.67**
	[0.50]	[1.10]	[0.62]	[1.35]	[0.55]	[0.76]	[0.79]	[1.26]	[0.51]	[0.72]	[0.53]	[0.73]
Squiggliness	-1.38	-1.35	-5.01	-5.60	3.21	2.62	-0.87	-1.24	-0.35	-0.76	2.63	2.22
	[2.54]	[2.52]	[3.04]	[3.38]	[2.88]	[3.13]	[2.81]	[2.85]	[2.95]	[3.15]	[3.62]	[3.69]
Observations	86	86	86	86	86	86	86	86	86	86	86	86
R-squared	0.839	0.839	0.737	0.715	0.859	0.842	0.765	0.756	0.866	0.858	0.867	0.860
F-het		13.87		13.87		13.87		13.87		13.87		13.87
F-hom		27.81		27.81		27.81		27.81		27.81		27.81
Results with control for partitioned dummy												
Segregation (ethnicity)	-1.30**	-1.48	-2.18***	-4.10**	-0.55	-2.46***	-1.02	-2.42*	-1.21**	-2.60***	-0.59	-1.91***
	[0.53]	[1.10]	[0.62]	[1.60]	[0.59]	[0.72]	[0.81]	[1.30]	[0.55]	[0.76]	[0.57]	[0.72]
Partitioned dummy	0.14	0.15	0.23	0.35*	0.12	0.24	0.16	0.25	0.01	0.10	0.02	0.11
	[0.14]	[0.15]	[0.17]	[0.19]	[0.16]	[0.18]	[0.14]	[0.16]	[0.12]	[0.14]	[0.15]	[0.17]
Observations	97	97	97	97	97	97	97	97	97	97	97	97
R-squared	0.839	0.838	0.741	0.711	0.861	0.839	0.779	0.762	0.876	0.865	0.872	0.862
F-het		13.62		13.62		13.62		13.62		13.62		13.62
F-hom		27.78		27.78		27.78		27.78		27.78		27.78
Results with control for the share of partitioned group from Alesina et al. (2010)												
Segregation (ethnicity)	-1.18*	-1.03	-2.39***	-4.46**	-0.72	-2.88***	-0.91	-2.00	-1.32**	-2.74***	-0.86	-2.39**
	[0.61]	[1.54]	[0.69]	[2.12]	[0.61]	[0.95]	[0.77]	[1.51]	[0.55]	[0.94]	[0.59]	[0.99]
Partitioned (Alesina et al.)	-0.00	-0.00	-0.00	0.00	0.00	0.00*	-0.00	-0.00	0.00	0.00	0.00	0.00*
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Observations	79	79	79	79	79	79	79	79	79	79	79	79
R-squared	0.839	0.839	0.735	0.699	0.860	0.830	0.758	0.747	0.882	0.869	0.868	0.855
F-het		12.52		12.52		12.52		12.52		12.52		12.52
F-hom		16.86		16.86		16.86		16.86		16.86		16.86
Results with control for the share of partitioned ethnic group constructed using our data												
Segregation (ethnicity)	-1.27**	-1.57	-1.78***	-3.49**	-0.48	-2.67***	-0.98	-2.70*	-1.19**	-2.74***	-0.62	-2.23***
	[0.54]	[1.06]	[0.61]	[1.47]	[0.60]	[0.84]	[0.82]	[1.46]	[0.55]	[0.85]	[0.58]	[0.78]
Partitioned (our data)	0.00	0.00	-0.00	-0.00	0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Observations	97	97	97	97	97	97	97	97	97	97	97	97
R-squared	0.837	0.837	0.739	0.716	0.860	0.831	0.777	0.752	0.876	0.862	0.872	0.858
F-het		12.19		12.19		12.19		12.19		12.19		12.19
F-hom		23.35		23.35		23.35		23.35		23.35		23.35

Note: Robust standard errors adjusted for heteroscedasticity in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%. "F-stat (het)" reports F-statistics for the excluded instrument from the first stage under the assumption of heteroscedasticity; and "F-stat (hom)" – under the assumption of homoscedasticity. Results are similar for the linguistic diversity. All reported regressions contain the standard set of controls.

Table A.11: Controls for average quality of government and average diversity of neighbor states

	Voice		Political stability		Govern-t effectiv.		Regul. Quality		Rule of law		Control of corr.	
	OLS	IV	OLS	IV	OLS	IV	OLS	IV	OLS	IV	OLS	IV
Coefficient on segregation in baseline specification (presented for comparison)												
Segregation (ethnicity)	-1.18**	-1.28	-1.98***	-3.65**	-0.45	-2.14***	-0.88	-2.10*	-1.20**	-2.47***	-0.57	-1.77***
	[0.51]	[1.04]	[0.64]	[1.43]	[0.57]	[0.65]	[0.78]	[1.22]	[0.52]	[0.67]	[0.55]	[0.65]
Results with control for mean of the respective quality of government indicator among neighbors												
Segregation (ethnicity)	-1.35**	-1.38	-2.11***	-3.59**	-0.52	-1.97**	-0.92	-2.08	-1.23**	-2.22***	-0.58	-1.43*
	[0.53]	[1.13]	[0.63]	[1.37]	[0.57]	[0.77]	[0.82]	[1.37]	[0.50]	[0.69]	[0.54]	[0.77]
Fractionalization (ethnicity)	0.21	0.22	0.13	0.33	0.09	0.29	0.21	0.37	0.11	0.25	-0.08	0.04
	[0.22]	[0.27]	[0.29]	[0.34]	[0.19]	[0.25]	[0.27]	[0.34]	[0.20]	[0.25]	[0.21]	[0.25]
Quality of government in neighbors	0.16	0.16	0.26**	0.25**	0.26***	0.26***	0.17*	0.17	0.31***	0.30***	0.40***	0.39***
	[0.10]	[0.10]	[0.12]	[0.12]	[0.08]	[0.08]	[0.10]	[0.11]	[0.10]	[0.10]	[0.11]	[0.11]
Standard controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	90	90	90	90	90	90	90	90	90	90	90	90
R-squared	0.846	0.846	0.744	0.724	0.873	0.857	0.772	0.759	0.887	0.880	0.897	0.892
F-het		14.26		13.47		13.62		13.77		13.60		13.62
F-hom		26.93		26.86		26.94		27.02		26.90		26.91
Results with controls for means of segregation and fractionalization among neighbors												
Segregation (ethnicity)	-1.41***	-1.16	-2.52***	-3.91***	-0.62	-2.19***	-1.06	-2.17*	-1.39***	-2.61***	-0.77	-1.91***
	[0.50]	[1.16]	[0.62]	[1.45]	[0.57]	[0.77]	[0.81]	[1.28]	[0.50]	[0.74]	[0.52]	[0.70]
Fractionalization (ethnicity)	0.24	0.20	0.30	0.52	0.08	0.32	0.22	0.39	0.08	0.27	-0.10	0.08
	[0.22]	[0.28]	[0.30]	[0.37]	[0.25]	[0.30]	[0.28]	[0.35]	[0.25]	[0.30]	[0.27]	[0.31]
Segregation in neighbors	0.65	0.57	1.76**	2.20**	0.19	0.69	0.53	0.87	0.29	0.67	0.30	0.65
	[0.67]	[0.69]	[0.83]	[1.00]	[0.68]	[0.73]	[0.73]	[0.82]	[0.61]	[0.70]	[0.66]	[0.74]
Fractionalization in neighbors	-0.17	-0.16	-0.19	-0.25	0.00	-0.07	-0.30	-0.35	-0.21	-0.26	-0.03	-0.09
	[0.29]	[0.30]	[0.42]	[0.45]	[0.35]	[0.35]	[0.40]	[0.38]	[0.32]	[0.32]	[0.33]	[0.33]
Standard controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	88	88	88	88	88	88	88	88	88	88	88	88
R-squared	0.843	0.842	0.745	0.727	0.859	0.842	0.767	0.756	0.872	0.862	0.879	0.871
F-het		12.06		12.06		12.06		12.06		12.06		12.06
F-hom		28.53		28.53		28.53		28.53		28.53		28.53

Note: Robust standard errors adjusted for heteroscedasticity in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%. "F-stat (het)" reports F-statistics for the excluded instrument from the first stage under the assumption of heteroscedasticity; and "F-stat (hom)" – under the assumption of homoscedasticity. Results are similar for the linguistic diversity. All reported regressions contain the standard set of controls. Similar results are for the linguistic diversity. Sample consists of states with at least one neighboring country. Weighting by population size was used to calculate mean values of the quality of government, fractionalization, and segregation in neighboring countries. Results are robust for using simple instead of population-weighted means.

A.1 Discussion of Influential Observations

The results are robust to the exclusion of any one particular country from the sample. The two most influential observations (which affect the results in favor of our story) are Chile (which has low ethnic segregation and very high quality of government conditional on other covariates) and Zimbabwe (which has very high ethnic segregation and low government quality). If we exclude both Chile and Zimbabwe from the sample, the results become weaker. Nonetheless, in the sample that excludes dictatorships, the coefficient on ethnic segregation remains statistically significant for government effectiveness, the rule of law, and control of corruption in IV regressions and for voice, political stability, the rule of law and control of corruption in the OLS regressions. Moreover, Chile and Zimbabwe have a countervailing force in the second stage regressions for ethnic diversity: Bulgaria and Russia are very influential observations, but they work against our story. Excluding Bulgaria (which has a relatively high quality of government and an extremely high predicted ethnic segregation) and Russia (where both predicted ethnic segregation and the quality of government are low) strengthens the negative effect of ethnic segregation on government quality.

Linguistic segregation also has a statistically significant negative effect on voice, political stability, the rule of law and control of corruption in the OLS regressions without Chile and Zimbabwe. But the instruments become weak in the second stage. Yet, once we exclude the USA—the most influential observation in the first stage—in addition to Chile and Zimbabwe, the instrument for language becomes strong enough, and then the statistically significant results are obtained in the second stage regressions for voice and political stability. We conclude that the effect of segregation cannot be explained by the presence of outliers.