Diasporas and Development

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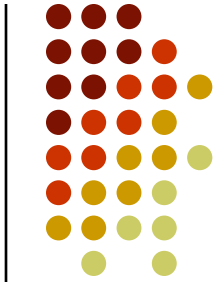
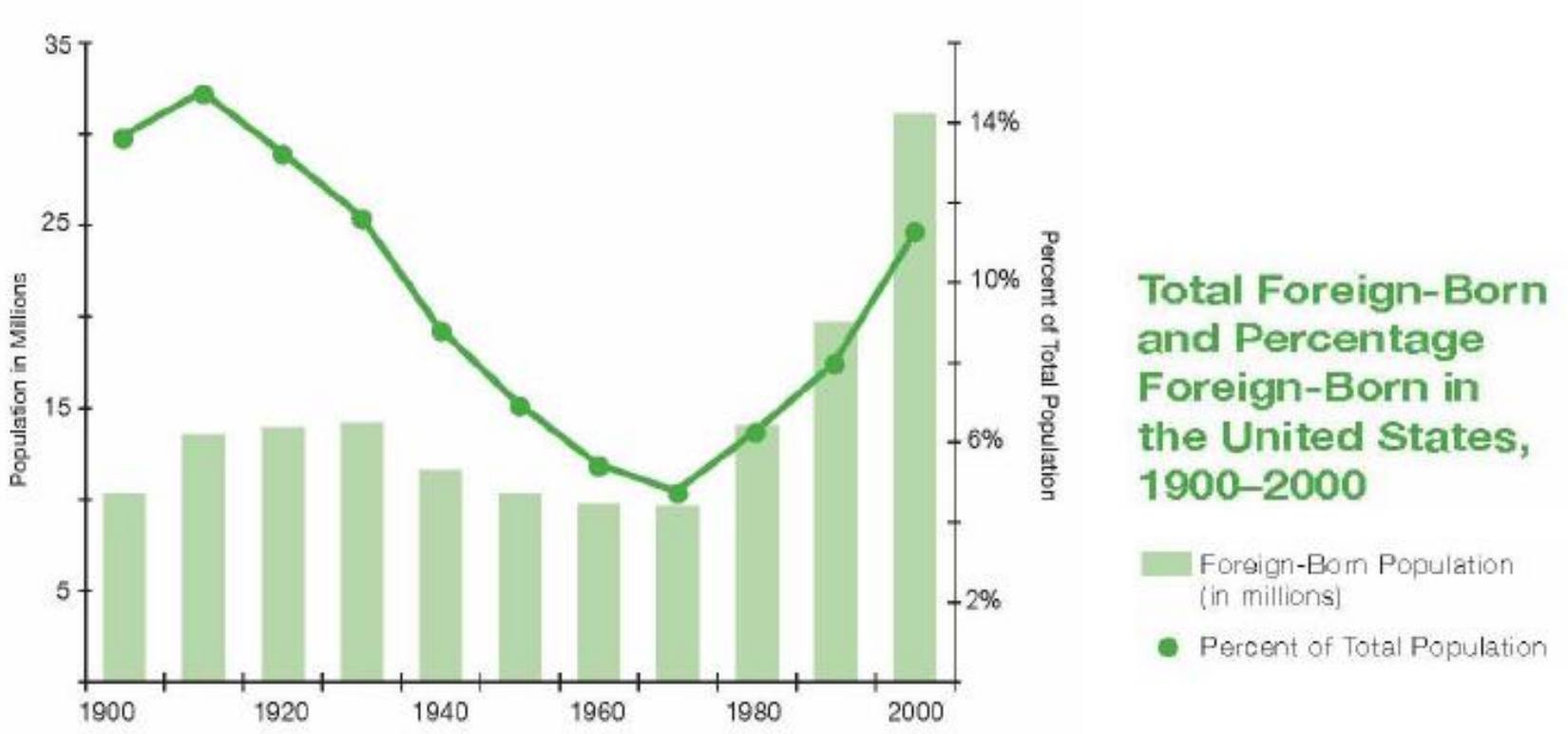
Background and Motivation



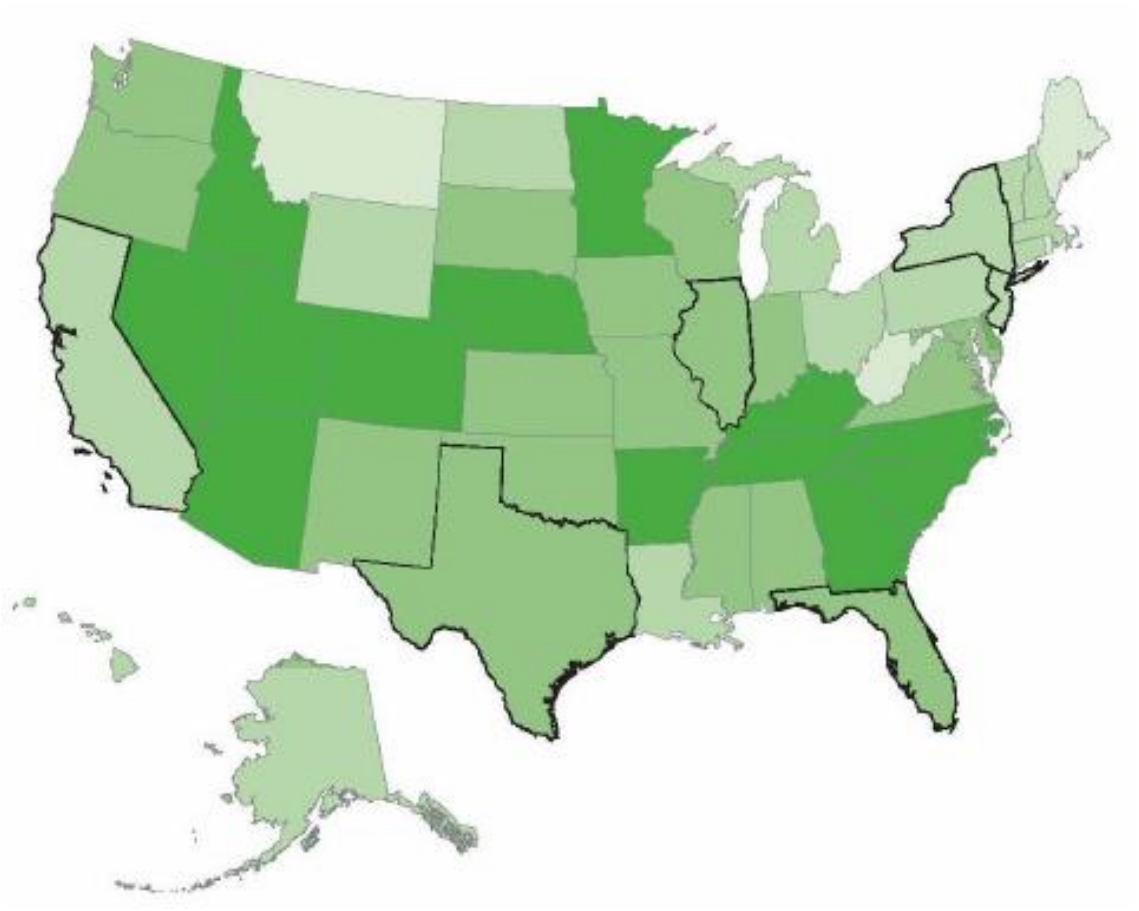
- About 191 million individuals (about 3 percent of the world's population) reside outside of their country of birth
  - $300 billion was remitted in 2008 (World Bank, 2009)

- Do migration networks affect private and public flows to developing countries?

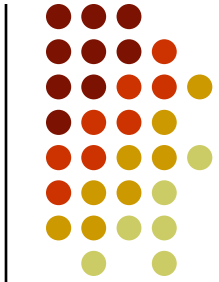
U.S. immigration is at a 70-year high



Immigration effects virtually every community in the US

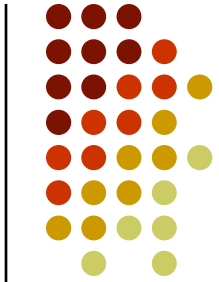


Central Questions



- How does international migration impact philanthropy?
- What are the implications of international migration for private and public flows to developing countries?

Related Literature

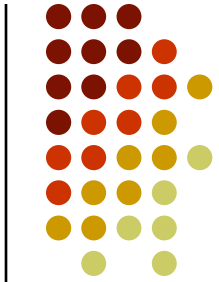


- Impact of Diaspora networks on trade and foreign direct investment

- Limited empirical evidence on the impact of Diaspora networks on private and public transfers to developing countries.

- Some evidence on the foreign born and their philanthropic behavior in the U.S. (Osili and Du, 2005; Osili and Xie, 2009)

Outline



- Model
- Data
- Empirical Specification
- Results
- Conclusion

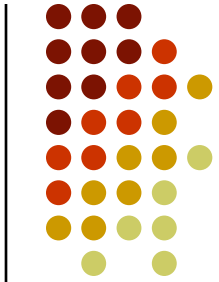
Model

- We develop framework for analyzing how the foreign born influence private and public flows to developing countries.

- Our model provides a role for exchange and altruistic considerations.

- This framework allows us to investigate the channels through which household variables, community variables such as median income, population affect support for international redistribution.

Data: Private giving to international aid

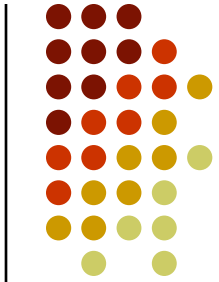


- **New data on private giving to international aid (2001 wave of PSID philanthropy module) --High-quality data on giving and volunteering. Extensive controls for price of giving, permanent income, wealth.**

- **Largest one-time study of philanthropy in the U.S. In 2005, collected information on giving by to U.S. households to the 2005 South Asian Tsunami**

- Sensitive PSID-Geocode Match files: We link household record to county-level information from the 2000 U.S. census.

Data: Public Redistribution

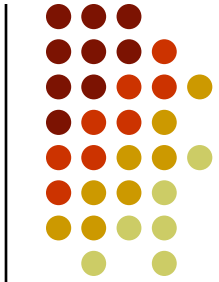


- We use the General Social Survey (GSS) -- a major source of data on social attitudes including support for foreign aid and domestic welfare.

- The GSS is a cross-sectional survey and was conducted annually beginning in 1972 and biennially since 1994.

- Sensitive GSS-Geocode Match files: We link household record to county-level information.

Empirical Specification



- To study the impact of the foreign born on the support for foreign aid and the incidence and amount contributed to international organizations, we estimate Probit and Tobit models.

- $$Y_{ijk} = B_1 + B_2 X_{ijk} + B_3 C_k + u_j + e_{ijk}$$

- *where Y_{ijk} is the "latent variable" in our analysis -- the net expected utility to household I residing in community k, , from contributing money to an international organization j or supporting international aid*

Figure 1: Private Giving to International Causes

Source: Giving USA, 2008

Figure 2: Private Support For International Aid from GSS [1970-2004]

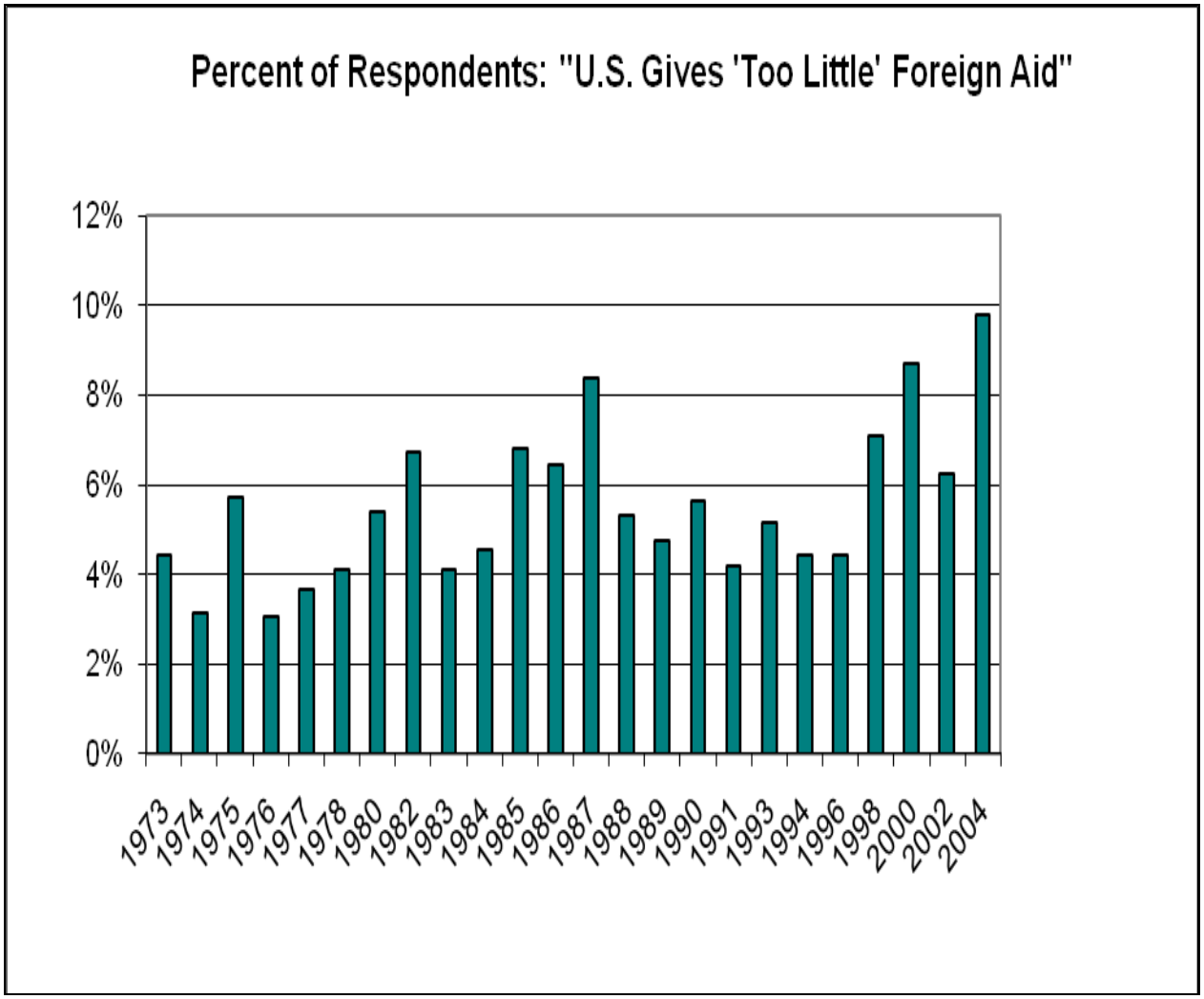


Table 1: Key Dependent Variables

Table 1 Summary Statistics

A. Private Giving to International Aid(PSID)

	N	Mean
Giving to International Aid	5460	0.024
Giving to the Needy	5452	0.278

B. Support for Public International Aid (GSS, 2000-2004)

	N	Mean
Too Little Aid?	4072	0.082
Too Little Welfare?	4105	0.217

Private Giving to International Organizations

	2001	2003
Charitable Donation to International Organization?	0.02	0.04
Number of Observations	5460	5962
Average Donation to Charitable Organization (in $) (Conditional on giving)		253.636
Number of Observations		239
International Giving as fraction of total amount donated to Charitable giving?		0.009
Number of Observations with positive total donations		3868
International Giving as fraction of household income		0.00019
Number of Observations		5924

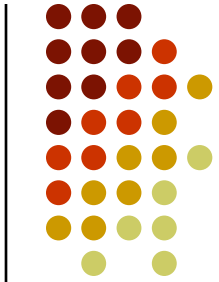
Community Characteristics

(measured at the county-level)

B. Community-level Variables

	Number of Observations (PSID)	PSID (2001)	GSS(2000-2004)
% Foreign Born	1040	0.05	0.102
% Low Income	895	0.104	0.093
Log Median Income	1040	10.59	10.668
Log Population	1040	11.32	12.156
Average Education (in years)	937	13.36	13.533
Fraction Support Welfare	726	0.23	0.205
% Give to the needy	943	0.27	
% Read Newspaper	395	0.60	0.415
Number of Observations			

Dep Variable: Private Giving to International Aid (PSID 2001)
Probit Model

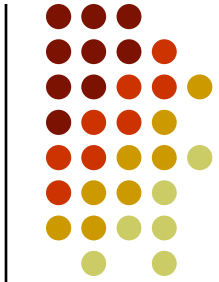


Main Results:

- Being foreign born increases the likelihood of private giving to international organizations by 4 percentage points.
  - Being foreign born increases the likelihood of support for higher ODA by 5 percentage points

- Households with higher permanent income are more likely to give to international organizations but *less* likely to support higher ODA.

Dep Variable: Giving to International Aid (PSID 2001) Probit Model



Private giving to international aid rises with the **fraction of the community that is foreign born**.

- Support for higher ODA also increases as the fraction of the foreign born in a given community rises

- Population, income, poverty and other variables are not significant community determinants

Main Results
Probit Model

	(1)		(2)	
	Private Giving to International Aid		Support for Public International Aid(2000-2004)	
	PSID		GSS	
% Foreign Born	0.043	1.152	0.114	0.823
		(0.523)		(0.521)
Log Population	-0.001	-0.035	-0.006	-0.045
		(0.037)		(0.030)
Log Median Income	0.004	0.113	0.052	0.372
		(0.189)		(0.194)
N		5243		2549
R-squared		0.11		0.074
Wald chi-squared		141.18		

Robustness Check: Do the foreign born matter for other types of giving?
Probit Model

Dependent Variable:	Giving to Combination Organizations		Giving to Religious Organizations		Giving to Organizations that Serve the Needy	
	M.E.	Coefficient	M.E.	Coefficient	M.E	Coefficient
Percent Foreign Born	-0.342	-1.008***	-0.138	-0.348	-0.019	-0.061

The role of additional community variables

Dep Variable: Private Giving to International Aid

Probit Model

Dep Variable	Marginal Effects	Coefficient
% Foreign Born (Diaspora)	0.056	1.661***
		[0.563]
Share Poor	0.072	2.162
		[1.640]
Diversity		
Gini		
Log Population	-0.001	-0.036
		[0.039]
Log Median Income	0.012	0.347
		[0.338]
No. of Observations		4966
Pseudo R-Squared		0.126

Identification

- Check robustness of foreign born results
  - Households choose county of residence (The location choice of a given household is likely to be correlated with unobservables such as the taste for redistribution leading to biased estimates).

- Specification Checks:
  - Recent movers compared to long-term residents
  - Examine region of origin

  - Census tract measures of percent foreign born
  - Investigate location of international aid organizations

    Examine foreign born population in the county of birth, county where an individual grew up.
  - Examine refugees as a percentage of population.

Dep Variable: Giving to International Aid (PSID 2001) Probit Model

	MOVERS only		NON MOVERS only		Includes control for trust	
Dependent Variable:	Marginal Effects	Coefficient	Marginal Effects	Nonmovers	Marginal Effects	
%Percent foreign born	-0.003	-0.128	0.083	1.772**	0.037	1.129*
		[0.948]		[0.785]		[0.665]

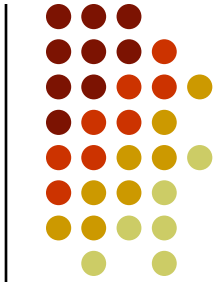
Dep Variable: Giving to International Aid (PSID 2001)
Probit Model
Diasporas by Region

	M.E	Coefficient
Foreign Born North America	0.073	4.204
		[11.264]
Foreign Born Europe	-0.028	-0.797
		[3.283]
Foreign Born Asia	0.151	4.251**
		[1.781]
Foreign Born Africa	0.390	10.980
		[9.351]
Foreign Born Other	-0.664	-18.751
		[35.156]
Foreign Born Latin America	-0.008	-0.230
		[0.861]

Dep Variable: Giving to International Aid (PSID 2001)
Probit Model
Diasporas by Region

	Probit			OLS		Fixed Effects Specification	
	Marginal Effects	Coefficient		Marginal Effects	Coefficient	Marginal Effects	Coefficient
White	0.009	0.304			-0.009		-0.017**
		[0.195]			[0.008]		[0.010]
White*Foreign Born Asia					0.712***		0.910***
					[0.270]		[0.180]

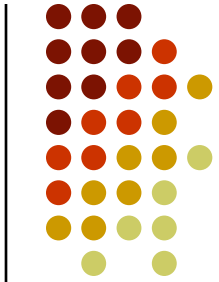
Additional Evidence: 2005 South Asian Tsunami



- 30% of U.S. households gave during South Asian Tsunami
  Average amount ~$130

- What is the role of community and household-level characteristics explain the response?
- Do social networks play a role in the charitable response to disasters? Investigate the role of interhousehold preferences ---are communities with higher fraction of immigrants, Asian immigrants more likely to give to the Tsunami.

Impact of Diasporas on Giving to the 2005 Tsunami



- Asian Households more likely to give to Tsunami relief and give larger amounts to Tsunami relief.

- Some evidence that the presence of the foreign born in a community increases the amount donated to Tsunami relief.

Conclusions

- Diaspora networks have a significant impact on international giving– as the **fraction of the community that is foreign born** rises. This hints at the role for social networks and interactions.

  - Diaspora networks also have implications for public policy toward sending communities (support for ODA as an example).

  - 2005 South Asian Tsunami: In addition to its role in disaster relief, Diaspora networks have the potential to impact development of institutions in the country of origin.