

Abstract

The aim of the thesis was to conduct a research on impact of ethnic diversity on the economic growth of the countries of ex-Yugoslavia. The main hypothesis was that ethnic diversity affects economic growth. The research was done by using two different methods: a) calculating ethnic fractionalization index and GDP per capita; b) analyzing institutions as channels through which ethnic diversity effects economic growth.

The results obtained within the first model demonstrated that diversity negatively influences economic growth. Still, no reliable conclusions could be made, due to low variability in data, short time frame considered and lack of regular data collection. Therefore, the second method reviewed institutions as a channel through which ethnic diversity affects economic growth. The conclusion of this model was that, ethnic diversity mainly has negative impact on the indicators reviewed, which then results in slower economic growth.

The results of the research showed that ethnic heterogeneity is an important element in economic, political, institutional and social life of a country. It can be concluded that ethnic diversity is an important factor that should be taken into consideration when doing economic planning in a country as it has direct and, very often, strong impact on economic growth.