The Cost of Polarization

Economics I | Minnerva Zou
I. The Cost of Political Polarization
Example 1.

COVID-19

- 9.2% rise in unemployment from February to May 2020 due to COVID-19 [MZ23]
- Loss in small business revenue
- Economic policies during COVID-19 are more driven by political party identification than local health conditions [MZ15]
Example 2.

2018 U.S. Government Shutdown

- Longest U.S. government shutdown in history
- Result of polarization between Congress and the Presidency
- Federal workers were delayed $9 billion in compensation [MZ16]
- GDP decreased by 0.2% due to shutdown in the first quarter of 2019 [MZ16]
Affected $329 billion in total discretionary funding (TDF) for 2019 [MZ16]

- (~25% of the US. government’s TDF)

TDF in 2019: $1.334 trillion [MZ17]
Figure 1. Trends in Partisan Polarization and Income Equality in the United States as depicted in Razvan Vlaicu’s paper *Inequality, Participation, and Polarization* [MZ12]
II. The Cost of Racial Polarization
Example 3.

Residential Segregation

- Racially polarized neighborhoods can lead to disparities in average median income [MZ18] [MZ19]
- Income inequalities further increase racial and spatial polarization [MZ20]
Example 3. Residential Segregation

Income disparities among different races

Racially polarized neighborhoods [MZ18] [MZ19]
Figure 2. 
Real Median Household Income by Race and Hispanic Origin: 1967 to 2019 
(Households as of March of the following year) 

2019 CPI-U-RS adjusted dollars

A mandatory / voluntary solution alleviating these costs would need to consider...

● How polarization affects:
  ○ Gross domestic product (GDP) and total discretionary funding (TDF)
  ○ Individual Income
  ○ Economic policies (as with COVID-19)

● The circular relationship between racial polarization in areas such as housing and employment and the income disparity between different races
Political and Racial Polarization:

- Affected the determining of COVID-19 economic policy and restrictions
- **Increased** income inequalities between racially polarized neighborhoods (widening the income gap particularly with minorities)
- **Decreased** the U.S. gross domestic product (GDP) and total discretionary funding of the U.S. government
Works Cited

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