

VoxEU: The real cost of political polarisation: evidence from the Covid-19 pandemic

There is significant dispersion in beliefs about the pandemic and its economic implications. Our findings suggest that the macroeconomic effects of the pandemic on consumption may depend on behavioural factors like political affiliation, **writes Christos Makridis and Jonathan Rothwell for VoxEU**



Political beliefs about covid-19 and its economic implications

Using novel and high-frequency data between March and June on a nationally representative sample of roughly 500-1,000 respondents per day from the Gallup Panel, our recent research investigates the determinants of beliefs about the pandemic and its economic implications (Makridis and Rothwell 2020). Our survey contains a wide array of demographic characteristics and location-specific information, allowing us to quantify the role of country-specific factors, such as Covid-19 infections per capita and unemployment claims, against socio-economic factors, such as age, education, race, and political affiliation, among others.

We focus on six major outcomes and create the following variables: (i) an indicator for whether the individual expects the economic disruption to last at least until the end of the year, (ii) an indicator for being somewhat or very worried about contracting coronavirus, (iii) an indicator for practising social distancing very often or always in the past 24 hours, (iv) an indicator for mostly isolating and having little contact in the past 24 hours, (v) an indicator for wearing masks in the past week, and (vi) an indicator for visiting the workplace in the past 24 hours. These measures of the pandemic provide a strong complement to elicitation of expectations about the economy by Coibion et al. (2020).

A key quote from the article:

We find that political affiliation is the most important predictor (as measured by the t-statistic) of these beliefs. For example, Republicans are 18% less likely to believe that the Covid-19 disruption will last until the end of the year, whereas Democrats are 11% more likely, relative to independents or those who prefer an 'other' party. To put that in perspective with other correlates, we see that a 10% rise in the number of new infections per capita is associated with a 0.2% increase in the probability of expected disruption. Moreover, political affiliation is even more predictive of economic expectations than employment status (employed are 8% less likely to expect significant disruption), education (those with graduate degrees are 3% more likely), or even health (those with a medical condition are 5% more likely).

We see similar patterns when we look at other outcome variables. For example, Republicans are 5% less likely to report being somewhat or very worried about getting the illness, while Democrats are 6% more likely, relative to moderates. Again, we see that increases in actual local infections raise concerns about contracting the virus, but only a fifth to a sixth as much as political affiliation. Here, employment status matters relatively more: those employed in a job are 6% less likely to worry about getting sick, perhaps reflecting that many are working remotely. Not surprisingly, we see that those with serious medical problems are 8% more likely to worry about getting sick, which reflects not only a potential selection effect but also the possible heightened exposure to Covid-19.

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