

# Growing social value polarisation harms economic development

[blogs.lse.ac.uk/businessreview/2017/05/30/growing-social-value-polarisation-harms-economic-development/](https://blogs.lse.ac.uk/businessreview/2017/05/30/growing-social-value-polarisation-harms-economic-development/)

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A striking development in recent years has been the increased polarisation in terms of values and attitudes that many societies around the world are witnessing. This is noticeable both in public opinion surveys as well as in recent election outcomes. People are shifting to more extreme positions on many important social and economic issues and are also voting for politicians and political parties that embrace these positions.

While this development has been widely noticed and it is frequently discussed by politicians, journalists and academics, its implications for economic activity are largely unknown. This has motivated us to study the economic effects of diversity and polarisation in values and attitudes within societies. In particular, our analysis is the first to demonstrate that greater diversity and polarisation in terms of values is generally harmful for economic development.

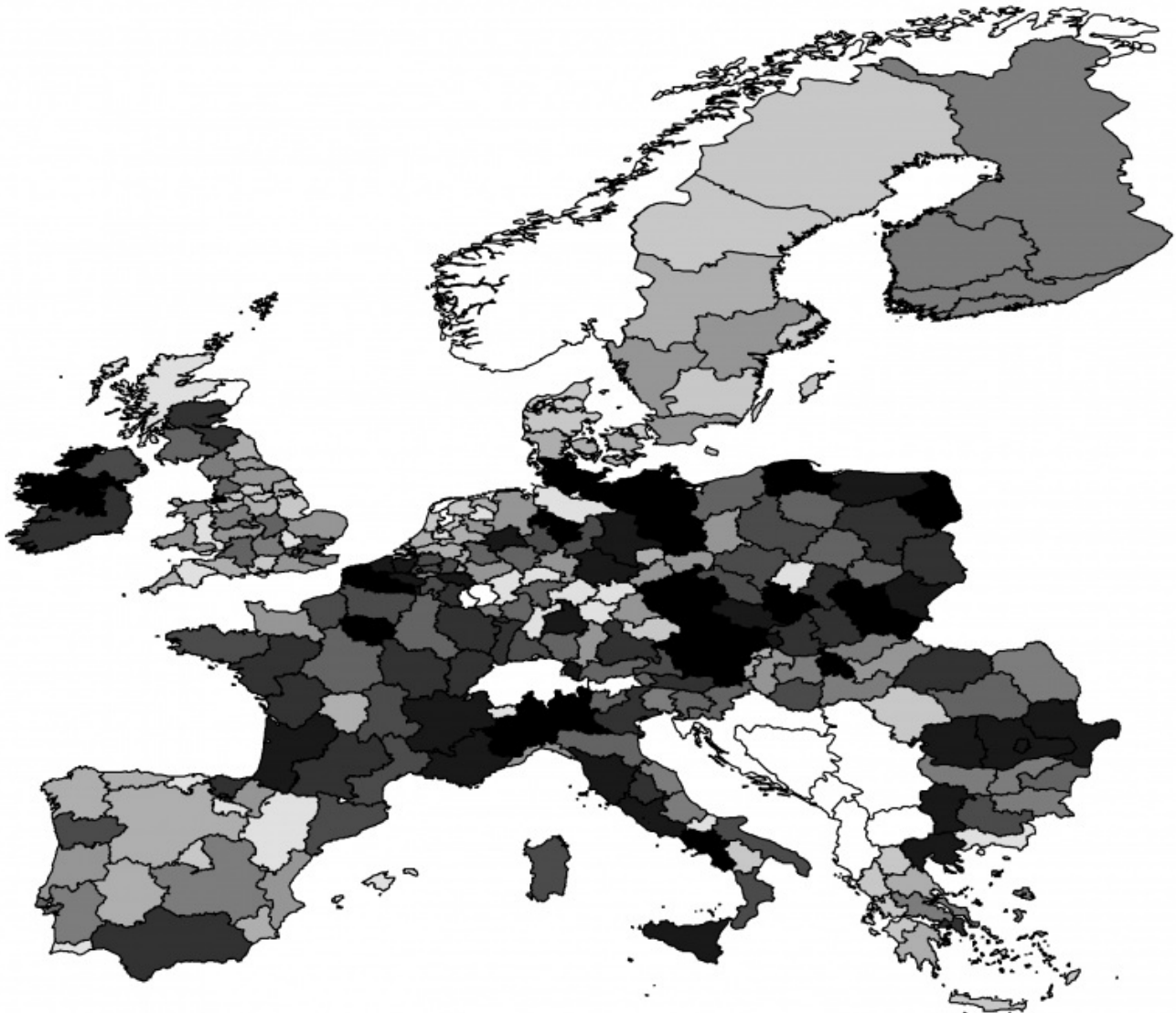
To establish this result we look at data from 250 regions of the European Union. Based on these data, we investigate how the degree of diversity in terms of values held by individuals affects each region's level of GDP per capita, which we treat as a broad measure of economic development.

To measure polarisation in terms of values and attitudes at the regional level, we use responses to survey questions provided by the European Value Survey. These questions relate to how individuals view the world and what values they hold dear. Key questions have to do with: Should the state intervene more or should private initiative be promoted? Can people be trusted, or should one be careful when dealing with strangers? Should women work or is their main role to stay at home and take care of children? Are democracies a good form of governance or are they indecisive? The responses to these and many more questions from the survey are then aggregated to measure polarisation in terms of five broad dimensions: trust, work norms, gender norms, attitudes towards the market economy and views about democracy.

The map displayed in Figure 1 visualises the average degree of value diversity across these five dimensions in each

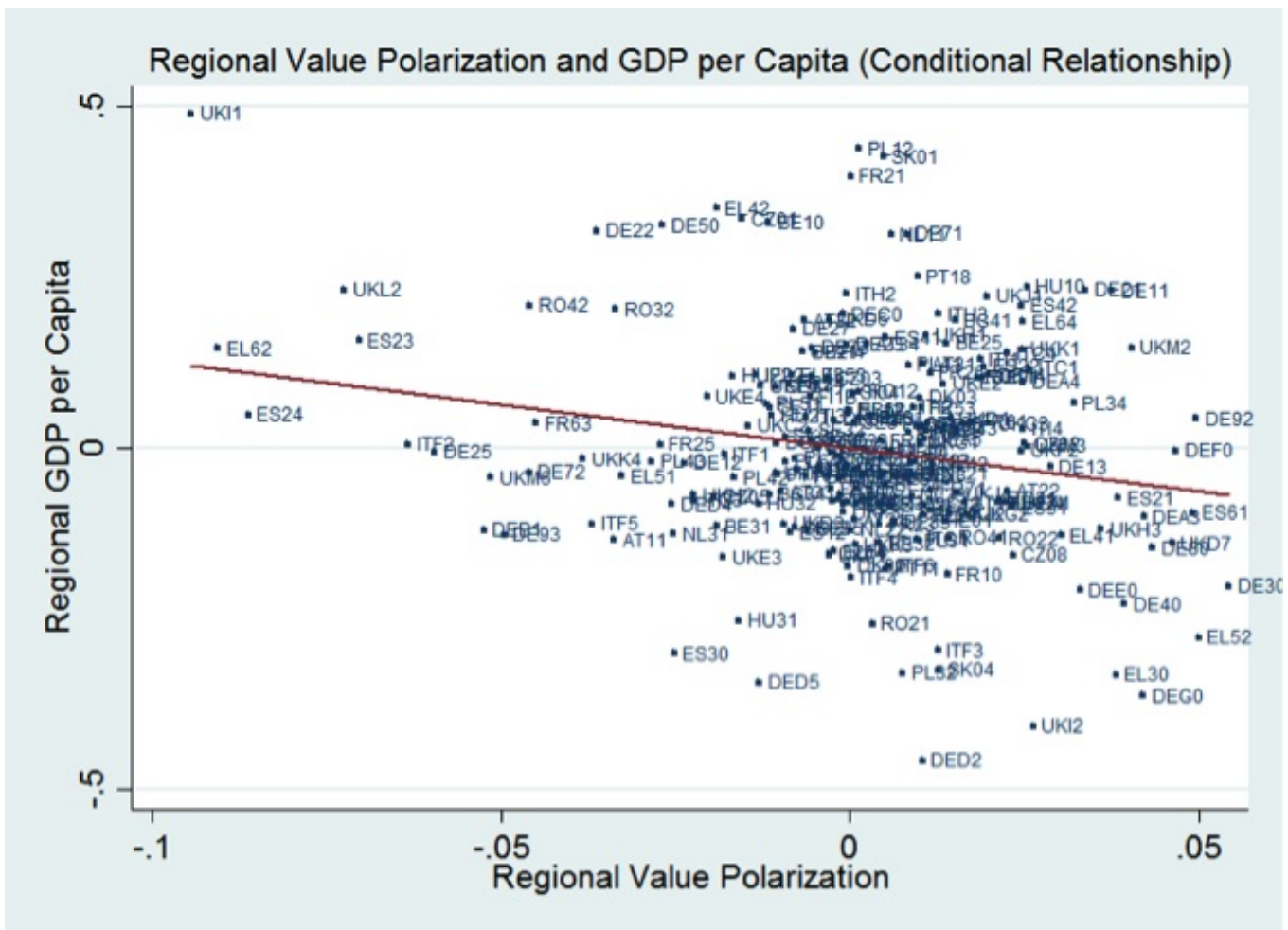
region with darker shades indicating higher diversity. While value diversity is generally higher in Eastern and Southern European countries, the map highlights that there is also a lot of variation in value diversity across regions within countries.

**Figure 1. Values diversity across regions**



The implications of value polarisation for economic development can be seen in the scatter plot provided in Figure 2. The figure indicates how the degree of value diversity in each region compares with the regional level of GDP per capita conditional on other important regional characteristics. The relationship between the two is clearly negative, as can be seen from the red line in the graph. Greater polarisation in terms of values is associated with lower levels of GDP per capita.

**Figure 2. Values polarisation and regional GDP per capita**



The above pattern is consistent across all five groups of values. We also find that the effect of value diversity on regional economic development dominates the effect of other dimensions of societal diversity such as ethnic or religious diversity. We furthermore show that value diversity is persistent. Emigrants originating from more polarised regions tend to hold more polarised views.

Beyond documenting this pattern, our study also indicates that the harmful effects of polarisation on regional GDP per capita are related to the functioning of the government in each region. Looking at the quality of governance and the provision of public goods, such as education, health care or transportation infrastructure, we find that both are weaker in regions where values are more polarised. This suggests that value polarisation erodes the glue that binds society together. As the values that individual hold become more diverse, societies become more fragmented, finding common ground gets harder and collective action becomes more difficult.

Recent events suggest that this pattern may become even more prevalent in the years to come. Current political developments in the United States and several European countries indicate an increasing polarisation in underlying values. In light of this trajectory, the results of this study suggest that it is essential for societies to find ways to break away from polarisation and strengthen the ties that bind people together; not just because it makes Europe a more pleasant place to live, but also because it is better for our wallet.

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Notes:

- This post is based on the authors' paper [Value Diversity and Regional Economic Development](#), forthcoming at the *Scandinavian Journal of Economics*, and presented at the Royal Economic Society's annual conference at the University of Bristol, April 2017.

- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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