

Satisfaction with Democracy and the American Dream

Richard Nadeau, Université de Montréal
Vincent Arel-Bundock, Université de Montréal
Jean-François Daoust, McGill University

Many studies show that past and current economic conditions are strong determinants of citizens' attitudes toward government and political institutions. In this article, we develop a forward-looking theory and argue that economic expectations also drive the level of satisfaction with democracy. Crucially, we contend that this relationship is conditional: hope for a better tomorrow matters more to the poor and to those who live in less affluent countries. We use survey data from 34 countries to study the conditional relationship between economic expectations and satisfaction with democracy and find that the allure of the "American Dream" can be more or less potent, depending on one's place on the socio-economic ladder. These findings contribute to our understanding of a fundamental aspect of political life: support for democracy may rest on a coalition between the wealthy and those who expect to become wealthy.

Many studies show that past and current economic conditions are strong determinants of citizens' attitudes toward governments and political institutions (Anderson et al. 2005). Indeed, an adverse economic context can foster critical views of the political system because "the notion of democratic regime often overlaps with the belief that it should be able to guarantee acceptable levels of affluence and prosperity" (Quaranta and Martini 2016, 166).

In this article, we build on prior works on the link between economic perceptions and satisfaction with democracy (SWD) to offer a more nuanced view of attitude formation. We develop a forward-looking theory and argue that hope for a better economic future is an important driver of SWD. Crucially, we contend that this relationship is conditional: hope is a stronger determinant of attitudes toward democracy for poor individuals and in less-developed countries. In other words, the allure of the "American Dream" can be more or less potent, depending on one's place on the socioeconomic ladder.

THE CONDITIONAL EFFECT OF HOPE

Whereas the link between retrospective economic evaluations and SWD is well established, the role of (long-term) expect-

tations remains understudied in political science. This is surprising, given the importance that cognate disciplines accord to anticipations as determinants of attitudes and behavior (Curtain 2017; Nerlove 1981). For instance, behavioral economists have relied on the "prospect of upward mobility hypothesis" to explain why so many individuals believe that their economic situation will improve and why this optimism affects opinions on the role of the state in the economy (Benabou and Oak 2001).

Building on this tradition, we argue that SWD depends not only on the outputs that the political system has already delivered but also on citizens' anticipated gains in the long run. Political psychologists have shown that "wishful thinking" is not only widespread but that it is also a significant determinant of political engagement (Nadeau et al. 1994). Several public opinion polls suggest that large segments of the population believe that they will climb up the income ladder during their lifetimes (Economic Mobility Project 2009). Given the relatively low level of income mobility observed in most industrialized societies, this optimism seems somewhat ill-founded. Yet such optimism bias—or positive illusions—is consistent with the work of social psychologists, who note that

Richard Nadeau (corresponding author; richard.nadeau@umontreal.ca), professor, Department of Political Science, Université de Montréal. Vincent Arel-Bundock (vincent.arel-bundock@umontreal.ca), assistant professor, Department of Political Science, Université de Montréal. Jean-François Daoust (jean-francois.daoust@umontreal.ca) postdoctoral fellow, Center for the Study of Democratic Citizenship, McGill University.

Data and supporting materials necessary to reproduce the numerical results in the article are available in the *JOP* Dataverse (<https://dataverse.harvard.edu/dataverse/jop>). An online appendix with supplementary material is available at <https://dx.doi.org/10.1086/703070>.

The Journal of Politics, volume 81, number 3. Published online June 6, 2019. <http://dx.doi.org/10.1086/703070>
 © 2019 by the Southern Political Science Association. All rights reserved. 0022-3816/2019/8103-0023\$10.00

“most people . . . hold views of the future that are rosier than base-rate data can justify” (Taylor and Brown 1994, 21). Positive illusions can improve people’s psychological well-being (Makridakis and Andreas 2015; Taylor and Brown 1988), and we argue that they can affect their evaluation of institutional performance. More specifically, long-run expectations about future economic conditions should be positively associated with SWD.

Although we expect that, overall, economic expectations are positively linked to SWD, the strength of that link should vary across the citizenry. In particular, hope for a better tomorrow should be more important for those whose current level of material well-being (MWB) is low, that is, for those who cannot draw on large flows of income or large stocks of assets. This conditional argument is inspired by work in economics, psychology, and political science, which shows that similar changes in income have different meanings for people at the top and bottom of the social ladder (Layard et al. 2008; Radcliff 2001). The intuition is straightforward: material gain should matter more to the poor because it leads to a larger (relative) improvement in living standards for them than for the already rich. Moreover, the rich can count on larger stocks of wealth to insure themselves against adverse shocks in the future. Therefore, the poor should be more sensitive to economic expectations when they make judgments about political institutions.

An analogous mechanism could work across levels of analysis: a country’s economic development could affect the degree to which citizens are sensitive to economic expectations. In our view, the concepts of positive illusions and long-term economic perceptions offer an appropriate theoretical and empirical background to explore such cross-level interactions. Positive illusions help people maintain a good mood, even as they face great difficulties. Such positive illusions could thus play an important role in promoting SWD in less affluent societies. To believe in a better future, the poor who live in less developed countries must make a double leap of faith: that their individual circumstances will be more favorable and that the national economy will be strong enough to give people opportunities to flourish.

In sum, we expect that both individual circumstances and national contexts moderate the association between long-term economic perceptions and SWD.

EMPIRICAL ANALYSIS

Above, we argued that (1) economic prospects are positively related to SWD, (2) economic prospects are a more important determinant of SWD for poor individuals, and (3) economic prospects are a more important determinant of SWD in less-developed countries.

To test those three hypotheses, we study data from module 4 of the Comparative Study of Electoral Systems (CSES) project.¹ CSES postelectoral surveys cover elections held between 2011 and 2015 in 34 countries and include about 1,500 respondents per election.² We estimate an ordered logistic regression model with multiplicative interactions:

$$\begin{aligned} \text{logit}(\text{Pr}(\text{SWD}_{ie} \leq j)) = & \beta_1 \text{Prospects}_{ie} \\ & + \beta_2 \text{GDP per capita}_e + \beta_3 \text{MWB}_{ie} \\ & + \beta_4 \text{Prospects}_{ie} \times \text{GDP per capita}_e \\ & + \beta_5 \text{Prospects}_{ie} \times \text{MWB}_{ie} \\ & + \beta_6 \text{GDP per capita}_e \times \text{MWB}_{ie} \\ & + \beta_7 \text{Prospects}_{ie} \times \text{GDP per capita}_e \\ & \times \text{MWB}_{ie} + \Lambda \Omega_{ie} + \alpha_e + \varepsilon_{ie}. \end{aligned}$$

SWD is a widely used survey item that measures respondents’ level of satisfaction with democracy on a four-point scale indexed by j , from “not at all satisfied” to “very satisfied.” The GDP per capita (in 2010 US\$) of a respondent’s country is extracted from the World Bank’s World Development Indicators and logged prior to analysis. MWB is an additive index that combines information on respondents’ level of income and on the assets that their households own (residence, savings, enterprise or farm, stocks and bonds).³ The Prospects variable measures the extent to which respondents expect their individual standard of living to improve over the next 10 years.⁴ The vector of control variables is Ω , α is treated as a random intercept in a mixed-effects model,⁵ and ε is a disturbance term. The subscript i denotes variation at the individual-level, and e identifies national-level factors that vary from election to election. All variables are rescaled to the [0, 1] interval, except SWD. Detailed descriptions of each variable are reported in the appendix (available online).

Several factors pose a threat of omitted variable bias, because they have been found to explain SWD, and because they

1. The questions that we use to measure *economic prospects* and MWB are not available in previous waves of the CSES.

2. Refusals to answer and “don’t know” responses are excluded from the analyses.

3. Combining information on individuals’ income and assets allows us to paint a more accurate portrait of the conditioning effect of MWB, because an individual’s sensitivity to future changes in economic circumstances depends on both the flow of income that she receives, and the stock of assets (home, savings, etc.) that she can draw upon to cope with transitory shocks (Ansel 2014; Stiglitz et al. 2009).

4. In line with the positive illusion hypothesis, our data show that optimistic views about future standard of living are widely shared (53%) and only moderately linked to MWB ($\tau b = .10$).

5. In the appendix, we report results from fixed effects models.

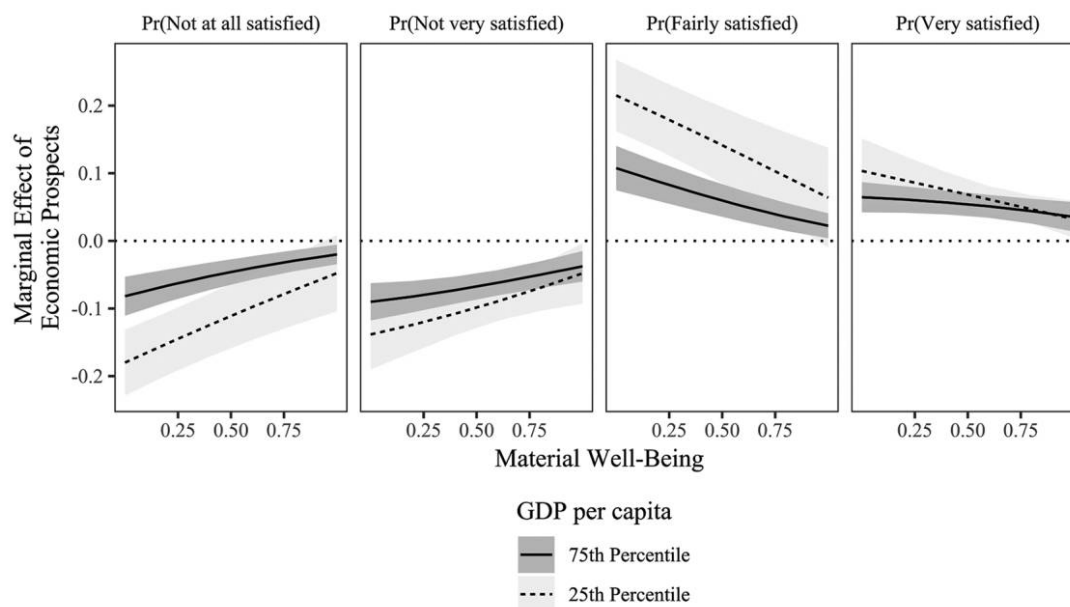


Figure 1. The marginal effect of economic prospects on satisfaction with democracy is conditioned by individual- and national-level economic conditions.

could be related to current and future MWB. Respondents who voted for a party of government could feel more satisfied with democracy and more optimistic about a future governed by the party they supported. A person's sense of political efficacy could obviously affect SWD, and it might also be linked to a broader psychological sense of competence that affects expectations about future living standard. A respondent's age and level of education also pose threats to inference because life-cycles and human capital are related to both current and future MWB. Finally, since our theory focuses on the importance of economic expectations, it is important to distinguish between forward- and backward-looking economic perceptions. To account for all of these factors, our model thus controls for vote for the winning party, political efficacy, age, education, and sociotropic retrospective economic evaluations.

To test our hypotheses, the main quantity of interest is the marginal effect of economic prospects on satisfaction with democracy, as a function of material well-being and GDP per capita (Berry et al. 2012; Brambor et al. 2006). Figure 1 shows that all three of our theoretical expectations are met.⁶

First, the marginal effects curves are below zero in the first two panels of figure 1 and above zero in the last two panels. This means that, holding other factors constant, an increase in economic prospects is associated with an increase in the probability of being satisfied with democracy. Hypothesis 1 is supported: economic prospects are positively related to SWD. Second, the marginal effect slopes are positive in the first two

panels of figure 1 but negative in last two. Hypothesis 2 is supported: economic prospects are a more important determinant of SWD for poor individuals.⁷ Third, figure 1 shows that economic prospects have a smaller marginal effect on SWD in relatively rich countries: the 75th percentile curves are closer to zero than the 25th percentile curves. Hypothesis 3 is supported: economic prospects are a more important determinant of SWD in less-affluent countries.⁸

To probe the robustness of these results, we estimated several alternative models. First, national-level factors such as the degree of accountability and responsiveness of government, or the rule of law, pose a threat to inference because they could affect people's SWD. To address this problem, we estimated a new model with election fixed effects. Introducing dummy variables for each country allows us to account for national-level factors that vary from country to country and election to election but do not vary across respondents within a given election. Second, to ensure that our results are not sensitive to the specific formula that we adopted to construct our MWB index, we reestimated our baseline model using three

7. For most observed values of GDP per capita, the conditioning effects of MWB (i.e., the slopes in fig. 1) are distinguishable from zero ($\alpha = .05$ level).

8. Our theory does not make explicit predictions about the three-way interaction coefficient, but the estimates make intuitive sense: the slopes of the curves in fig. 1 are typically steeper for poorer countries, which could reflect the fact that the "socioeconomic" lottery has more dire consequences where the social safety net is weaker. Therefore, the attenuating effect of MWB on the marginal effect of *Prospects* could be stronger in less-developed countries. However, we note for transparency that this is a post hoc explanation.

6. The first column of table 2 in the appendix shows the full results of this model.

alternative indexes. Third, to account for life-cycle effects, we estimated the model separately in the sample of people aged 64 and under and people over 64. Fourth, to see if our conclusions depend on the inclusion of specific control variables, we estimated a minimalist model without control variables. We also included a control for gender, an alternative measure of political efficacy, and a measure of economic vulnerability.⁹ Finally, to determine if the results are driven by certain groups of countries, we reestimated our model by successively removing Anglo-Saxon, Asian, Eastern European, and Western European countries. The results from these tests are reported in the appendix. Our substantive conclusions remain unchanged.

CONCLUSION

The idea that SWD is driven by the ability of authorities to deliver good economic outcomes is well established in the political science literature. In this article, we built on this tradition and offered a new forward-looking and conditional theory of attitude formation. We argued that long-term economic prospects affect people's SWD but that the strength of this effect depends on one's place on the socioeconomic ladder: hope is more important for the poor and in less affluent countries.

One way to interpret our findings is that economic optimism colors citizens' attitudes toward political institutions and can counterbalance the dissatisfaction that arises when people have low material well-being. Hence, the overall level of satisfaction with democracy in a society may rest on a coalition of sorts between the rich and those who, rightly or wrongly, expect to become rich. If this is true, then the positive illusions harbored by many could be essential for maintaining both individuals' psychological welfare and popular support for political institutions.¹⁰

This raises important questions about the sources of economic optimism, its basis in fact, and about the reasons why this optimism varies across time and populations. The answers to those questions matter because they could help resolve an important paradox in political economy: why the wealth gap between the "haves" and the "have-nots" does not always produce chasm between their levels of satisfaction with democracy.

9. That question measures if respondents believe that they are at risk of suffering from a large deterioration in economic condition in the near future.

10. According to Taylor and Brown (1988, 193), "considerable research evidence suggests that . . . unrealistic optimism . . . appear(s) to promote . . . mental health, including . . . the ability to be happy and contented."

Finally, our results may also carry implications for the foundations of democratic institutions. Whereas popular support for democracy in advanced industrial economies can anchor itself on the safe ground of past achievements, institutions in less affluent countries must, to some extent, stand on the shakier foundation of expectations. As Waldron-Moore (1999, 57) concluded from her study of the democratization process in Eastern Europe: "a democratic system will not survive on faith alone." Still, our results suggest that building a broad base of support for democratic institutions would be much more difficult without hope, faith, and a reservoir of positive illusions.

ACKNOWLEDGMENTS

We thank André Blais, Ruth Dassonneville, Jean-François Gobout, Damien Bol, Frédéric Bastien, Filip Kostelka, and seminar participants from the Research Chair in Electoral Studies at the Université de Montréal for their precious feedback. We also thank El Hadj Touré for his excellent research assistance.

REFERENCES

- Anderson, Christopher, André Blais, Shaun Bowler, Todd Donovan, and Ola Listhaug. 2005. *Losers' Consent: Elections and Democratic Legitimacy*. Oxford: Oxford University Press.
- Ansell, Ben. 2014. "The Political Economy of Home Ownership: Housing Markets and the Welfare State." *American Political Science Review* 108 (2): 383–402.
- Benabou, Roland, and Efe A. Agha. 2001. "Social Mobility and the Demand for Redistribution: The POUM Hypothesis." *Quarterly Journal of Economics* 116 (2): 447–87.
- Berry, William D., Matt Golder, and Daniel Milton. 2012. "Improving Tests of Theories Positing Interaction." *Journal of Politics* 74 (3): 653–71.
- Brambor, Thomas, William Roberts Clark, and Matt Golder. 2006. "Understanding Interaction Models: Improving Empirical Analyses." *Political Analysis* 14 (1): 63–82.
- Curtain, Richard. 2017. "George Katona: A Founder of Behavioral Economics." In Roger Frantz, Shu-Hang Chen, Kurt Dopfer, Floris Heinkelom, Shabnam Mansavi, eds., *Routledge Handbook of Behavioral Economics*. London: Taylor & Francis, 16–35.
- Economic Mobility Project. 2009. *Opinion Poll on Economic Mobility and the American Dream*. Washington, DC: Pew Charitable Trusts.
- Layard, Richard, Stephen Nickell, and Guy Mayraz. 2008. "The Marginal Utility of Income." *Journal of Public Economics* 92 (8–9): 1846–57.
- Makridakis, Spyros, and Andreas Moleskis. 2015. "The Costs and Benefits of Positive Illusions." *Frontiers in Psychology* 6:859.
- Nadeau, Richard, Richard G. Niemi, and Timothy Amato. 1994. "Expectations and Preferences in British General Elections." *American Political Science Review* 88 (2): 371–83.
- Nerlove, Marc. 1981. "Expectations, Plans, and Realizations: In Theory and Practice." Working paper no. 511, Northwestern University, Center for Mathematical Studies in Economics and Management Science, Chicago.

- Quaranta, Mario, and Sergio Martini. 2016. "Easy Come, Easy Go? Economics Performance and Satisfaction with Democracy in Southern Europe in the Last Three Decades." *Electoral Studies* 42:164–74.
- Radcliff, Benjamin. 2001. "Politics, Markets, and Life Satisfaction: The Political Economy of Human Happiness." *American Political Science Review* 95 (4): 939–52.
- Stiglitz, Joseph E., Amartya Sen, and Jean-Paul Fitoussi. 2009. "The Measurement of Economic Performance and Social Progress Revisited." OFCE Working Paper.
- Taylor, Shelly E., and Jonathan D. Brown. 1988. "Illusion and Well-Being: A Social Psychological Perspective on Mental Health." *Psychological Bulletin* 103 (2): 193–210.
- Taylor, Shelly E., and Jonathan D. Brown. 1994. "Positive Illusions and Well-Being Revisited: Separating Fact from Fiction." *Psychological Bulletin* 116 (1): 21–27.
- Waldron-Moore, Pamela. 1999. "Eastern Europe at the Crossroads of Democratic Transition." *Comparative Political Studies* 32 (1): 32–62.