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RESEARCH NOTE



The market, the state and satisfaction with democracy

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ABSTRACT


Satisfaction with democracy is driven by the two mechanisms that affect citizens' income: the market and the state. When people consider that the levels of economic growth and redistribution are sufficient, they are more satisfied with the performance of democratic institutions. This relationship is moderated by personal income: since low-income citizens are more sensitive to changes in personal economic circumstances than high-income citizens, they give more weight to economic perceptions and opinions about redistribution. In this paper evidence is found of this conditional relationship in survey data from 16 established democracies. The results offer a rich characterisation of the state and market-based mechanisms that affect satisfaction with democracy.

KEYWORDS Satisfaction with democracy; income; redistribution; economic perceptions

Several studies show that the level of satisfaction with democracy (SWD) is driven by governments' ability to deliver policies that increase individuals' incomes (Christmann 2018; Quaranta and Martini 2017). Although work on the link between political support and income has largely focused on the economy as one key mechanism affecting individuals' level of wealth (Armingeon and Guthman 2014),¹ researchers have also shown that redistributive policies matter in citizens' assessments of democratic regimes. According to Schäfer (2013: 2), 'income inequality ... breeds discontent with the performance of the regime' whereas Lühiste (2014: 784) posits that 'people do expect democratic regimes to provide social protection along with economic performance' (also see Anderson and Singer 2008 and Min Han and Chang 2016).

The aim of this study is to shed more light on the links between individual income and SWD. We argue that individuals' level of income exerts both a direct and an indirect effect on their level of satisfaction

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with democracy. This happens because richer individuals not only enjoy higher levels of material satisfaction, but also because wealth makes them less vulnerable to economic downturns and less dependent on redistributive policies. Consequently, we contend that individuals' material wealth moderates the relationship between SWD and their economic perceptions and assessments of redistributive policies.

Income, economic perceptions, redistribution, and satisfaction with democracy

We argue that SWD varies based on people's evaluations of the market and the tax-and-transfer mechanisms susceptible to affect their wealth. Moreover, these factors should be substantially more important for the poor than for the rich.

Wealthy individuals have access to more high-quality goods, which should lead them to form more positive assessments of the performance of a democratic regime. A high income increases a person's ability to save, smooth consumption patterns over time, and insure themselves against adverse economic shocks (Ansell 2014; Stiglitz *et al.* 2009). Those who suffer from the largest job and income losses during economic downturns are often those who earn low incomes in good times (Hoynes *et al.* 2012). Furthermore, richer individuals' reliance on the tax-and-transfer system to complement their income is much lower than for their poorer counterparts (Heisz and Murphy 2014).²

Economic fluctuations take on a very different meaning for richer and poorer citizens. The financial vulnerability of less affluent individuals makes them highly sensitive to the impact of economic ups and downs on their level of material well-being. Given the observed link between income and satisfaction with democracy, we should expect that poorer citizens' economic perceptions exert a stronger impact (compared to wealthy individuals) on evaluations of their democratic system. In other words, individuals' level of income should moderate the influence of economic perceptions.

Few studies have examined the relationship between *individual-level* assessments of redistributive policies and political support (Kang 2015: 498). The influence of 'Robin Hood'-type policies on SWD has remained largely untested at the individual level despite the fact that aggregate data suggests that redistributive policies matter in citizens' evaluations of democratic regimes (Schäfer 2013). Recent work, however, suggests that SWD could be reduced when governments' policies deviate from individual citizens' views on a variety of issues, including redistribution (Mayne and Hakhverdian 2017; Stecker and Tausendpfund 2016).³ Furthermore,

there are good reasons to believe that these assessments of governmental efforts to reduce inequality via the tax-and-transfer system do not have the same meaning for the poor and the rich, since less affluent people's income is likely to be relatively more affected by these policies. Consequently, a moderating effect of income on individuals' assessment of redistributive policies can be expected.

Hypotheses, model specification, and data

Above, we argued that (1) people who perceive that the economy is doing well should be more satisfied with democracy; (2) those who believe that the government should do more to redistribute wealth should be less satisfied with democracy; and (3) both of these relationships should be stronger for low-income individuals. To test these intuitions, we consider a regression model of this form:

$$\begin{aligned} SWD = & \beta_1 Income + \beta_2 Economy + \beta_3 Redistribution \\ & + \beta_4 Income \times Economy + \beta_5 Income \times Redistribution \\ & + \Lambda\Omega + \alpha_i + \varepsilon \end{aligned}$$

The dependent variable, *SWD*, is a widely used survey instrument which asks respondents the following question: 'On the whole, are you very satisfied, fairly satisfied, not very satisfied or not satisfied at all with the way democracy works in [COUNTRY]?'⁴

Income measures an individual's income as a quintile of their home country. *Economy* measures how respondents perceive the state of the economy in their country in the past 12 months. This is a classical measure of sociotropic and retrospective economic evaluations (Armingeon and Guthman 2014; Nadeau *et al.* 2013). *Redistribution* takes on values from 0 (strongly disagree) to 1 (strongly agree) based on the following question: 'The government should take measures to reduce differences in income levels.' Our interpretation of this variable goes as follows. On the one hand, someone who strongly disagrees with the idea that the government should take measures to reduce income inequality is clearly expressing the view that the actions taken to achieve this goal are sufficient. On the other hand, a strong agreement with this statement means that the government is not currently doing enough about this question and should do more (Kohler 2008; Stecker and Tausendpfund 2016: 498).⁵

Ω is a vector of control variables which are known to be related to *SWD*, and which are plausibly related to our main explanatory variables.⁶ Specifically, we control for whether the respondent voted for the party in government, their attachment to a political party and sense of political efficacy, their ideological orientation on a left–right scale, as well as for

age, sex, education and level of political information.⁷ ε is a disturbance term. To account for time and individual-invariant features of the countries whose elections are part of our sample, the model also includes a vector of election fixed effects α_i (with subscript i to represent elections).⁸

The regression equation shown above includes two multiplicative interaction terms. This allows us to model the idea that *Income* moderates both the relationship between *Redistribution* and *SWD*, and the relationship between *Economy* and *SWD* (Brambor *et al.* 2006; Franzese and Kam 2009).⁹

Data on all variables are from Module 4 of the Comparative Study of Electoral Systems (CSES) project.¹⁰ This dataset covers worldwide elections from 2011 to 2015 in established democracies characterised by their high level of economic development. Our analysis includes a sample of 16 well-established, affluent democracies, where citizens have good reasons to believe that they can improve their material well-being either through a well-performing economy or via the redistributive policies implemented by a resourceful, responsive and functional state.¹¹ Surveys are post-electoral and include about 1500 respondents per election.

Detailed descriptive statistics are reported in the online appendix, but it is useful to note that the overall mean of the *SWD* variable is 0.60 with a standard deviation of 0.25; 37% of respondents thought that the economy had got worse during the year preceding the survey, 42% concluded that it stayed about the same, and 21% expressed the view that it has got better. Unsurprisingly, the data also reveals a high level of support for redistribution, with 62% of individuals agreeing with the idea that more should be done to curb inequalities. Finally, the correlation (using Pearson's r) between economic perceptions and *SWD* is 0.17 and -0.12 between assessments of redistributive policies and *SWD*.

Results

We estimated the equation in the previous section using ordinary least squares regression. We chose this model because the results it produces are particularly easy to interpret, but our conclusions hold using different estimation techniques (see the robustness checks section). The full results of this regression exercise are shown in the online appendix.¹²

In [Figure 1](#), we summarise the main results graphically, by plotting the marginal effects of *Economy* and *Redistribution* on *SWD*, conditional on respondents' level of *Income*. Four main results emerge.

First, the marginal effect of *Redistribution* is negative, which indicates that higher values on that variable are associated with lower levels of *SWD*. Second, the association between *Redistribution* and *SWD* is

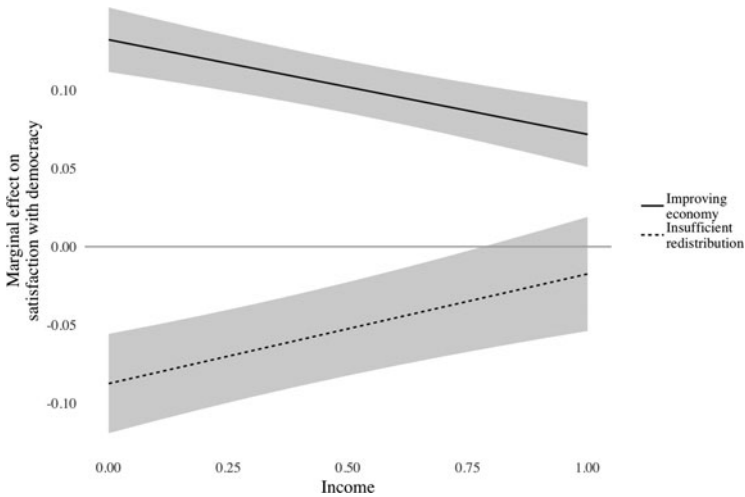


Figure 1. The moderating effect of income on economic evaluations and redistribution preferences.

stronger in the sample of low-income respondents (-0.071) than in the sample of high-income respondents (-0.015). Third, the marginal effect of *Economy* is positive, which means that higher values on that variable are associated with higher levels of SWD. Fourth, this association between *Economy* and SWD is stronger in the sample of low-income respondents (0.151) than in the sample of high-income respondents (0.104).

All four of these results accord with our expectations. On the one hand, the level of satisfaction with democracy of the rich, who are more protected from economic fluctuations and less dependent on transfers, is only moderately affected by their economic optimism and their preferences on redistribution. On the other hand, the level of satisfaction of the less affluent and more vulnerable citizens is closely linked to their assessments of the mechanisms that allow them to believe in a better life and in the improvement of their current standard of living. That is, contrary to the already satisfied rich, less fortunate individuals base their assessment of their political regime on the hope that Adam Smith's 'invisible hand' and Robin Hood's 'helping hand' will allow them to improve their lot.

Robustness checks

We estimated several alternative models to probe the robustness of our results. The description of the variables and their descriptive statistics are readily available in the appendix. First, we used several different estimation techniques: OLS without election fixed effects, ordered logistic

regression with and without election fixed effects, and mixed-effects linear model¹³ (i.e. multi-level). Results are displayed in Table A2. Second, in Table A3, we used an index of opinions about public expenditures as an alternative to our ‘redistribution’ variable. We also include additional controls (for the number of persons living in the household, using an index of political efficacy instead of a single item and adding age²) to our core specification. Results can be found in Table A4. Third, in Table A5 we enlarged the scope of our country sample. We find the same statistically significant pattern but, indeed, the effects are weaker when we include countries that do not meet our criteria of selection. Fourth, to ensure that our results are not driven by outliers, we show that the marginal effects from 16 individuals estimations (from the 16 countries included in our main model) point in the same direction. We also re-estimated our core specification by successively excluding 1, 2, and 4 country(ies) from the estimation. Figures A1–A4 display the results. All in all, our conclusions are robust and our main conclusions hold.

Conclusion

Our study makes an important scientific contribution by revisiting one of the most robust relationships in this literature, that is, the relationship between individuals’ level of material well-being and their SWD. We analysed the links between two key mechanisms that affect SWD: the market and the tax-and-transfer system. We showed that the importance of these two mechanisms varies depending on one’s income level.

Our main results reinforce the conclusions of works which suggest that the determinants of SWD have heterogeneous effects across citizens (Anderson *et al.* 2005; Chang 2018; Kotzian 2010; Nadeau *et al.* Forthcoming). This insight improves our understanding of satisfaction with democracy, which is a crucial pillar of support for democratic regimes. Scholars have already documented that regime support is output-related, a characterisation that seems to correspond to the kind of support to political institutions offered by richer individuals who already benefit from the concrete and tangible outputs produced by a ‘well-performing’ system. But another and perhaps even more important source of political support seems to be poorer individuals’ assessments of the mechanisms that have a more direct and crucial effect on their level of material well-being.

Our results suggest that affluence brings to its beneficiaries more material satisfaction, but also a sense of security that spares them from being overly anxious about economic ups and downs or changes in redistributive policies. Poorer citizens, on the other hand, not only enjoy less

material satisfaction, but also suffer from precariousness, a lack of job security, and more unpredictability about their future level of material well-being. It is thus understandable that less affluent individuals would be more sensitive to the performance of the mechanisms susceptible to increase, maintain, or stabilise their level of material well-being. It is also understandable that their evaluation of these mechanisms would matter more than for wealthier citizens in their assessments of the performance of their democratic system.

In the end, the fact that wealth and security go hand in hand for affluent citizens but not for their poorer counterparts suggests that the relationship between income and SWD is more complex and nuanced than previously thought. A better appreciation of the role of these feelings of security or precariousness explaining support for government and political institutions is an important and interesting avenue for future research.

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

1. Quaranta and Martini (2017: 661) expressed the argument neatly when they wrote that ‘citizens translate a worsening of economic conditions into critical attitudes towards the political system. This may be expected, as in citizens’ opinion the notion of democratic regime often overlaps with the belief that it should be able to guarantee acceptable levels of affluence and prosperity’.
2. In Europe, for instance, 52% of the income in the lowest quintile comes from pensions and benefits compared to 18% for the top quintile (see Eurostat Information 2016).
3. Mayne and Hakhverdian (2017) have shown that egocentric congruence, defined as the match between individuals’ preferences and governmental outputs, outperformed sociotropic congruence (i.e. the match between aggregated preferences and government policies) in models of SWD.
4. There are, however, limitations to this indicator. For a critical discussion, see Linde and Ekman (2003).
5. The wording of this item allows for the possibility that it may measure respondents’ general disposition towards redistribution regardless of their evaluations of present redistributive policies. The clear pattern of correlations between this item and other variables such as individuals’ ideological orientation (negative) or willingness for more spending on unemployment and welfare benefits (positive) lead us to conclude that it adequately measures respondents’ preferences for more redistribution.
6. Refusals and ‘don’t know’ responses are excluded. Descriptive statistics for all variables are available in the [supplementary materials](#). Variables are re-scaled to the [0, 1] interval to facilitate interpretation.

7. In the robustness checks sections, we show that controlling for the number of members in the household does not affect our results.
8. These variables are the most appropriate way to capture the country-specific political, institutional and contextual factors susceptible to affect satisfaction with democracy in a given country at a given point in time. This being said, removing fixed effects for our models leave our key results intact (see the robustness tests section).
9. We do not include a three-way interaction term because we have no ex ante theoretical reason to expect that the conditioning effect of *Income* on the marginal effect *Redistribution* will itself be conditional on *Economy*. However, we show in the robustness checks section that our substantive results are not substantially affected by the inclusion of a three-way interaction term – see Model 3 of Table A2 in the online appendix.
10. We can only use Module 4 of the CSES because the *Redistribution* variable is only available in that module.
11. The countries meeting these requirement are: Australia (2013), Austria (2013), Canada (2011, 2015), France (2012), Finland (2015), Germany (2013), Great Britain (2015), Ireland (2011), Iceland (2013), Israel (2013), Japan (2013), New Zealand (2011, 2014), Norway (2013), Sweden (2014), Switzerland (2011) and United States (2012). Table A1 in the online appendix presents the scope conditions under which the moderating effect of income is expected to appear with the greatest clarity. These data show that our core sample is formed of mature, high-income, well-governed and free-market democracies. Cluster analyses confirm the homogeneity of this set of countries. Extending the analyses to whole set of countries weakens but does not eliminate the pattern observed in our target group (see the robustness checks section). This result suggests that our main conclusions may apply to more countries over time if they met the scope conditions presented above.
12. Even if we do not give them a strictly causal interpretation (Samii 2016), it is reassuring to note that our control variables behave roughly as expected. Socio-demographic factors are weakly but significantly associated with SWD – as expected, older and more educated citizens are more satisfied with democracy. Furthermore, being on the winning side and believing that ‘elections can make a big difference to what happens’ are also positively associated with SWD.
13. We treat the intercept, Income, Economy and Redistribution as random coefficients that vary across countries.

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