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The Great Recession: Political Trust, Satisfaction with Democracy and Attitudes to Welfare-State Redistribution in Europe

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ABSTRACT

This paper investigates the impact of economic vulnerability and economic recession on political trust, satisfaction with democracy and attitudes towards welfare-state redistribution across different EU countries. I argue that these set of attitudes are crucial in defining public support for the European model of social capitalism, historically characterized by the combination of national democratic institutions and extensive welfare provision. I further content that the impact of recession on citizens' support for national political institutions could have been particularly severe in Euro-zone countries since national governments inside the European Monetary Union lack standard policy instruments to combat recession. Following the economic voting literature, I distinguish between recession effects that are triggered by the individual experience of economic hardship (egocentric effects) and those triggered by citizens' dissatisfaction with the economic situation of the country as a whole (sociotropic effects). Applying two-step regression techniques to a pool of the 2004 and the 2010 rounds of the European Social Survey, I investigate individual-level egocentric and sociotropic effects on political trust, democratic satisfaction and attitudes to redistribution, as well as direct macro-level recession effects on the typical citizen for both countries inside and outside the Euro zone. I find significant recession effects for political trust and satisfaction with democracy in Euro-zone countries. The erosion of political trust and satisfaction with democracy is sizeable in Ireland, Slovenia and Spain and reaches truly alarming proportions in the case of Greece. The evidence on recession effects on attitudes to redistribution is, however, inconclusive. Implications are discussed.

Keywords: *Economic Recession, Political Trust, Satisfaction with Democracy, Attitudes towards Redistribution; Europe; Welfare States; Monetary Union; Legitimacy; European Social Survey*

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INTRODUCTION[1]

Between 2008 and 2009, the world's economy collapsed. Although the epicentre of this global shock was located in the US sub-prime mortgage market, many European countries were amongst the hardest hit, suffering GDP losses unrecorded since the Oil crisis of the early 1970s. The impact of recession has been particularly sore in Euro-zone peripheral economies that experienced a real state bubble (i.e. Spain, Ireland, Greece), irresponsible banking practices (i.e. Iceland, Ireland, Spain) and/or decades-long governmental over-expending (i.e. Greece, Italy, Portugal). Unable to sustain their public finances, the governments of Greece, Ireland and Portugal drew on IMF and EU bailout packages in 2010 and 2011. Exceptional actions to sustain national banking sectors were undertaken by many governments across Europe. These actions have been soon followed by equally extraordinary measures to contain mounting public deficits. On June 9 2012, Spain has requested a special Eurozone bailout to finance its teetering banking system (Spiegel and Mallet 2012). Due to the unprecedented severity of the global crisis originated in 2008-2009, many have dubbed it as the Great Recession.

As I write these lines, Greece is heading for a second general election in two months. The political parties elected in May 2012 have failed to form a national unity government due to the opposition of the anti-bailout coalition SYRIZA. This coalition has increased its representation from only 1 MP (4.7 per cent of the vote) in 2009 to 52 MPs (16.8 per cent of the vote) in May 2012, as support for the ruling parties



[1] This paper is part of the project *Economic Recession and the Quality of Work* funded by the British Academy and led by Duncan Gallie. I thank all the members of the project for their helpful input.

plummeted.[2] The possibility that Greece abandons the Euro is now openly discussed by top leaders everywhere, from the President of the European Commission to the Director of the IMF. Meanwhile, yields to Spanish 10-year bonds have hit another Euro-era record, entering the same levels that prompted bailouts for Greece, Ireland and Portugal. Yet Spain is the fourth economy in the Euro zone. With a GDP that is roughly twice the size of the GDPs of Greece, Ireland and Portugal combined, many believe Spain is simply too big to be rescued (see e.g. EUbussiness 2010). And so is Italy, whose risk premium is currently only a few points behind that of Spain's (see e.g. Czuczka and Cullen 2012). Four years after the fall of Lehman Brothers, the European Monetary Union is at the verge of fragmentation if not total collapse. If the Euro breaks the Great Recession would have claimed its largest prey to date.

Yet Europe could have something even more valuable at stake. The Great Recession poses a major challenge to the so-called European model of social capitalism (Offe 2003). This model has been historically defined by the combination of national democratic institutions and extensive welfare provision. At its core lies the most advanced form of citizenship rights ever granted in political history (Marshall 1964). I content that this model and the principles it embodies are currently endangered by the combination of severe economic recession and incomplete integration at the European level.

This study analyses the impact of the Great Recession on attitudes towards the political system and welfare-state redistribution across different European countries. Public

[2] Greek voters' turn on ruling parties has shown its most dangerous face with the rise of the Golden Dawn, an anti-European neo-Nazi party that advocates, amongst other things, the incarceration of illegal immigrants in labour camps. This is the most extreme right party ever entering the Greek parliament. It has obtained 21 seats and 7 per cent of the popular vote.

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support for the democratic institutions and the redistributive policies that define European welfare states is crucial for the survival of the European social model. I investigate how the experiences of economic vulnerability and recession affect political trust, satisfaction with democracy and attitudes towards income redistribution by exploiting the 2004 and 2010 rounds of the European Social Survey. Analysing how the Great Recession affects attitudes towards the political system and welfare-state redistribution under different macro-level and individual-level conditions seems a highly relevant research question in a defining moment for Europe.

FRAMEWORK AND HYPOTHESES

Political scientists have long argued that low levels of public support can pose serious problems for the maintenance of democratic systems (see e.g. Lipset 1960; 1994). Hence a considerable amount of research has been devoted to understanding the determinants of public attitudes towards democratic governance. Two classical theoretical perspectives have dominated the literature: the political culture perspective and the political economy perspective.

According to the former perspective, the political legitimacy of the existing democratic regimes would ultimately derive from a set of widely-shared values and assumptions about the principles and procedures of liberal democracy. Together, such core democratic values compose a particular political culture, which is transmitted from one generation to the next through powerful processes of political socialization that take place mainly inside families and schools. It is this democratic culture that provides solid and largely stable attitudinal foundations for the existing political institutions (see e.g. Almond and Verba 1963; Barnes 1979; Inglehart 1977; 1990; Kaase and Newton 1995;



Hyman and Wright 1979; Putnam 1993). Although these sustaining democratic values are not seen as immutable, their pace of change is typically considered slow under this theoretical perspective (see Clarke, Dutt and Kornberg 1993).

The claim that democratic legitimacy rests firmly on stable political values is challenged by the proponents of the political economy perspective. According to this perspective, the degree of legitimacy of the democratic system ultimately depends upon its capacity to meet and represent citizens' needs and demands, which are for the most part rooted in socio-economic interests (see e.g. Habermas 1973; Lipset 1960; Offe 1984; see also Macpherson 1977). Support for democratic institutions is therefore considered contingent upon institutional performance and hence much more changing and dynamic than the political culture perspective would concede. [3]

It follows from the political economy approach that the degree of support for the existing democratic institutions should be patterned by the class structure, as it is this structure that captures the main socio-economic interests of the population (e.g. Lipset 1960; Lipset and Rokkan 1967) In line with this prediction, accumulated evidence has shown that members of the working-classes have higher levels of political disaffection, cynicism and distrust than those placed in more privileged positions within the class structure (see e.g. Goldthorpe et al 1969; Goldthorpe 1996; Lockwood 1966; Hout, Brooks and Manza 1995; Manza and Brooks 1996). Classes capture the societal distribution of life-chances and hence they tap on the most stable drivers of social

[3] Although political culture and political-economy perspectives may lead to different predictions about democratic stability, these are by no means irreconcilable approaches (see also Clarke, Dutt and Kornberg 1993). At the end of the day, accumulated evidence shows that *both* values and interests play a role in shaping political attitudes. Moreover, one should bear in mind that economic experiences can also have socializing effects (see e.g. Green, Palmquist and Schickler 2002).



inequality. Yet more transient experiences of economic vulnerability also seem to have significant political consequences. Most research on the political effects of transitory economic vulnerability has focused on the study of unemployment. The existing evidence suggests that the experience of unemployment can also increase feelings of internal and external political inefficacy, discontent with the political system, distrust and frustration (e.g. Jahoda, Lazarsfeld and Zeisel 1971; Gallie 1993; Leggett 1964; Marshall et al. 1988; Schlozman and Verba 1979; Polavieja 2003, Chap.7).

There is therefore abundant evidence showing that individual experiences of economic strain, whether lasting or transitory, can reduce citizens' support for the existing political institutions.[4] Yet it is also possible that severe economic recession shapes the political attitudes of individuals who are not directly affected by economic hardship. Awareness of the depth of the economic crisis is likely to spur fears about the future, leading many to feel increasingly unsafe (see Mughan and Lacy 2002). If increasingly anxious citizens believe that the existing political actors and institutions are incapable of pulling the country out of recession, discontent with the political system could spread across the board. The overall impact of recession on public support for the existing democratic institutions would thus be much greater in this latter scenario.

Whether or not recession leads to an erosion of support for the political system beyond those directly affected by economic hardship is therefore a crucial question for the study of the economic determinants of political legitimacy. Following the terminology of the economic voting literature, I call attitudinal reactions that are triggered by individuals' own objective experiences of economic hardship *egocentric* reactions;

[4] This is precisely why extended social rights can be seen as having a crucial legitimising impact on democratic institutions (see e.g. Clarke, Dutt and Kornberg 1993; Brooks and Manza 2007).

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whereas I call *sociotropic* reactions those reactions that are triggered by respondents' assessments of the economic situation of the country as a whole, regardless of their own economic conditions (see Kinder and Kiewiet 1981; Lewis-Beck and Stegmaier 2000).

Recession effects and incomplete European integration

Sociotropic reactions to recession in Europe could be especially intense under particular institutional conditions. The Great Recession has caught many European countries in the middle of an incomplete process of economic and political integration. Having renounced to a great deal of economic sovereignty for the benefits of currency unification, national governments belonging to the European Monetary Union, EMU, now find themselves lacking the standard monetary policy instruments to combat recession (e.g. devaluation). This makes national governments in the Euro zone objectively less efficacious than those outside. If citizens perceive that their governments are powerless to combat recession, discontent with the economic situation of the country could soon lead to political distrust and disaffection. I therefore content that the attitudinal impact of recession on public support for the existing political institutions could be significantly stronger in Euro-zone countries, as feelings of governmental inefficacy could be particular marked inside the European Monetary Union.

Support for Social Cohesion through Welfare Policy

Socialization and political-economy arguments can also be distinguished within the existing literature on attitudes towards welfare policy. Socialization approaches stress the key role that citizen's core values play in determining the degree of support for

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welfare redistribution. Again such values are seen as the product of political socialization in both families and schools (see e.g. Hasenfel and Rafferty 1989; Hyman and Wright 1979; Robinson and Bell 1978). Consonant with this literature, formal education, political ideology, party identification and attitudes towards egalitarianism have been shown to have a significant effect on public support for welfare policies (see e.g. Feldman and Zaller 1992; Hasenfeld and Rafferty 1989; Jacoby 1994; Kam and Nam 2008).

Advocates of the political-economy argument stress the role of individual economic interests in shaping support for welfare policy (see e.g. Meltzer and Richard 1981). In line with this view, there is abundant empirical evidence showing that the most vulnerable citizens are consistently more likely to favour redistributive policies than those better-off (see e.g. Andress and Heien 2001; Blekesaune 2007; Edlund 1999; Hasenfeld and Rafferty 1989; Kam and Nam 2008; Svallfors 1997). This evidence speaks clearly in favour of the existence of *egocentric* pro-distribution effects. But what about *sociotropic* effects? Does recession also affect the preferences for redistribution of those citizens who do not experience economic hardship directly? Are potential welfare contributors more or less inclined to support welfare policies in times of economic strain? Unfortunately, the existing literature does not allow us to make any clear predictions in this respect (Kam and Nam 2008).

Authors such as Alt (1979) and Axinn and Stern (2005), for instance, have argued that the economic worries that recession brings should make potential contributors *less* inclined to support redistributive policies since redistribution runs against their own short-term economic interests. In contrast, Blekesaune (2007) and Blekesaune and Quadagno (1999) *inter alia* content that both self-interest and altruistic motives should

make contributors *more* willing to support welfare policies in time of economic duress (see also Kam and Nam 2008). According to these latter authors, altruistic motives could emerge if recession generates a genuine concern amongst potential contributors for those worse-off; whereas self-interest motives would be triggered by contributors' perception that they might become potential recipients themselves. Still a third argument could be made if we consider that recession could reduce support for redistribution for altruistic reasons. As leaders across Europe repeat the mantra that today's austerity is a necessary precondition for tomorrow's growth, many truly altruistic Europeans could reduce their support to welfare spending for unselfish reasons. Hence what the sociotropic impact of recession might be on public support for welfare redistribution is a completely open empirical question.

In sum, I hypothesize that the Great Recession could have affected public attitudes about the political system both by eroding citizen's objective economic conditions (*egocentric* effect) as well as by spurring widespread anxiety about the country's future even amongst individuals who do not experience economic hardship directly (*sociotropic* effect). Both egocentric and sociotropic effects are likely to increase citizen's perception that the existing political institutions are incapable of meeting the pressing demands and needs of the people in times of economic strain. This should lead to an increase in political distrust and political dissatisfaction with the existing democratic institutions. These effects should be logically stronger the greater the depth of recession and possibly also stronger in countries belonging to the EMU, as in these countries governments lack standard monetary policy instruments to combat recession. Whether recession enhances or erodes the degree of public support for redistribution is theoretically undetermined. Yet I expect to find higher support for redistribution

amongst the most economically vulnerable respondents, as well as amongst those holding solidaristic and egaliatarian attitudes, values and ideologies.

DATA AND METHODS

I investigate the impact of economic recession on political trust, satisfaction with democracy and attitudes towards welfare-state redistribution using two-step regression techniques. In the first step, I test for individual-level predictors by pooling together the 2004 and the first-released 2010 European Social Survey datasets. I restrict my analysis to respondents aged between 20 and 64. The resulting analytical sample comprises over 53,200 individuals belonging to 19 different European countries (i.e. Belgium, the Czech Republic, Denmark, Estonia, Germany, Great Britain, Finland, France, Greece, Hungary, Ireland, the Netherlands, Norway, Poland, Portugal, Slovenia, Slovakia, Spain and Sweden). For most —but not all— countries in this pooled dataset, 2004 is a pre-recession year, whilst 2010 is either a post-recession or an in-recession year. I investigate individual-level predictors of the three attitudes of interest and test for country-level differences in the impact of time, measured as the change in average attitudes between 2004 and 2010. Time effects are estimated by fitting an interaction between country of residence and survey year. For most countries —but not all— the estimates resulting from this interaction capture the attitudinal impact of recession for the average citizen (measured as the difference in net average attitudes between 2004 and 2010).

In a second step, such net estimates for the impact of time are used as the outcome variable in a macro-level model where countries become the unit of observation (N=19). The net change in the average attitudes of the typical citizen observed between

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2004 and 2010 are then regressed on two macro-level predictors: the actual change in GDP growth observed between 2004 and 2010 and a dummy capturing whether countries were members of the Euro zone at the start of recession (i.e. 2008). Figures for GDP change are obtained from Eurostat (2012). They measure the actual size of recession observed in each country in the analysed period as the differences between 2004 and 2010 GDP growth figures. This two-step multi-level approach allows us to investigate what is the impact of recession on political trust, satisfaction with democracy and attitudes towards redistribution, as well as whether this impact is, as expected, stronger in countries inside the European Monetary Union using a flexible and intuitive framework.

Outcome variables

The ESS combined dataset includes three different questions that measure respectively respondents' degree of trust in party politics, trust in the national parliament and trust in politicians using self-placement interval scales. Responses to these questions are highly correlated and hence they have been combined into one single trust index. The political trust index ranges from 0 to 10, is normally distributed and shows very high levels of reliability (Krombach's coefficient=0.9). The political trust index is our first measure of support for national democratic institutions. The ESS also includes an indicator of democratic satisfaction. Each respondent is asked "*how satisfied are you with the way democracy works in* [your country]*?*". This is measured using a self-placement scale ranging from 0 to 10. Responses to this scale are again normally-distributed. Our last dependent variable measures support for income redistribution through governmental action using a 5-point interval scale. This scale captures respondents' degree of agreement with the assertion "*the government should reduce differences in income levels*". This is



the only question on welfare redistribution that is present in both the 2004 and 2010 ESS rounds. Respondents are provided with five possible answers to this question, ranging from "disagree strongly" to "agree strongly". Roughly 70 per cent of European respondents agree or strongly agree with this assertion. In order to have a comparable metrics with the previous two indices, responses to this question have been re-scaled from 0 to 10.

Explanatory variables

Individual-level models for pooled data include estimates for respondents' age, years of schooling, class position (measured using the Eurosec class schema) and the experience of unemployment. The latter is measured using information about respondents' current employment status and retrospective information about past unemployment spells. Other individual-level controls are union membership, marital status and number of children.

All individual-level models control for political ideology, measured using the standard self-placement left-right scale[5], as well as for three core values: altruism, egalitarianism and support for a strong state. All these values are measured using 6-point interval identification scales. Altruism is measured as the importance individuals assign to helping people and caring for others; egalitarianism measures respondents' degree of identification with the principle that people be treated equally and have equal opportunities; and support for the state is measured as the importance individuals assign to having a strong government that ensures safety.

[5] I also control for ideology squared, as a means to test for non-linear effects. Non-linear ideological effects are only significant for political trust and, even in this case, they are too small to add much in the way of explanation.

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I also introduce controls for two personality characteristics possibly associated with the outcome variables. The first one measures the stable component of individual happiness.[6] This could be an important control variable to the extent that individuals' propensity to pessimism and dissatisfaction could permeate their views about the political system. The second personality trait captures individuals' degree of hedonism using a 6-point interval composite scale combining responses to four different identification questions[7] (Krombach's coefficient=0.76). Hedonism is expected to reduce support for redistribution. Having such a rich set of values and traits as controls is rare in the study of political attitudes.

A key attitudinal variable tested in all individual-level models is respondents' degree of satisfaction with the general situation of the economy in their respective countries. This is measured using a self-placement scale that ranges from 0 (maximum dissatisfaction) to 10 (maximum satisfaction). The effect of respondents' views about the general shape of the national economy net of individual-level economic experiences capture *sociotropic* effects for the average citizen.

FINDINGS

Table 1a below shows the results of fitting a series of three nested models for each of the three outcome variables available in the pooled dataset: political trust, satisfaction

[6] This component is estimated as the residual from a model where self-placement in a 10-point happiness scale is regressed against age and its squared term, schooling, family income, subjective well-being, life satisfaction, country and, crucially, observation year. The resulting happiness residual captures the individual propensity to happiness net of transient and contextual factors.

[7] Each of these four question measures respectively the importance that respondents assign to: 1) trying new and different things in life; 2) seeking adventures and having an exciting life; 3) seeking fun and things that give pleasure; and 4) having a good time.

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with democracy and support for welfare income redistribution. Model 1 for each of these outcome variables includes age, gender, years of schooling and class, together with the above-mentioned attitudinal controls plus union membership and family characteristics (the latter two not shown). Model 2 adds information on unemployment history and model 3 introduces respondents' views about the general situation of the country's economy.

In all models the effect of time is measured as the difference in net average values between 2004 and 2010. As explained above, this is captured by fitting a crucial interaction between survey year and country of residence. It must be noted that this interaction consumes as much as 37 different parameters: 1 parameter capturing the net average effect of time for respondents in the country-reference category (i.e. Spain); 18 other parameters for the average country differences with respect to Spain in the year 2004; and yet another 18 parameters capturing how different is the effect of time in each country from the effect estimated for Spain. For obvious presentation reasons, Table 1a only shows the effect of time (measured as the difference in the average values of the outcome variables between 2004 and 2010) for the reference category (i.e. Spain). Table 1b below presents the net effect of time (as estimated using model 1) for all the countries in the pooled dataset together with the net estimated values for the year 2004.

[Table 1a about here]

Several findings reported in Table 1a are consonant with political culture explanations. First, we observe a positive and significant effect of years of education on political trust, satisfaction with democracy and attitudes towards redistribution. This is consistent with the so-called enlightening hypothesis, which links democratic culture

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and pro-redistribution views to political socialization via schooling (but see Jackman and Muha 1984). We also observe a positive and significant effect of core egalitarian values on all three indicators. This effect is particularly strong in the case of attitudes towards income redistribution, which are also significantly enhanced by altruistic values and attitudes in favour of a strong government. Personality traits also seem to have interesting effects: hedonism reduces political trust and attitudes to redistribution, whilst happiness-propensity increases political trust and satisfaction with democracy. Finally, we observe that right-wing respondents tend to be more trusting and more satisfied with the way democracy works in their respective countries than left-wing ones, but less supportive of redistributive policies.

The economic interest perspective also finds strong empirical support. As expected, class is significantly associated with all three dependent variables. Lower technical and routine workers show significantly lower levels of political trust and satisfaction with democracy, as well as higher levels of support for redistributive policies, than large employers, managers and professionals, which is the reference category. Political trust and satisfaction with democracy is also low amongst small employers and self-employed respondents, whereas their support for welfare redistribution is only a little bit higher than that of large employers, managers and professionals. Note that class differences are stronger in the case of attitudes to redistribution than in the other two scales. These findings are fully consistent with political economy arguments linking support for both political institutions and redistributive policies to stable socio-economic interests.

Transient experiences of unemployment also seem to leave a very visible trace on the three variables of interest. Currently unemployed respondents, as well as those employed respondents who have experienced unemployment less than five years back,



show lower levels of trust and satisfaction with democracy and higher levels of support for redistribution than employed respondents with no previous unemployment record. Interestingly, we also find the same significant differences, albeit roughly half as strong, between employed respondents who experienced unemployment more than five years ago and those who have never experienced unemployment (see models 2). This suggests that the experience of unemployment could have long-lasting consequences on political attitudes.

The effects of time are captured by the variable year. Recall that this variable stands for the difference in net average attitudes observed between 2004 and 2010 for the reference category (i.e. Spanish respondents). This net coefficient shows a decrease of more than 1 point between 2004 and 2010 in both trust and satisfaction in Spain. This is a very sizeable effect indeed. Since this estimate is net of all the variables included in the model, it can be safely interpreted as the effect of time for the average (Spanish) citizen, regardless of her own economic situation, values and ideology (for other effects see Table 1b). Note also that we observe no statistical difference in the net average attitudes to redistribution between 2004 and 2010 for the typical reference citizen.

Models 3 for each dependent variable add sociotropic views about the economy. Note that when we introduce public opinions about the economic situation of the country, the effect of survey year on political trust and satisfaction with democracy is fully explained away. This indicates that recession (measured as a time effect) has not only egocentric but also sociotropic effects on political legitimacy, as it affects all types of citizens regardless of their own objective economic experiences. In other words, increasing distrust and dissatisfaction with the way democracy works does not seem to

be contained to the most vulnerable segments of society. This is therefore an important finding.

Note also that introducing sociotropic views yields a very significant reduction in all the coefficients that capture the effect of objective experiences of economic vulnerability on political trust and satisfaction with democracy. Most of the effect of unemployment experiences and a very significant part of the effect of class on these two indicators of political legitimacy operate through dissatisfaction with the economic situation of the country. This indicates that individual economic experiences influence respondents' views about the economic situation of the country as a whole.

My estimates of the effect of recession (measured as the change between 2004 and 2010) on attitudes towards redistribution offer a much less clear picture. As noted above, we find no change between 2004 and 2005 in the first two models for the reference category (i.e. Spaniards). According to our year-country interaction, eight countries, including Spain, show no significant change between 2004 and 2010; in eight other countries we observe a small increase in average support for redistribution; whilst three other countries show a small decrease (see Table 1b). According to the estimates presented on Table 1a, European respondents with a better perception of the economic situation of their countries seem to be on average *less* supportive of income redistribution, but this sociotropic effect is indeed very small: According to my estimates, a full-range ten-point increase in satisfaction with economy would only yield a half a point reduction in pro-redistribution views. Moreover, introducing sociotropic views in the regression has practically no impact on either class or unemployment history parameters, unlike in the case of the two previous attitudinal indicators. Overall,



recession and sociotropic effects on attitudes to redistribution seem therefore very weak and rather inconsistent.

Explaining country differences in the average change of public attitudes between 2004 and 2010

Table 1b below shows the time-change coefficients and the 2004 values for all three dependent variables and all the countries in the dataset. The first thing to note is that there are very significant differences in the time effects found across different European societies. As commented above, the time effects for attitudes towards redistribution vary greatly by country and they are generally small. But we also observe divergent patterns for the effect of time on both political trust and satisfaction with democracy. Greeks stand out as showing the largest erosion in political trust and democratic satisfaction of all respondents, with average decreases of 2 and 3 points respectively out of an 11-point scale. These are dramatic changes by all accounts. In recent periods of Greece's history, such an erosion of democratic legitimacy would have probably led to the breakdown of the democratic system (see discussion below).

The erosion in political legitimacy, as measured by these two crucial indicators, is also very sizeable in Spain, Slovenia and Ireland, with average drops of roughly around 1 point. We also observe a significant but smaller decrease in both political trust and satisfaction with democracy between 2004 and 2010 in Belgium, France, Denmark and Portugal. Yet we find an increase in net average values of political trust and satisfaction with democracy between 2004 and 2010 in the Netherlands, Norway, Sweden, Poland and Slovakia, whilst no change in either trust or satisfaction with democracy is observed in Germany. The rest of the countries show changes in one indicator but not the other. How can we explain these divergent patterns in time-change coefficients?

[Table 1b about here]

It must be noted that estimates for the effect of time obtained using the 2004-2010 pooled regressions do not capture the same recession effects for all countries. This is because there is a high degree of variation in the depth, the timing and the profile of recession. The first column in Table 1b reports the real drop in GDP growth observed between 2004 and 2010 for each country, according to official Eurostat figures (Eurostat 2012). Greece stands out again as the country that has experienced by far the largest drop in GDP growth between 2004 and 2010, amounting to almost 8 per cent points. Ireland, Hungary, Spain, Norway and Slovenia follow suit with GDP losses between 5 and 3 points. The drop in GDP growth between the two observation years has been much more moderate in the Czech Republic, Poland, France, Denmark and Slovakia (with losses roughly between 1 and 2 points) and very small in Finland, the Netherlands and Portugal. In Sweden and Germany GDP growth was actually higher in 2010 than it was in 2004 (see also Tåhlin 2012). Can the observed variation in the effect of time by country be explained by differences in the experience of recession?

Macro-level recession effects

In order to answer this question, I next regress the time-change coefficients (as estimated in models 1 of Table 1b) for each of the 19 countries of the sample on the above-commented changes in GDP growth observed between 2004 and 2010. Note that the resulting estimate for changes in GDP growth will capture macro-level recession effects on attitudinal change between the two observation points *directly*. I further test whether this direct impact of recession on political attitudes differs by membership in the European Monetary Union. Results are presented in Table 2 below.

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[Table 2 about here]

Macro-level estimates yield significant recession effects for all three attitudinal variables studied, although the effects for attitudes towards welfare redistribution are again rather small. According to the estimates of a simple linear model (models 1), a one-point reduction in GDP growth between the two observation years would reduce net average political trust by roughly 1/7 of a point in an eleven-interval scale, net average satisfaction with democracy by 1/5 of a point in the same scale, and net average support for redistribution by as little as 1/14 of a point. Recall that the estimated coefficients for attitudinal change between 2004 and 2010 are net of individual-level predictors. In this sense, the GDP change coefficient can be interpreted as the effect of recession on average public attitudes in Europe (i.e. on the attitudes of the typical European citizen). It must therefore be noted the estimated macro-level effect for attitudes to redistribution (recession decreases attitudes pro redistribution) is not only very weak in size but, most importantly, runs in the exact opposite direction to the individual-level effect of socio-tropic views. Whilst the former effect suggests that recession decreases average support for redistribution in Europe, the later indicated that citizens' awareness of recession *increases* average support for redistribution. In light of this contradiction, our results for recession effects on redistributive views must be considered inconsistent and inconclusive.

Model-1 regression estimates for GDP losses assume that the attitudinal effects of recession are the same across the 19 countries studied. Yet I have hypothesised that the erosion of political legitimacy should be actually greater in countries belonging to the Monetary Union, since the governments of Euro-zone countries lack standard policy instruments to combat recession, which makes their economic policies objectively less

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efficacious. I test this prediction by fitting two different interaction models: the first one tests for a simple interaction between membership in the Euro zone and a linear effect of recession (model 2); and the second tests for an interaction between Euro-zone membership and a non-monotonic recession effect (model 3). The model that better describes the structure of the data for political trust and satisfaction with democracy is model 3. Yet no interaction effects are found for attitudes towards redistribution.

Interaction effects suggest that all the impact of recession on the net average change in political trust and satisfaction with democracy observed between 2004 and 2010 is concentrated in Euro-zone countries. Moreover, in these countries effects seem non-linear. This suggests that the erosion of net average trust and satisfaction accelerates as GDP losses accumulate. Figure 1 below provides an illustration of these non-linear effects.

[Figure 1 about here]

Robustness tests for the Eurozone interaction

Note that countries in the Euro zone might differ from those outside in other important institutional characteristics unrelated to the currency and which could also mediate the effect of recession on political legitimacy. For instance, countries in the Euro zone sub-sample could provide less generous welfare benefits *on average* and this could explain why recession effects on public support for democratic institutions appears as stronger in this group of countries. Similarly, there could be differences in

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the quality of democratic representation between the two sub-samples contrasted. If countries with comparatively weaker political institutions happen to be over represented in the Euro-zone sub-sample, and if recession effects on political views are significantly stronger(weaker) in low-quality democracies, then our Euro-zone effect could be in reality an artefact of omitted variable bias. Another important source of potential omitted variable bias is the experience of international bailouts. Note that the three countries that drew on EU-FMI rescue packages in the period studied (i.e. Ireland, Portugal and Greece) belong to the EMU. Hence again what appears as a Euro-zone effect could be actually the outcome of the bailout experience, an experience that could have by itself important effects on the degree of political legitimacy of national institutions.[8]

I have tested for both linear and non-linear interaction effects between different welfare regimes (i.e. Liberal, Scandinavian, Continental, Familial and Transitional) and GDP losses; between countries with high and low levels of net social expending and GDP losses[9]; between high and low quality democracies[10] and GDP losses; between more and less corrupt countries[11] and GDP losses; and, finally, between bailout countries and

[8] Note, however, that this counter-hypothesis assumes that the probability of bailout is independent of membership in the EMU, which is, of course, highly questionable.

[9] Social expenditure figures are for 2007 and have been obtained from the OECD database. (See: http://www.oecd.org/document/24/0,3746,en_2649_33933_2671576_1_1_1_1,00.html). I have also tested an interaction between countries with high and low levels of social expending on the working-age population and GDP losses and results were again non significant.

[10] Quality of democracy has been measured using the 2006 Quality of Democracy Index published by the Economist Intelligence Unit (The Economist 2006, pp.3-6)

[11] Corruption has been measured using the Transparency International Corrupt Perceptions Index (http://www.infoplease.com/ipa/A0781359.html#ixzz1x05yw8fZ)

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GDP losses. In all cases results were clearly non significant (available on request). This provides further support to the argument that there is something particular to Euro-zone citizens that makes their political attitudes more reactive to economic recession. I believe this peculiarity has to do with the objective economic-policy limitations that Euro-zone governments face in their fight against recession. These limitations make Euro-zone governments less responsive to the pressing demands and interests of their citizens in times of economic hardship.

SUMMARY AND DISCUSSION

This study has investigated the effects of economic vulnerability and economic recession on political trust, satisfaction with democracy and attitudes to welfare redistribution using the 2004 and 2010 European Social Survey datasets. I have argued that these attitudes express the degree of public support for the two essential elements of the European model of social capitalism, namely, national democratic institutions and extensive welfare provision.

Individual-level regression modes have provided clear evidence that both cultural values and individual economic experiences play a key role in shaping Europeans' support for democracy and welfare-state redistribution in Europe. In line with political-economy approaches, I have found that experiences of economic vulnerability are associated with lower levels of political trust and satisfaction with democracy and higher levels of support for redistributive polices. Public support for the democratic and redistributive principles of the welfare state has clear micro-level economic foundations.

I have also shown that net average support for national democratic institutions eroded fast in several European countries between 2004 and 2010. This erosion is less

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consistent with political culture explanations as it shows that democratic legitimacy is to a considerable extent contingent upon economic performance. In many (but not all) of the 19 countries analysed in this study both political distrust and dissatisfaction with democracy rose sharply. I have shown that such trends can be explained by a parallel increase in average levels of dissatisfaction with the economic situation of the country (i.e. sociotropic effects). This suggests that recession decreases public support for the existing political institutions even amongst those citizens who do not experience economic hardship directly. I have also shown that the changes in average political trust and satisfaction with democracy observed in each of the 19 countries studied are significantly correlated with the changes in GDP growth observed between 2004 and 2010, although this correlation seems confined to Euro-zone countries.

The pattern of change in the case of attitudes to redistribution is, however, much less clear. Macro-level evidence seems to suggest that Europeans' net average support for income redistribution decreased with recession in Europe. Yet the effect is very small. Moreover, these macro-level estimates do not square well with the individual-level evidence, which shows that negative evaluations of the economic situation of the country's economy increases support for redistribution for the typical citizen, although again the effect of sociotropic views on attitudes to redistribution is significantly smaller than the effect observed for the other two legitimacy scales. Overall, these findings seem too small and inconsistent to grant any firm conclusion on the effect of economic recession on attitudes to redistribution. Perhaps recession triggers different effects on redistributive preferences in different segments of the population. Testing for possible conditional effects of recession on support for redistribution is a clear avenue for future research.



I have argued that the erosion of political trust and satisfaction with democracy could have been particularly strong in countries inside the Euro because Euro-zone governments no longer dispose of the standard monetary-policy instruments to combat recession. In order to join the monetary union, national governments had to give in national sovereignty in exchange for supra-national integration. But the process of European integration remains endlessly incomplete and this makes it similarly inefficacious. Imperfect integration generates huge coordination problems, amplifies financial tensions and opens up the door for speculative attacks on both the periphery's sovereign debts and the Euro as a whole, which pushes peripheral EMU economies deeper into recession.

The combination of global recession and incomplete integration at the European level makes up a particularly damaging cocktail for democratic legitimacy. To be sure, incomplete supra-national integration poses serious problems for democratic theory on its own, as it reduces both political efficacy and democratic accountability at the national level, whilst providing not fully-working substitute at the supra-national level (see e.g. Claus 2000; Follesdal and Hix 2006; Scharpf 1997). Yet it is in times of economic emergency that the democratic deficiencies of incomplete integration become most apparent. If citizens perceive their elected representatives are largely incapable of pulling the country out of recession, frustration, distrust and disaffection might spread across the board. Discontent spills over from those directly affected by economic vulnerability to the median voter.

The evidence presented in this study shows that this has already happened in several European countries. The erosion of democratic legitimacy is particularly sizable in countries such as Ireland, Slovenia and Spain. In the case of Greece, this erosion has



reached most alarming proportions. In 2010, 62 per cent of Greek respondents placed themselves within the 4 lower values of the democratic satisfaction scale and as much as 85 per cent of them placed themselves within the 4-lower values of the political trust scale. In both cases, value 0 of the scale was the modal value, comprising 22 and 40 per cent of responses respectively (see Figure 2). In my view, such levels of political dissatisfaction should be judged as a real threat for democratic stability

[Figure 2 about here]

The signs of growing political disaffection can be read in many peripheral countries across Europe. In 2009 mounting protests over the financial crisis in Iceland led to the *Busahaldabyltingin*, or Kitchenware Revolution, which culminated in the prosecution of the former prime minister and the writing of a new constitution. The Icelandic Constitutional Council included 25 ordinary citizens with no party affiliation who were elected in public elections. These delegates drew on mass online public consultation for the writing of the bill for a new constitution, which was later submitted to the Icelandic parliament (Stjórnlagaráðs 2011).[12]

Mass protests have also swept across Southern Europe. Since 2010, a series of anti-bailout demonstrations have taken over the streets of the main Greek cities. Many of

[12] Iceland constitutes a very interesting case study. The total collapse of its banking system put the country into unprecedented recession. In 2004 Iceland was growing at a 7.8 percent rate; in 2009 its GDP growth rate was -6.8. Yet Icelanders refused to bailout their banks and bond holders had to face considerable losses. Iceland is outside the Euro zone and this allowed its government to devaluate. The main Icelandic bank was nationalised. The country returned to grow at a 3 per cent rate as early as in 2011. Unfortunately data for Iceland is not yet available in the 2010 ESS released dataset.

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these demonstrations turned into violent riots, some of which lasted for days. In March 2011 peaceful protests over the economic crisis spread in over 10 Portuguese cities organised under the name of *Geração à Rasca,* Desperate Generation. Portuguese rallies were soon followed by the spectacular outbreak of the 15-M movement in Spain. Organised through web-based social networks without the involvement of any major union or political party, the 15-M movement's cry for "real democracy" has attracted an unprecedented level of popular support in Spain. According to a survey carried out in July 2011, between 6 and 8 million Spaniards would have participated directly in at least one public event organised by this new social movement, and as much as 76 per cent of Spanish citizens considered its claims as "more than reasonable" (El Pais 2011, August 3).

These new social movements illustrate well the growing chasm that separates many disaffected European citizens from their national political representatives. This is a momentous time for Europe. All the alarms of European democracies should go off. It is much more than the single currency that is currently at stake.



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TABLES AND FIGURES



Table 1a: Pooled OLS Regressions for Political Trust, Satisfaction with Democracy and Attitudes towards Redistribution: Individual-level Effects and Main Effect of Time for Year*Country interaction (Ref. Spain)

	Political Trust			Satisfaction with Democracy			Attitudes towards Redistribution		
VARIABLES	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Age	0.00102	0.000564	0.00271***	-0.00249**	-0.00276**	5.29e-05	0.00919***	0.00935***	0.00870***
Female	-0.119***	-0.119***	-0.0302*	-0.206***	-0.200***	-0.0871***	0.242***	0.233***	0.204***
Years of schooling	0.0415***	0.0408***	0.0300***	0.0370***	0.0357***	0.0230***	-0.0638***	-0.0625***	-0.0589***
_Lower Profs.	-0.100***	-0.0953***	-0.0349	-0.139***	-0.131***	-0.0622*	0.532***	0.524***	0.504***
_Intermediate	-0.0916**	-0.0757*	-0.0183	-0.163***	-0.140***	-0.0704*	0.601***	0.577***	0.554***
_IV no agricult.	-0.404***	-0.398***	-0.265***	-0.434***	-0.432***	-0.265***	0.361***	0.358***	0.319***
_IV agriculture	-0.209***	-0.221***	-0.0438	-0.213***	-0.234***	-0.0211	0.964***	0.986***	0.927***
_Lower Superv. & Tech.	-0.460***	-0.444***	-0.295***	-0.467***	-0.443***	-0.259***	0.730***	0.705***	0.654***
_Lower Sales & Services	-0.277***	-0.252***	-0.119***	-0.391***	-0.351***	-0.190***	0.841***	0.800***	0.753***
_Lower Technical	-0.447***	-0.416***	-0.260***	-0.484***	-0.435***	-0.252***	1.054***	1.006***	0.956***
_Routine	-0.406***	-0.367***	-0.223***	-0.510***	-0.451***	-0.280***	0.987***	0.927***	0.888***
_Empld.Un.Spell>5yrs ago		**-0.147*** **	**-0.0753*** **		**-0.141*** **	**-0.0616** **		**0.158*** **	**0.140*** **
_Empld.Un.Spell<5yrs ago		**-0.233*** **	**-0.0760** **		**-0.311*** **	**-0.110*** **		**0.320*** **	**0.275*** **
_Currently unemployed		**-0.275*** **	-0.00317		**-0.439*** **	**-0.114** **		**0.369*** **	**0.290*** **
Satisfaction country's eco.			**0.402*** **			**0.495*** **			**-0.134*** **
Ideology (L-R)	0.0700***	0.0676***	0.0233***	0.117***	0.114***	0.0589***	-0.230***	-0.227***	-0.212***
YEAR	**-1.027*** **	**-1.014*** **	0.0253	**-1.339*** **	**-1.317*** **	-0.0437	-0.0346	-0.0532	-0.409***
Trait_happiness	0.0325***	0.0333***	0.0196***	0.0635***	0.0646***	0.0472***	0.00600	0.00477	0.0139
Trait_goodtime	-0.0342***	-0.0338***	-0.0460***	-0.0145	-0.0145	-0.0280***	-0.0805***	-0.0804***	-0.0755***
Imp _helping others	0.00987	0.00826	0.0159	0.00303	0.00148	0.0108	0.106***	0.108***	0.107***
Imp_equalilty	0.0294***	0.0312***	0.0476***	0.0707***	0.0733***	0.0914***	0.298***	0.295***	0.289***
Imp_strong gov.&safety	-0.000850	-0.000504	0.0294***	-0.00357	-0.00291	0.0336***	0.141***	0.141***	0.129***
Constant	3.675***	3.756***	1.352***	5.799***	5.883***	2.918***	5.386***	5.307***	6.100***
Observations	46,043	46,043	45,672	45,345	45,345	45,075	45,831	45,831	45,476
R-squared	0.233	0.234	0.363	0.223	0.226	0.379	0.208	0.210	0.220

*** p<0.01, ** p<0.05, * p<0.1 Notes: Models control for ideology squared, union membership (n.s.), marital status, N of children and Country*Year interactions. Weighted. Source: Calculated by the author from Pooled ESS 2004-2010.

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Table 1b: Net Average 2004-2010 Difference for Political Trust, Satisfaction with Democracy and Attitudes towards Redistribution by Country (estimated using Models 1 on Table 1a)

Country	Drop in GDP growth[a] 2004-10	Political Trust			Satisfaction with Democracy			Attitudes towards Redistribution		
		2004 value[b]	Coef.	Sig.	2004 value	Coef.	Sig.	2004 value	Coef.	Sig
ES	3.4	4.15	-1.03	***	6.06	-1.34	***	7.16	-0.03	
IE	4.9	3.83	-0.70	***	5.51	-0.71	***	7.09	0.57	***
GR	7.9	3.78	-2.17	***	5.90	-3.26	***	8.36	-0.59	***
PT	0.2	3.05	-0.28	***	3.76	0.15	*	8.12	0.41	***
BE	1.1	4.37	-0.47	***	5.43	-0.40	***	6.52	0.29	**
DE	-2.5	3.40	0.00		5.20	-0.11		5.89	0.79	***
FR	1.0	4.77	-0.43	***	6.60	-0.79	***	4.77	-0.16	
GB	0.9	3.81	-0.11		5.27	-0.29	***	6.17	0.02	
NL	0.5	4.48	0.65	***	5.62	0.49	***	5.90	0.14	
DK	1.0	5.81	-0.50	***	7.31	-0.39	***	5.35	-0.11	
NO	3.3	4.57	0.48	***	6.28	0.60	***	6.66	-0.60	***
SE	-1.9	4.77	0.81	***	6.13	0.73	***	6.51	0.05	
FI	0.4	5.20	-0.34	**	6.46	-0.20		6.99	0.36	**
CZ	2.0	2.81	-0.02		4.56	0.17	**	6.39	0.31	***
HU	3.5	2.74	0.36	***	3.84	0.02		8.05	0.42	***
PL	1.4	2.12	0. 70	***	3.77	1.25	***	7.19	-0.42	***
EE	4.0	3.47	0.06		4.59	0.56	***	7.41	-0.10	
SI	3.0	3.48	-0.94	***	4.41	-1.29	***	7.94	0.06	
SK	0.9	2.74	0.24	**	3.81	0.32	***	7.00	0.29	**

*** p<0.001, ** p<0.05, * p<0.1

Notes: [a] GDP drop figures based on Eurostat 2012. Real GDP growth drop is calculated as the rate of growth in 2004 less the rate of growth in 2010, where growth rates are measured as percentage change over the previous year.

[b] Estimates for 2004 marginal values based on country-specific regression models –all other variables constant at their means. 2004-2010 change coefficients based on Model 1 on Table 1a for different country-reference categories.

Source: Calculated by the author from Pooled ESS 2004-2010 and Eurostat Real GDP Growth Figures (Eurostat 2012).

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Table 2: Country-Level Estimates: The Effect of Size of Recession and Membership in the EMU[1] on 2004-2010 Country-Coefficient Change in Political Trust, Satisfaction with Democracy and Attitudes towards Redistribution

	Political Trust			Satisfaction with Democracy			Attitudes towards Redistribution		
VARIABLES	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Drop in GDP 2004-2010	**-0.154****	0.00639	0.116	**-0.214****	0.0427	0.154	**-0.0705***	-0.0219	-0.0227
	[0.0650]	[0.116]	[0.122]	[0.0873]	[0.152]	[0.157]	[0.0337]	[0.0652]	[0.0817]
(Drop in GDP 2004-2010)^2			0.0874			0.0881			-0.000631
			[0.0499]			[0.0642]			[0.0334]
In EMU by 2008		**-0.555***	-0.124		**-0.715***	-0.138		0.217	0.210
		[0.272]	[0.309]		[0.356]	[0.397]		[0.153]	[0.207]
_EMU*Drop in GDP		-0.205	**-0.263***		**-0.330***	**-0.349***		-0.0695	-0.0699
		[0.134]	[0.141]		[0.176]	[0.181]		[0.0755]	[0.0943]
_ EMU*(Drop in GDP)^2			**-0.114***			**-0.134***			0.00124
			[0.0529]			[0.0681]			[0.0354]
Constant	-0.177	0.131	-0.106	-0.229	0.173	-0.0659	0.0895	-0.0192	-0.0174
	[0.151]	[0.197]	[0.224]	[0.203]	[0.259]	[0.288]	[0.0784]	[0.111]	[0.150]
Observations	19	19	19	19	19	19	19	19	19
R-squared	0.249	0.470	0.624	0.260	0.502	0.660	0.205	0.336	0.336

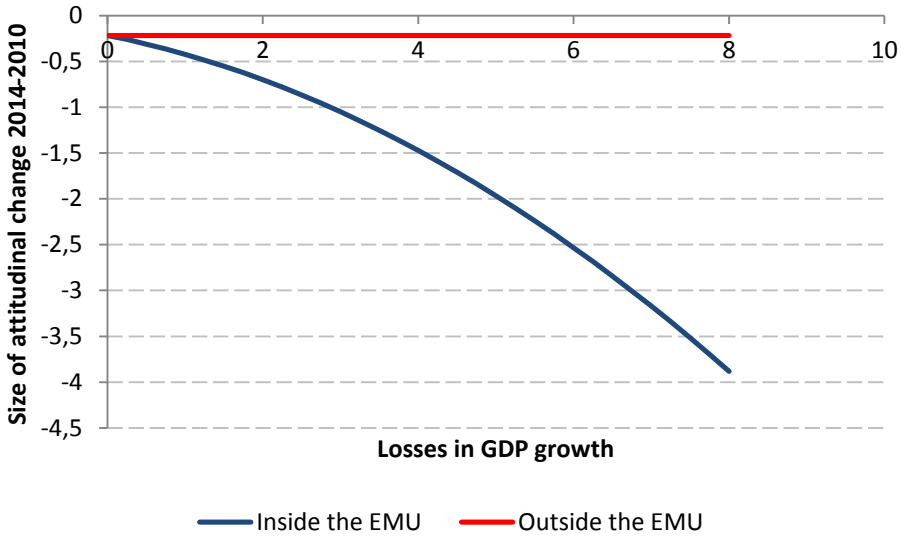
Standard errors in brackets *** p<0.01, ** p<0.05, * p<0.1

Note: 1 EMU membership status as in 2008. SI adopted the Euro in 2007.

Source: Calculated by the author from Country Matrix. Change in Dependent Variables calculated from Models 1 on Table 1a. GDP drop figures based on Eurostat 2012. Real GDP growth drop is calculated as the rate of growth in 2004 less the rate of growth in 2010, where growth rates are measured as percentage change over the previous year.

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Figure 1. The Effect of Change in GDP Growth on Net Average Support for Democratic Institutions[1] by membership in the European Monetary Union: Results from a Polynomial Interaction Model[2]



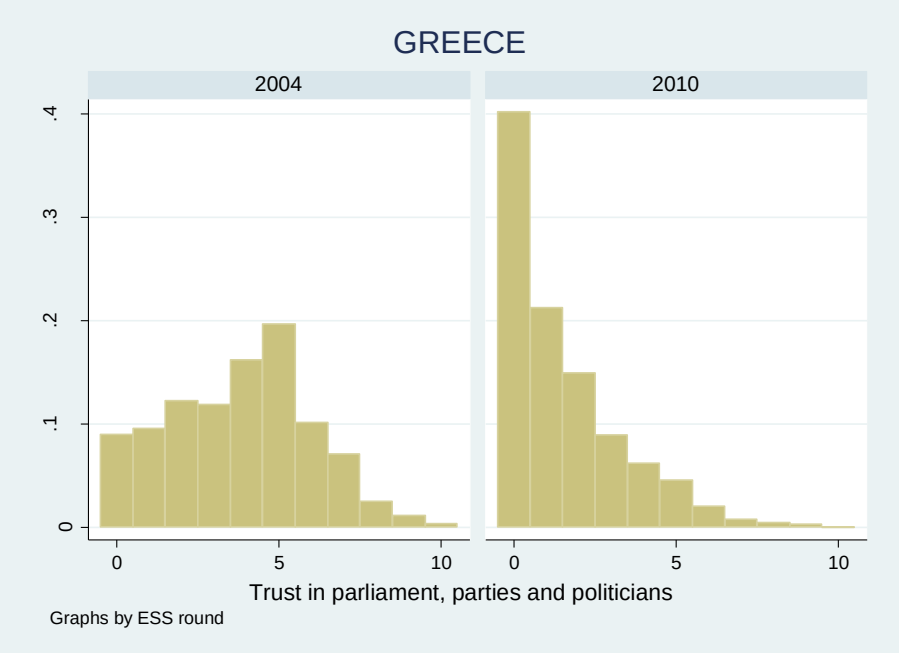
Notes: [1] Combined index of political trust and satisfaction with democracy (Krombach's coeff.=0.95)

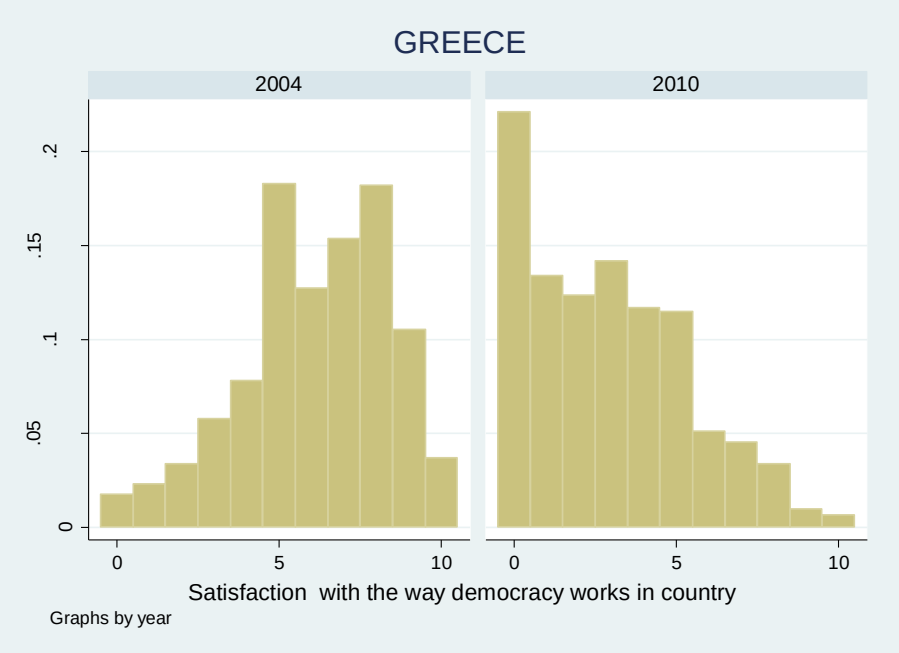
[2] $\Delta Y_{2004\text{-}2010} = EMU_{2008} \times \Delta GDP_{2004\text{-}2010} + EMU_{2008} \times (\Delta GDP_{2004\text{-}2010})^2$

Source: Calculated by the author from Country Matrix. Change in dependent variables calculated from Models 1 on Table 1a. GDP drop figures based on Eurostat 2012. Real GDP growth drop is calculated as the rate of growth in 2004 less the rate of growth in 2010, where growth rates are measured as percentage change over the previous year.



Figure 2. A Greek Tragedy? Political Trust and Satisfaction with Democracy in 2004 and 2010, European Social Survey





Source: European Social Survey, 2004 and 2010.