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Dissatisfied Democrats, Policy Feedback, and European Welfare States, 1976-2001

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Abstract:

Are citizens' level of satisfaction with the functioning of democracy affected by welfare state-related policies and outcomes? Three-level analyses of Eurobarometer surveys from three decades suggest that generosity in unemployment benefits (but not pensions, sick pay, or income inequality) helps explain over-time within-country variation in satisfaction with democracy. This effect is relatively stable across individuals with different interests and values, but is conditioned by unemployment rates. Specifically, the results support a "visible costs hypothesis" predicting weaker generosity effects when more people are out of work. In conclusion, the long-term rise in unemployment in Western Europe may have assisted in the birth of dissatisfied democrats directly, as well as indirectly by disarming the previously legitimizing force of unemployment protection policies.

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“The welfare state” and “political support” are among the more scrutinized topics in comparative research on advanced industrial democracies. However, while impressive bodies of work about each keep accumulating (see Dalton 2004; Newton 2006; Carnes and Mares 2007) they have rarely been explicitly connected in empirical analyses. This is unfortunate as the two literatures are nevertheless linked by common patterns and themes. One of the most pervasive ones is the possibility of decline; that is, simultaneously downward trends in certain aspects of political support as well as signs of welfare state retrenchment.

As for political support—or “trust” as it is sometimes called—times series including the 1980s indicated no universal and lasting trend (Klingemann and Fuchs 1995). But recent work on longer time-spans and more encompassing data suggest “public scepticism about politicians and government officials is spreading to virtually all the advanced industrial democracies” (but see Torcal and Montero 2006; Dalton 2008:243). At the same time, however, normative support for the idea of democracy with its attached norms, rights, and procedures has stayed strong. To capture this current ambivalence—endorsement of democratic principles but dissatisfaction with their implementation—scholars have coined expressions like “dissatisfied democrats” or “critical citizens” (e.g. Klingemann 1999; Norris 1999).

Moving to welfare state research, scholars have addressed the nature and impact of “permanent austerity,” (Pierson 2001) a situation in which it is difficult to finance previous commitments to public services and income replacement systems. While the policy responses are unlikely to involve radical welfare backlash, moderate adaptation and cost containment efforts within existing systems now seem more common. As prophesied by Pierson (2001:417), “neither the alternatives of standing pat or dismantling are likely to prove viable in most countries. Instead, as in most aspects of politics, we should expect strong pressures to move towards more centrist—and therefore more incremental—responses. Those seeking to generate significant cost

reductions while modernizing particular aspects of social provision will generally hold the balance of political power.” Several policy changes have been registered. Korpi and Palme (2003) investigated net replacement rates in the public insurance systems for sickness, work accident, and unemployment for 18 OECD countries, and found that “the long gradual increase in average benefit levels characterizing developments up to the mid-1970s has not only stopped but turned into a reverse” (Korpi and Palme 2003:445; c.f. Allan and Scruggs 2004). Similarly, results indicating gradual service deterioration and increasing resource-scarcity (rather than radical system change) have been reported in comparative studies of public services such as education and health care (Clayton and Pontusson 1998). Finally, adding injury to insult, income inequality (Brandolini and Smeeding 2008) and unemployment rates (Cameron 2001) increased in many countries during this period, especially in Western Europe.

At the same time, support for welfare state policies appears rather stable at high levels (for recent overviews, see Kumlin 2007b; Svallfors 2010b), and is found to strengthen where unemployment and inequality are increasing (Borre and Scarbrough 1995; Blekesaune and Quadagno 2003; Finseraas 2009). This leads to the basic query dealt with in this paper. Does less generosity in widely popular welfare state policies, and deterioration in the outcomes that they are meant to affect, generate dissatisfied democrats?

The next section reviews and critiques past research on “government performance” and political support. Many studies have dealt with the apparently weak impact of macroeconomic performance. However, I argue that such negative results—and the explanations offered—are not automatically valid for welfare state-related outputs and outcomes. The subsequent section discusses a smaller accumulation of studies on welfare state performance and political support. These conclude that performance may affect political support. However, they also display various features calling for further investigation. For example, one strand of evidence comes from

historical case studies; these are valuable but cannot simultaneously gauge effects of, and interactions between, performance factors. Other studies examine effects of subjective dissatisfaction rather than “actual/objective” performance; such analyses are worthwhile but open to suspicions of endogeneity. Finally, few have simultaneously analyzed welfare-related outcomes (such as inequality) and welfare state policies (such as benefit generosity). In contrast, drawing on the emerging literature on “policy feedback” (e.g. Soss and Schram 2007) I raise the possibility that welfare state ramifications for democratic dissatisfaction may reflect attention to policies themselves, rather than to policy outcomes.

I then proceed to three-level analyses Eurobarometer surveys across 25 years (Schmitt et al. 2005). These suggest generosity in unemployment benefits (but not pensions, sick pay, or income inequality) helps explain over-time within-country variation in “satisfaction with democracy,” while controlling for macroeconomic factors. This positive effect is relatively stable across individuals with different interests and values, but is conditioned by unemployment rates. Specifically, the results support a “visible costs hypothesis” predicting weaker generosity effects when more people are out of work.

Dissatisfied democrats and macroeconomic performance: a weak relationship?

This study belongs to a broader theoretical family emphasizing policy outputs and outcomes as explanations of general political support (shorthand: “government performance”) (see Easton 1975). Most empirical studies have examined *macroeconomic* factors while ignoring other types of performance. Still, far-ranging conclusions have been drawn, reflecting a general scepticism about the explanatory value of performance in established democracies. For example, Dalton (2004:126-7) studied macroeconomic performance and political trust over time in a large number of advanced industrial democracies and concluded that “The empirical analyses [...] demonstrate the limitations of the performance model [...] economic performance, whether measured in

objective or subjective terms, does not seem to be a significant contributor to the long-term decline in political support during the later twentieth century (see also Listhaug 1995).

A common explanation for the relative unimportance of (macroeconomic) performance factors highlights repeated experiences of electoral accountability. Such experiences teach citizens the value of punishing and rewarding incumbents at the polls, rather than blaming the political system more generally. Further, essentially positive experiences of accountability generates affectively based “diffuse support.” This type of support is by definition insensitive to short-term fluctuations in performance. In McAllister’s (1999:203) formulation “The political economy of confidence of democratic institutions is [...] strictly limited. This conclusion underlies the gradual transformation that has taken place in the established democracies, where the frequency of national elections has slowly generated a reservoir of popular support for democratic institutions, with citizens drawing a clear distinction between the institutions of the state on the one hand, and the party and leaders elected to conduct public policy on the other.”

Other political science subfields, however, increasingly see electoral accountability as fragile. Recent research on “economic voting,” for example, concludes that accountability is highly unstable and variant across time and space (for recent overviews, see Anderson 2007; Duch 2007; Lewis-Beck and Stegmaier 2007). Specifically, the economy has stronger effects on the vote under “clarity of responsibility” (Powell and Whitten 1993; Anderson 2000; Taylor 2000; Bengtsson 2002; Nadeau, Niemi, and Yoshinaka 2002) and strong “competency signals” (Duch and Stevenson 2008). Unfortunately, most institutional and contextual conditions conducive to these values—such as single-party majority government, long period of incumbency, clear government alternatives, centralized government etc.—are unusual not least in Europe. Conversely, Taylor (2000) found that that the economy has *weaker* effects on democratic dissatisfaction under the same rare conditions. Thus, citizens dissatisfied with government

performance appear to value accountability but get frustrated with the functioning of the democratic system when this value is obfuscated, i.e. when they cannot hold any specific actor to account.

Accountability may be particularly fragile in the welfare state domain. Several studies find that policymakers build blame-avoidance into the design of retrenchment policies themselves (e.g. Pierson 1994; Lindbom 2007). For example, retrenchment is more likely to occur in an incremental and hard-to-detect fashion, in areas where client organisations are weak, or where retrenchment can occur as the result of non-decisions (i.e. failing to adjust benefit ceilings and floors upwards with inflation) and opaque tinkering with eligibility criteria. Moreover, studies of voter behavior conclude that accountability in this domain is (even) weaker and more variable than in the macroeconomic realm. One study finds that dissatisfaction with salient and supported services such as education and health care had significant effects on government voting in only four of nine analyzed West European elections. These effects were systematically contingent on institutional clarity of responsibility, and usually weaker than the impact of macroeconomic perceptions (Kumlin 2007). Similarly, actual cuts in replacement rates are inconsequential for government survival in Western Europe unless cuts are very large and recent, or extensively covered in election campaigns (Armingeon and Giger 2008).

In sum, then, it seems unsafe to simply assume positive experiences of well-functioning accountability in the welfare state domain. The clinical distinction between specific incumbents and “politicians” and “politics” more generally seems at least potentially problematic. Therefore, experiences of poor welfare state performance may be generalised beyond incumbents even in established democracies. The next section reviews research on this particular topic.

Dissatisfied democrats, policy feedback, and the welfare state

Political behaviour research is often divided into three paradigms. There is the “sociological” tradition, focusing on group socialization and communication; there is the “psychological” tradition looking more to individual values and identifications; and there is the “economic” tradition concentrating on self-interest and rationality. In spite of obvious differences, all three highlight factors largely exogenous to political institutions and public policies. There has been less room for “policy feedback,” that is, the possibility that the groups, values, and interests etc. are in turn shaped by results of previous democratic processes. As Mettler and Soss (2003:1) argue in a programmatic article, “aside from some notable exceptions, political science has had little to say about the consequences of public policy for democratic citizenship” Quite such a harsh verdict may no longer be fair, however. Policy feedback ideas have recently been applied in empirical studies on political participation (e.g. Soss 1999; Mettler 2002; Campbell 2005; Soss and Schram 2007), welfare attitudes (e.g. Mau 2003; Jæger 2006; Larsen 2007; Svallfors 2010a), and social capital (e.g. Kumlin and Rothstein 2005)

But only a handful of studies have examined how welfare state-related performance and policies affect general confidence in democratic processes and institutions. Interestingly, the studies that exist assign greater weight to “performance” compared to the literature on macroeconomic variables. One line of inquiry is offered by case studies of specific countries and historical phases. These often conclude that dramatic increases in the proportion of “dissatisfied democrats” is preceded by a whole package of poor performance involving a recession, rising unemployment and budgetary imbalances, unpopular public sector cutbacks, and rising inequality and poverty rates. Newton (2006:860) examined the four most extreme cases of trust decline among established democracies—Finland, Sweden, New Zealand, and Japan. A careful analysis of sequences of events revealed that “It is striking that all four countries experienced real problems of economic and political performance [...] real world problems caused citizens to revise their

political opinions, and when these were (partially) solved in Finland, Sweden and New Zealand, the political mood became more positive and supportive” (c.f. Holmberg 1999).

Case studies are clearly valuable, but have difficulties disentangling effects of different kinds of performance. Are citizens reacting against macroeconomic problems per se, against welfare state retrenchment, or against the social outcomes of recessions and retrenchment, such as growing inequality and poverty? Do such factors interact with each other so as to increase or suppress each other’s impact? Moreover, case studies run the risk of emphasizing the peculiarities of a situation. Dalton (2004:46-7) notes that “the national literatures often link the trends to the unique historical experiences of the nation. In Britain, for example, the decline is linked to economic struggles of the nation; in Canada, it is linked to the fractious regional conflict; in Austria to the collapse of the Social-Liberal consensus.” Case studies, then, may reveal the impact of a dramatic country-specific crisis, but may not do justice to performance factors understood in a more systematic sense.

Other studies have gauged the individual-level impact of subjective evaluations of performance. Analyzing eight European countries, Huseby (2000) found that negative evaluations of performance in elder care, health care, job- and social security all negatively affect attitudes towards the functioning of democracy, but not support for democratic principles (see also Miller and Listhaug 1999; Roller 1999).¹ Similarly, examining fifteen countries Kumlin (2007a, 2009) report that dissatisfaction with health and education services hampers national political trust in all examined countries, and breeds euroscepticism in most of them. Public service dissatisfaction has stronger effects in these regards than dissatisfaction with the economy.

¹ Similar findings were reached by Miller and Listhaug using Norwegian and American data, and by Roller who found that former East Germans’ comparisons between the communist and postcommunist welfare state were unflattering for the latter, which in turn had negative consequences for political trust.

Studies of subjective evaluations add pieces to the puzzle but also leave questions open. Do performance evaluations really drive mistrust in a causal sense or are they merely projections of attitudes such as political mistrust? Are evaluations systematically driven by “actual/objective” trends or best understood as “constructions” inspired perhaps by political discourse and idiosyncratic interpretations with little basis in common patterns across time and countries.

Only a few studies have examined the impact of “actual/objective” performance variables. Huseby (2000) found that actual performance plays a role, but was forced to use social spending indicators, which have serious and well-known drawbacks (see Esping-Andersen 1990; for a recent discussion, see Scruggs 2008). Anderson and Singer (2008) reported that greater disposable income inequality affect trust negatively among countries from both western and central/eastern Europe, controlling for individual-level variables. They also controlled one type of macro performance (inequality) for another (macroeconomic conditions).² Interestingly, macroeconomic conditions came out entirely insignificant once inequality levels were accounted for.

The latter study raises two final issues to be taken on board. A methodological remark is that cross-country variation at a single point in time introduces institutional, political, cultural variation, much of which cannot be controlled for. There should be considerable leverage in analyzing also within-country variation, especially as such variation can be substantial for welfare state outputs and outcomes (Brandolini and Smeeding 2008). A second issue is that past studies

² There are just a few other studies that simultaneously consider performance in several domains. Among them are Huseby (2000) and Kornberg and Clarke (1992). This is unfortunate as performance across different policy domains is likely to correlate. Thus, considering their effects under control for each other is necessary to avoid spurious interpretations and to reach a fairer verdict on the “performance model.” For example, macroeconomic downturns are to some extent likely to be correlated with many other types of government performance negatively. Also, both welfare state generosity and income inequality are likely to be affected at least in severe recessions.

concentrate on policy outcomes rather than on politically controlled instruments meant to affect such outcomes. This is true for studies of macroeconomic performance such as unemployment and growth rates as well as for Anderson and Singer's study of inequality. The latter scholars, however, touched on the distinction in choosing to study "inequality in disposable incomes—that is, posttransfer incomes—rather than market incomes or wealth [...] because they are shaped by both the market and the state and thus should be closer to how voters evaluate democratic institutions than pretransfer levels of income would be" (2008:578). Still, one may object that disposable inequality blur market inequality and market-correcting policies. We are still left with the question of whether citizens "read off" welfare state performance by perceiving aggregated outcomes such as inequality (Anderson and Singer 2008), or mainly by observing more directly the politically controlled policies that affect such patterns?

An answer was proposed by Soss and Schram (2007) in their case study of America's AFDC/TANF reform. This reform introduced, among other things, stronger work incentives and stricter eligibility criteria for recipients. Imagined "policy feedback" effects on attitudes towards recipients and welfare were part of its political rationale. However, "Work requirements and time limits may be popular, but they did not generate more positive images of poor people, welfare recipients, or welfare itself." The proposed explanation for absent feedback is that while policies received massive media attention at their inception, subsequent policy effects on recipient behaviour (viewed by many experts as a success) did not. Lacking attention to outcomes, the public was rather affected by information and symbols surrounding policies themselves, rather than by societal policy outcomes. This argument, then, reinforces the need to simultaneously consider distant policy outcomes as well as actual policies.

What now? Contribution, data and measures

This paper sustains the emerging research program on welfare state performance, while aiming at progress in several regards. It adopts a large-N approach that models over-time within-country variation and allows simultaneous consideration of different types of performance variables. We avoid subjective evaluations and employ measures of actual/objective welfare variables. Among these variables one finds policies as well as outcomes.

Specifically, I combine contextual data on performance with microlevel Eurobarometer surveys.³ Data from the most often repeated survey items have been compiled in the “Mannheim Eurobarometer trend file” (see Schmitt et al. 2005). This data set is by far the most encompassing and suitable given our purposes, but it still only contains one indicator of democratic dissatisfaction: “On the whole, would you say that you are very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the way democracy is functioning in [COUNTRY].” Critics of this ubiquitous item point out that its precise meaning is unclear. Does it measure overall democratic performance, trust in specific institutions, trust in politicians, support for democratic principles, or some mixture of these (Canache, Mondak, and Seligson 2001; Linde and Ekman 2003)? Its defenders agree but maintain its usefulness as an overall measure of subjective political support (Klingemann 1999; Anderson 2002; Blais and Gélinau 2007). Given the interest here in broader generalizations to attitudes that transcend specific incumbents, my position is that finer distinctions would be desirable but are not absolutely crucial as long as the measure captures much of the broad category of general dissatisfaction with the functioning of politics and democracy.

³ Eurobarometer surveys are biannual opinion polls conducted on behalf of the European Commission in all member states. The Mannheim Trend File was provided by The Central Archive for Empirical Social Research (ZA) in Cologne

The macro data were taken from the Quality of Government Institute's Social Policy Data Set (Samanni et al. 2008). In turn, this data set draws annual unemployment levels from OECD data as taken from the "Comparative Political Data Set 1960-2006" (Armingeon et al. 2008), and GDP growth levels from Eurostat (<http://ec.europa.eu/eurostat>) and "Penn World Table" (Heston, Summers, and Aten 2002). GINI coefficients measuring disposable income inequality come from the Luxembourg Income Study (www.lisproject.org; for an analysis, see Brandolini and Smeeding 2008).

Welfare state policies, finally, are represented by three variables from Lyle Scruggs' "Comparative Welfare Entitlements Dataset" (see Scruggs 2008). These variables represent the perhaps most ambitious attempt to track welfare state development across time and countries. They are available on an annual basis for 11 Eurobarometer countries (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the UK). Immediately inspired by Esping-Andersen's (1990) decommodification index, the three indices register a number of generosity aspects of unemployment benefits, sick pay, and pensions. These aspects include replacement rates for different household types, qualifying period length, benefit duration, waiting days, coverage ratios, and (for pensions) minimum and standard replacement rates, as well as proportion of retirees receiving benefits. The resulting indices, displayed in Figure 1, take all such features into account (see Scruggs 2008 for details). The annual nature of these data allows us to take advantage of the over-time component of the Eurobarometer surveys in ways that are explained next.

Findings: The importance of unemployment benefit generosity

Table 1 displays estimates of multilevel models with three hierarchically nested levels: *individuals* nested in *years* nested in *countries*. The dependent variable is satisfaction with democracy, ranging from 1 to 4, with higher values indicating greater satisfaction. Model 1 is an "empty" variance

components model that lacks independent variables. Instead, it only estimates a universal intercept together with one random error term for each of the three levels (i=individuals, j=years, k=countries).⁴

$$\text{Model 1: } \text{Satdem}_{ijk} = \alpha + e_{ijk} + u_{jk} + v_k$$

Model 1 is interesting as the variation of the error terms hint at the hierarchical causal origins of satisfaction with democracy. Of course, a precondition for pursuing contextual effects is variation at the particular level in question. Characteristically for survey data, much of the overall variation can be attributed to individual-level factors (SD=.779). Still, there is significant variation across countries (.218) as well as across years within countries (.156). This three-level nature of satisfaction with democracy means applying a “flat” single-level OLS model here give seriously biased coefficients and standard errors (Hox 2002; Steenbergen and Jones 2002).

[TABLE 1]

Model 2 introduces independent variables, including individual-level control variables, macroeconomic performance aspects such as unemployment rate and growth, income inequality, as well as the welfare benefit generosity indices.⁵

$$\begin{aligned} \text{Model 2: } \text{Satdem}_{ijk} = & \alpha + \text{Individual level controls}_{ijk} \\ & + \beta \text{Unemployment}_{jk} + \beta \text{GDPgrowth}_{jk} + \beta \text{GINI}_{jk} + \beta \text{Year}_{jk} \\ & + \beta \text{Pension generosity}_{jk} + \beta \text{Sick leave generosity}_{jk} \\ & + \beta \text{Unemployment benefit generosity}_{jk} \\ & + e_{ijk} + u_{jk} + v_k \end{aligned}$$

⁴ Multilevel models were estimated using STATA’s xtmixed command using the unstructured variance-covariance option.

⁵ As the units at level 2 are time points I also include a linear time variable at this level.

A key observation is that unemployment benefit generosity, but not pensions and sick leave, has a significant positive effect on democratic satisfaction, even controlling for individual-level variables and macroeconomic performance. As for latter factors, Model 2 suggests both unemployment and GDP growth have significant effects in the expected directions.

Model 3 adds LIS data on disposable income inequality. This specification plays several roles. First, it tests if Anderson and Singer's (2008) cross-sectional relationship between income inequality and democratic satisfaction can be found also in over-time within-country variation. Second, we want to compare the impact of generosity policies with those of a central distributional outcome. Now, the prize to be paid for Model 3 is a reduction in the number of cases as the inequality data are not available for nearly as many time points as the others (beginning in the early 1980s in several countries).⁶ To at least avoid losing countries model 3 drops the most unusual individual-level controls.⁷

The results show that unemployment benefit generosity retains its effect also under control for income inequality.⁸ Pensions and sick leave continue to be insignificant. Moreover, we see no significant effect of inequality variation. Thus, the negative effects reported by Anderson and Singer (2008) are not present here. Finally, their results suggested macroeconomic performance is

⁶ Another point concerning the number of cases concerns the fact that models 2 and 4 only 11 countries at the highest level. Admittedly, this is a bit on the low side but should work as long as we are not interested in estimating effects of variables at this level. However, to be on the safe side I have also estimated all models as two-level models (individuals in country-years) controlling for country dummies. This operation yielded the same main observations and conclusions.

⁷ Analyses including them (based on 9 countries; not shown here) indicate that results and interpretations remain largely the same. The exception is that the impact of unemployment levels remains substantively strong it drops below statistical significance.

⁸ I have also estimated models including GDP/capita but dropped this variable as it had no impact whatsoever controlling for the variables that are included in Table 1.

wholly inconsequential under control for inequality. I find this to be the case for growth but not for unemployment which, if anything, takes on a slightly larger effect in Model 3. Thus, a higher unemployment rate negatively affects democratic satisfaction even controlling for whether the individual is unemployed or not.

Individual-level variation in contextual effects of generosity and inequality?

An objection to table 1 is that overall contextual effects could mask variation among individuals. In fact, a couple of studies do suggest that these could be contingent on *political values* as well as *economic interests*. As for values, Anderson and Singer (2008) uncovered a cross-level interaction between macro-level inequality and individual-level ideology, with political trust being more affected by inequality among leftist citizens; still, there was a significant negative effect also among non-leftists. General left-right position is relevant, not just for inequality, but for the evaluation of welfare generosity. Thus, below I follow Anderson and Singer's example and let this variable interact also with the impact of generosity on democratic satisfaction.

As for interests, Oskarson (2007) found that a simultaneous combination of high individual "social risks" and welfare state retrenchment is especially conducive to "political alienation." Now, the Eurobarometer trend file does not allow tapping risks and interests with great precision. What we can do, however, is analyzing interactions with broader demographic variables such as income (in the case of inequality), unemployment (for unemployment generosity), and age (for pensions).

It is possible to formulate different expectations on such interactions. On the one hand large majorities in most of these countries have supported at least basic state responsibility for welfare policies throughout the studied period (Edlund 2009). This would imply that most groups react (more or less) positively to greater benefit generosity. On other hand, issues of welfare benefits

and income distributions also pit interests and ideologies against each other. After all, some groups benefit more than others, and some support welfare policies more than others. Taken to its extreme, this could even imply that, say, unemployment generosity effects have different signs depending on interests or values; i.e. that more generosity simultaneously makes, say beneficiaries or leftists more satisfied with democracy, and taxpaying non-beneficiaries, perhaps with a rightist value orientation, less so.

But I find rather few traces of such empirical drama. Effects are only inconsistently and very mildly structured by values and interests. This conclusion was reached by adding, one at the time, multiplicative cross-level interactions to Models 2 and 3 (not shown in tables, reported in text). The general form of the equations, which include level 2 variation in slopes of the level 1 interaction variable, can be expressed like this:

Cross-level interaction models: $Satdem_{ijk} = \alpha$

- + Individual level controls S_{ijk}
- + β Unemployment $_{jk}$ + β GDPgrowth $_{jk}$ + β GINI $_{jk}$ + β Year $_{jk}$
- + β Pension generosity $_{jk}$ + β Sick leave generosity $_{jk}$
- + β Unemployment benefit generosity $_{jk}$
- + β Individual-level variable c_{ijk} X Contextual variable $_{jk}$
- + c_{ijk} + u_{jk} + v_k + u_j ; β Individual-level variable

First, adding a cross-level interaction between leftist ideology and inequality to model 3 yields no significant coefficient for this multiplicative term (p-value for $b_{inequality \times unemployed} = .98$). Neither is the impact dependant on the income of respondents (p-value for $b_{inequality \times income} = .34$). By the same token, the positive impact of unemployment generosity is stable across broad interest and value groups. For example, an interaction with leftist ideology to model 2 yields nothing significant (p-

value for $b_{\text{unemployment generosity} \times \text{left}} = .42$).⁹ The same is true for being unemployed (p -value for $b_{\text{unemployment generosity} \times \text{unemployed}} = .44$) and for income (p -value for $b_{\text{unemployment generosity} \times \text{income}} = .14$).¹⁰

Moving to pensions, there is indeed a weak tendency for generosity to yield democratic satisfaction among leftists ($b_{\text{pension generosity} \times \text{left}} = .022$; $p = .000$). Thus, in this case the insignificant overall impact in Table 1 masks a positive effect among an important political subgroup. But even among leftists the pension effect is only about half the stronger and more universal impact of unemployment generosity. Furthermore, there is not a more positive pension effect among the old.¹¹ Moving finally to sick pay, the data set does not contain proxies for health risks and individual sick leave. What we can do, therefore, is to investigate if sick pay generosity is more consequential among leftists. The results suggest this is not the case (p -value for $b_{\text{sick pay generosity} \times \text{left}} = .30$).

Unemployment rates and the benefit generosity effect: visible interests or visible costs?

Thus far we can conclude that especially unemployment generosity is a welfare state feature that has systematically affected democracy satisfaction across time and space in Western Europe. Moreover, the impact is rather similar across broad ideological and socioeconomic groups. With so much time and space, however, it is still not necessarily the case that we have a contextually “monolithic” causal factor at hand. Therefore, this section tests two hypotheses about a possible contextual source of variation in the effect.

⁹ Consistent with Anderson’s and Singer’s (2008) coding I use a dummy that takes on the value 1 if the respondent chose placed herself on one of the three first points

¹⁰ Here, there is in fact a very mild and non-significant tendency for higher-income groups to react somewhat more positively than others to greater benefit generosity ($b_{\text{unemployment generosity} \times \text{income}} = .003$; $p = .13$).

¹¹ In fact, there is an unexpected but very mild tendency for pensions to matter less among the old ($b_{\text{generosity} \times \text{age}} = -.0004$; $p = .000$).

Expressed generally, we are interested in how the prevalence of an underlying social problem/risk interacts with generosity in policies insuring citizens against it. Specifically, we pit two hypotheses concerning unemployment generosity against each other. The first one draws on the reoccurring finding that unemployment and crisis drives up support for unemployment protection. This has typically been explained by a mix of increasing salience of unemployment as a personal and societal problem, as well as increasing sympathy for the seeming victims of circumstance (Blekesaune and Quadagno 2003). All this would lead one to expect a positive interaction, with benefit generosity assuming a stronger positive effect on democratic satisfaction at higher unemployment rates. This prediction may be called the “visible interests hypothesis.” Expressed generally, as a socioeconomic risk becomes more common and visible, the benefits of social protection against it become more salient and visible, and appear more just.

But one may also imagine mechanisms working in the opposite direction. They can be summed up in a “visible costs hypothesis”. The key here is that high unemployment may not only drive up welfare support and visibility, but also public expenditure and debt. This may in turn make different groups of citizens simultaneously perceive cause for dissatisfaction. Rightists and non-beneficiaries will complain about the state budget being in the red and fear realized or potential tax increases. Leftists and beneficiaries, on their part, will worry about potential cutbacks in terms of replacement rates or benefit eligibility. All can be united, however, in accusing politicians for creating a welfare system that currently seems unaffordable and less viable than under lower unemployment rates. Put differently, higher unemployment may prime citizens’ attention to costs and problems associated with benefit generosity. Therefore, the normally positive effect of generosity may become weaker as unemployment rises.

Table 2 introduces a multiplicative interaction term between the unemployment rate and benefit generosity. The key observation is the significantly negative coefficient for this term (-.005; $p=.001$). This is in line with the “visible costs hypothesis” rather than the “visible interests” hypothesis. Now, this does not exclude the possibility that also “visible interests” mechanisms are at work. However, the negative interaction does suggest that the former process is on balance more powerful.

[Table 2 and Figure 2]

To facilitate interpretation, the joint influence of unemployment and benefit generosity is plotted in figure 2 with other variables at their means. First note the generally negative effect of unemployment. At mean levels of generosity, another 10 percent of unemployment is predicted to reduce satisfaction by about .20 along the four-point scale. Judging from the tables, furthermore, this roughly equals the impact of becoming unemployed oneself.

Moving to the interaction, benefit generosity has a clearly positive effect at five percent unemployment. At this level, moving from the lowest recorded generosity of around 2 (Italy during the 70s and early 80s) to the highest values of around 13 (Scandinavia during early 90s) is predicted to enhance democratic satisfaction by around one standard deviation (.80). As unemployment increases to crisis proportions of 15 percent, however, the effect is predicted to have shrunk by around two-thirds. At the apocalyptic unemployment rate of 25 percent, the effect of greater welfare generosity is even predicted to be slightly negative. Admittedly, this extrapolation is a bit of a stretch as Europe has mercifully experienced few such situations. But it is good for heuristic purposes as it illustrates the main point: the legitimacy-building role of welfare policies is found mainly when the problems policies alleviate stay within normal and affordable limits.

Conclusions: Dissatisfied Democrats and the Nature of Welfare State Feedback

This paper has linked research on the welfare state in general, and “policy feedback” in particular, with research on political support. On the one hand, the findings confirm suspicions that welfare state variables can affect democratic dissatisfaction. On the other hand, the findings offer progress in several respects. By example, it is apparently not only possible to explain historically large confidence crises with reference to a time specific mix of poor performance (i.e. Newton 2006). One can apparently also explain general within-country over-time variation in democratic dissatisfaction using systematic measures of benefit generosity. This finding, moreover, supports the causal relevance of subjective evaluations of “personal social protection,” and the like (i.e. Huseby 2000). Perceived malperformance does not seem to be entirely endogenous to democratic dissatisfaction, or only rooted in social constructions and idiosyncratic urban legends. At the same time, the results go some way towards specifying the aspects of actual social protection that are universally (un)important across time and space.¹² In particular, less generous unemployment benefits appears to be a universal generator democratic dissatisfaction across broad groups in Western Europe.

All this is to say that studies on macroeconomic factors may have been too quick in dismissing performance-type factors more broadly conceived (i.e McAllister 1999; Dalton 2004). The results suggest there is no simple master variable, or policy domain, that subsumes all relevant performance. Rather, what we need seems to be simultaneous consideration of several policy domains (i.e macroeconomics and the welfare state). Part of this is the simple observation that different policy domains may have direct main effects. A finer case in point concerns the interactive interplay between social protection and the prevalence of underlying risks and costs.

¹² This observation, it should be noted, is a contrast to most the serious worries about subjective performance evaluations that are sometimes voiced (van der Brug, van der Eijk, and Franklin 2007).

On the one hand, Figure 2 implies that one of the better vaccines against democratic dissatisfaction is a combination of generous unemployment benefits and low unemployment. However, generous benefits can lose their beneficial impact, or even contribute to a toxic mixture, if coupled with extreme unemployment and associated costs (“visible costs hypothesis”). Put differently, the long-term rise in unemployment in Western Europe has not only likely assisted in the birth of dissatisfied democrats directly, but also indirectly by disarming the previously legitimizing force of unemployment benefits.

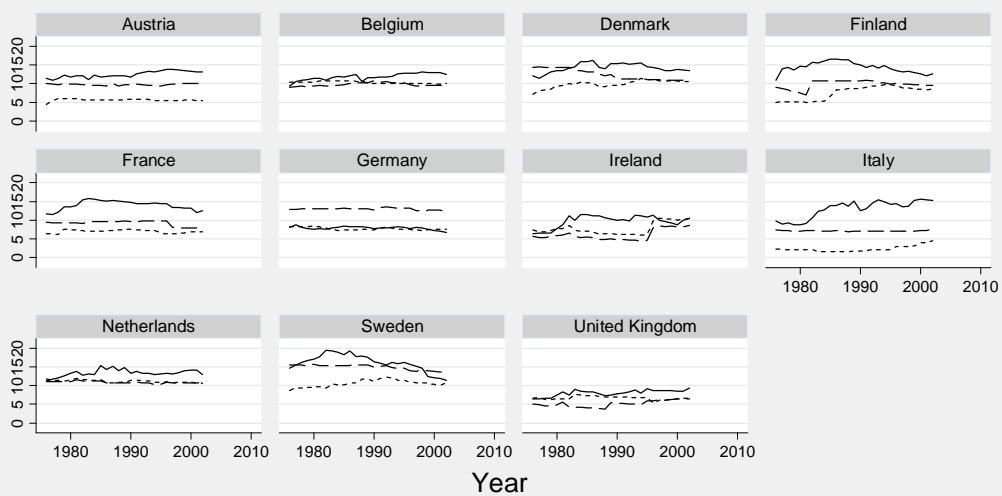
Findings such as these encourage more bridges between the vast welfare state and political trust literatures. Future studies may want to look at policy areas such as health care, elder care, and public education. Indeed, Huseby (2000) found that subjective evaluations of care for the elderly mattered more for political trust compared to several other subjective evaluations. Likewise, Kumlin (2007) found that subjective evaluations of health care and education mattered more than economic evaluations.

Finally, I was not able to echo Anderson and Singer’s (2008) finding that disposable income inequality gives birth to dissatisfied democrats. The generality of their finding is thus an open question for future research. To be fair, the deviations could be partly due to the fact that these data cover Western Europe over a timespan of several decades, whereas Anderson and Singer’s cross-sectional results included only recent years and some central and eastern European countries. Perhaps inequality did play a genuinely causal role in those countries at that time?

But there is also methodological and substantive room for doubt. Beginning with methods, Anderson and Singer used cross-national variation across both old and new democracies. While this is a perfectly legitimate strategy it is always hard to ensure that relevant spurious macro factors are controlled in a small but highly variable country sample. On a more substantive note,

several studies cast doubt on the idea that “policy feedback” in the welfare state domain is driven by citizens perceiving and drawing political conclusions from aggregated social policy outcomes (Soss and Schram 2007) such as overall inequality levels (see Kumlin and Svallfors 2007). While citizens are by no means totally in the dark about things like wage differences (see Aalberg 2003), the results reported here suggest they are better still at monitoring broad features of redistributive policies themselves (such as unemployment benefit generosity). This brand of policy feedback, then, may be an influential basis for citizens’ reasoning about how “fair,” “unequal” or “satisfactory” their welfare state has become.

Figure 1. Welfare state benefit generosity



Note: Data from the Welfare State Entitlements Dataset (see Scruggs 2008)

Table 1. Multilevel models of satisfaction with democracy (three levels; ML estimation)

	<i>Model 1:</i>	<i>Model 2:</i>	<i>Model 3:</i>
FIXED PART			
<i>Individual level variables:</i>			
Age _{ijk}	.0002**		-.0006***
Woman _{ijk}	-.02***		-.02***
Leftist ideology _{ijk}	-.23***		-.16***
Income _{ijk} (country-year z-scores)	.05***		.05***
Unemployed _{ijk}	-.19***		-.24***
Political persuasion _{ijk} (1– 4)	-.02***		
Political discussion _{ijk} (1 – 3)	.07***		
Low education _{ijk}	-.05***		
Divorced/separated _{ijk}	-.10***		
Urban resident _{ijk}	-.04***		
<i>Year level variables:</i>			
Year _{jk} (0=1980)	.008**		.007**
Unemployment rate _{jk}	-.015***		-.019**
GDP growth _{jk}	.01**		-.004
Pension generosity _{jk}	.002		-.003
Sick leave generosity _{jk}	-.01		-.01
Unemployment benefit generosity _{jk}	.044***		.053***
GINI _{jk} (0-1)			-.69
RANDOM PART			
Individual level: Standard deviation of e _{ijk}	.783***	.771***	.768***
Country-year level: Standard deviation of u _{ijk}	.131***	.105***	.135***
Country level: Standard deviation of v _k	.234***	.151***	.120***
No. of countries	11	11	11
No. of country-years	159	159	40
No. of respondents	226,236	226,236	69,442
Overall time frame	1976-2001	1976-2001	1979-2000

*p<.10 ** p<.05 *** p<.01

Notes: Unweighted data from The Mannheim Eurobarometer Trend File. The models also contain intercepts, as well as residual correlation between error terms at level 2, the estimates of which are not displayed here.

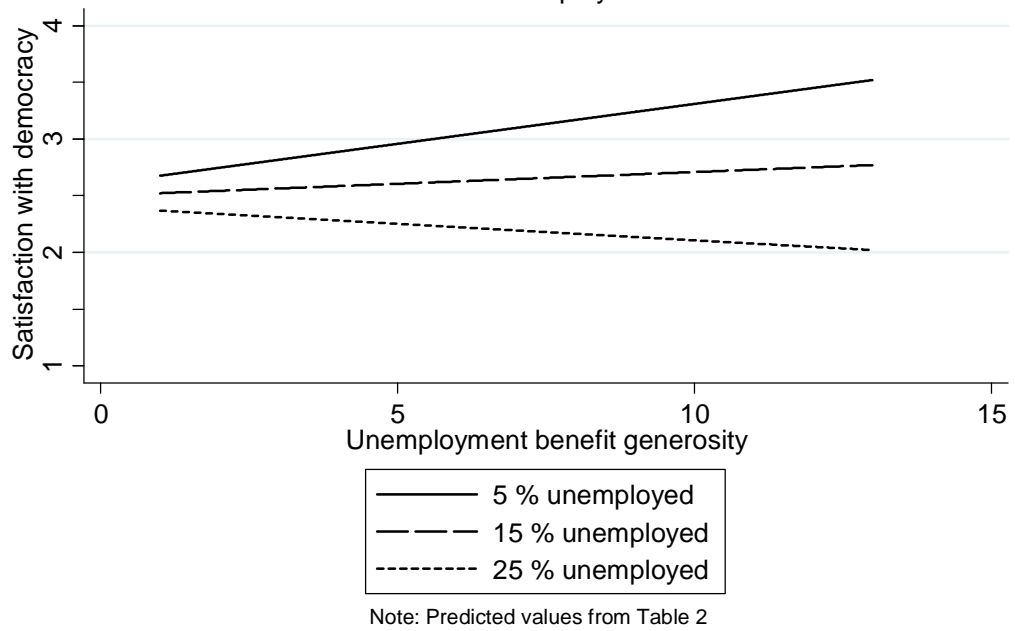
Table 2. Multilevel models of satisfaction with democracy (three levels; ML estimation)

FIXED PART	
<i>Individual level variables:</i>	
Age _{ijk}	.0002**
Woman _{ijk}	-.02***
Leftist ideology _{ijk}	-.23***
Income _{ijk} (country-year z-scores)	.05***
Unemployed _{ijk}	-.23***
Political persuasion _{ijk} (1– 4)	-.02***
Political discussion _{ijk} (1 – 3)	.07***
Low education _{ijk}	-.05***
Divorced/separated _{ijk}	-.10***
Urban resident _{ijk}	-.04***
<i>Year level variables:</i>	
Year _{jk} (0=1980)	.008**
Unemployment rate _{jk}	-.010**
GDP growth _{jk}	.01**
Pension generosity _{jk}	-.008
Sick leave generosity _{jk}	-.006
Unemployment benefit generosity _{jk}	.053***
Unemployment benefit generosity _{jk} X Unemployment rate _{jk}	-.005***
RANDOM PART	
Individual level: Standard deviation of e _{ijk}	.771***
Country-year level: Standard deviation of u _{jk}	.101***
Country level: Standard deviation of v _k	.157***
No. of countries	11
No. of country-years	159
No. of respondents	226,236
Overall time frame	1976-2001

*p<.10 ** p<.05 *** p<.01

Notes: Unweighted data from The Mannheim Eurobarometer Trend File. The models also contain intercepts the estimates of which are not displayed here. Unemployment rate and unemployment benefit generosity are centered over their means.

Figure 2. Satisfaction with democracy and unemployment benefit generosity at different unemployment rates



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