

Economic and Political Instability and Dissatisfaction with Government

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Turbulent times. Economic change and political instability in Western Democracies

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Introduction

- Spence and Brady (2012) suggested that the inability of government and economic institutions to solve problems generated by globalization results in a decrease in trust in said institution.
- Here we begin an exploration of this claim by examining the relationships between economic variables, satisfaction with democracy, and trust in government.

Data

- Six Western European countries included in the empirical analyses:
 - Better economies: Germany, UK, and Netherlands;
 - Worst economies: Italy, France, and Spain.
- Data on trust in government and satisfaction with democracy come from the Eurobarometer survey series from 1997 to 2015.
- GDP and unemployment data come from the OECD databank.
- Policy instability is taken from the Baker, Bloom, and Davies index.
- Data on electoral volatility is taken from Emanuele (2015).

Satisfaction with Democracy by Economic Variables

| | All six countries | Better economies | Worst economies |
|-----------------------|----------------------|----------------------|----------------------|
| Satisfaction | | | |
| Policy uncertainty | -0.000827 (0.920) | 0.00142 (0.898) | -0.00667 (0.573) |
| Unemployment rate | -2.789*** (0.000) | -2.260*** (0.000) | -2.899*** (0.000) |
| GDP growth | -0.893 (0.458) | -1.666 (0.357) | -1.145 (0.471) |
| Consant | 84.13*** (0.000) | 82.14*** (0.000) | 84.80*** (0.000) |
| lns1_1_1 | | | |
| Constant | 2.413*** (0.000) | 1.224** (0.008) | 2.752*** (0.000) |
| Insig_e | | | |
| Consant | 1.635*** (0.000) | 1.590*** (0.000) | 1.652*** (0.000) |
| <i>N</i> | 148 | 73 | 75 |
| <i>R</i> ² | 0.891 | 0.585 | 0.885 |

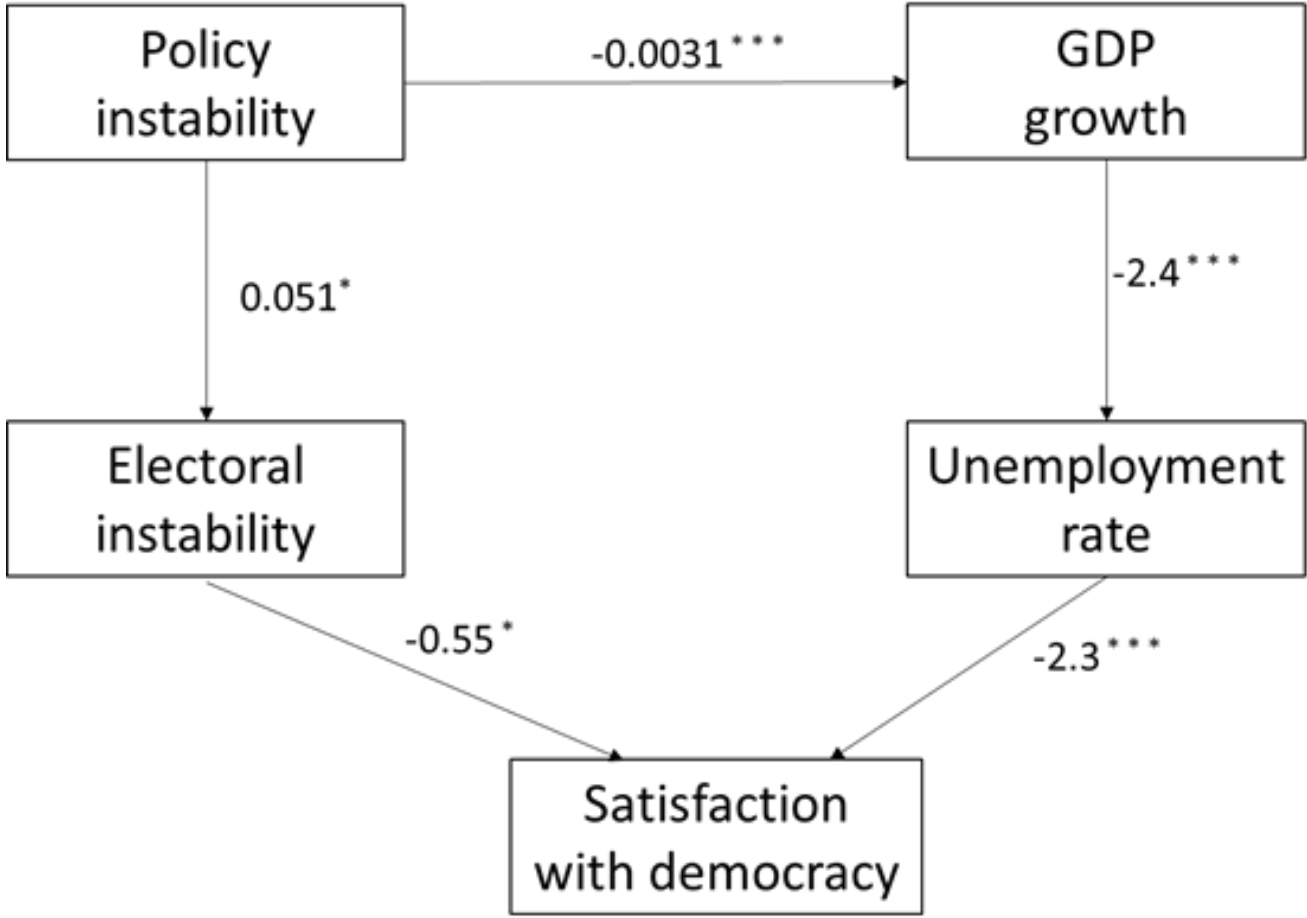
Trust in government by Economic Variables

| | All six countries | Better economies | Worst economies |
|-----------------------|----------------------|----------------------|----------------------|
| Trust | | | |
| Policy uncertainty | -0.0170 (0.099) | -0.0225 (0.126) | -0.0128 (0.374) |
| Unemployment rate | -2.478*** (0.000) | -2.327*** (0.000) | -2.503*** (0.000) |
| GDP growth | -0.180 (0.846) | -0.722 (0.549) | 0.335 (0.816) |
| Consant | 59.32*** (0.000) | 58.23*** (0.000) | 59.95*** (0.000) |
| lns1_1_1 Constant | 2.196*** (0.000) | 1.892*** (0.000) | 2.373*** (0.000) |
| Insig_e Consant | 1.985*** (0.000) | 1.969*** (0.000) | 1.998*** (0.000) |
| <i>N</i> | 194 | 94 | 100 |
| <i>R</i> ² | 0.690 | 0.578 | 0.685 |

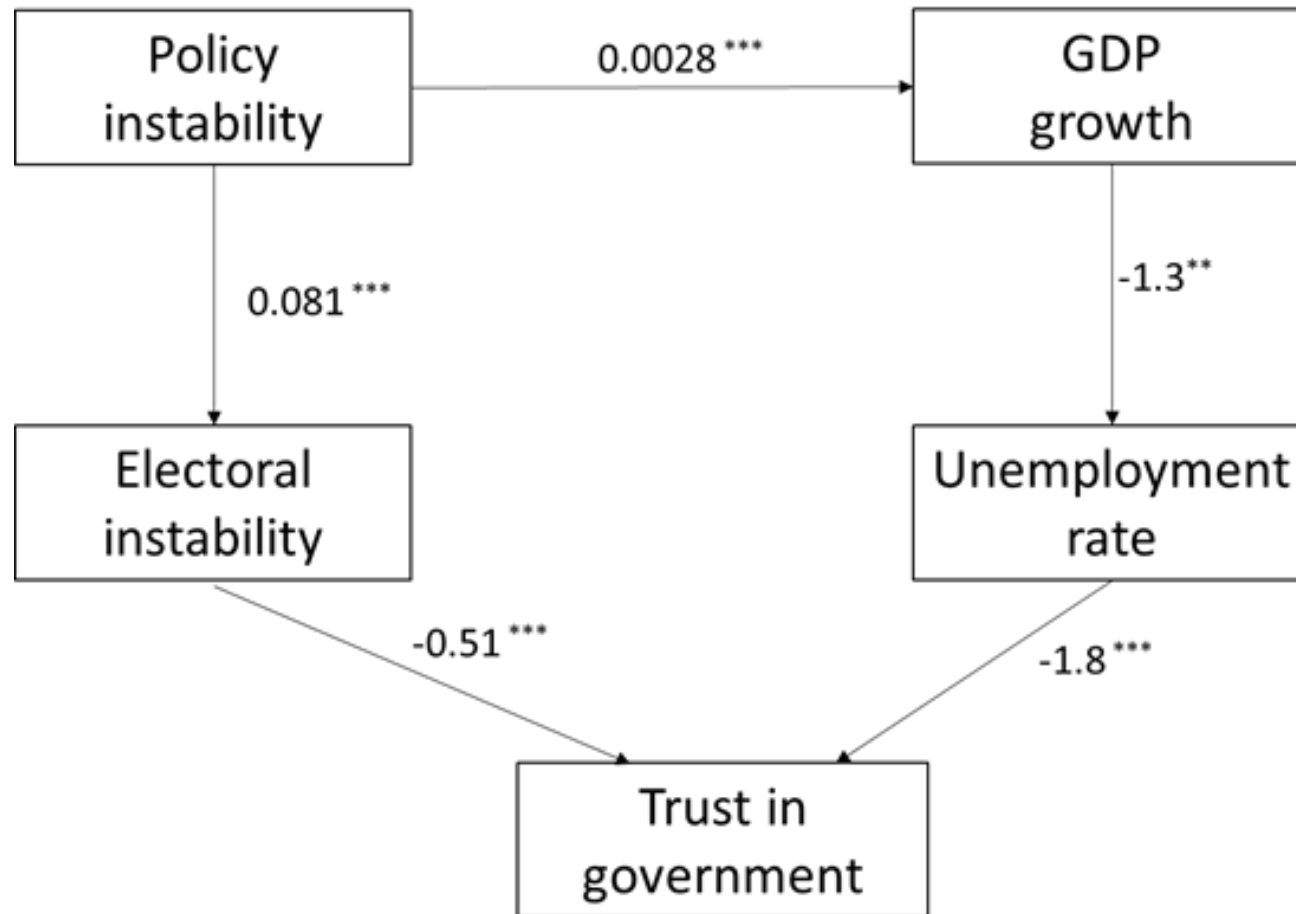
Structural equation models for satisfaction and trust in all six countries

| | Satisfaction | | Trust | |
|------------------------------|--------------|---------|-------------|---------|
| Electoral Instability | | | | |
| Policy Instability | 0.0514* | (0.013) | 0.0810*** | (0.000) |
| Constant | 9.474*** | (0.001) | 6.235* | (0.020) |
| GDP growth | | | | |
| Policy Instability | -0.00314*** | (0.000) | -0.00279*** | (0.000) |
| Constant | 0.772*** | (0.000) | 0.600*** | (0.000) |
| Unemployment | | | | |
| GDP | -2.398*** | (0.000) | -1.269** | (0.005) |
| Constant | 9.772*** | (0.000) | 8.746*** | (0.000) |
| Satisfaction / Trust | | | | |
| Electoral Instability | -0.546* | (0.017) | -0.515*** | (0.000) |
| Unemployment rate | -2.349*** | (0.000) | -1.810*** | (0.000) |
| Constant | 91.30*** | (0.000) | 61.57*** | (0.000) |
| mean(Policy Instability) | | | | |
| Constant | 117.1*** | (0.000) | 118.2*** | (0.000) |
| var(e.Electoral Instability) | | | | |
| Constant | 58.09*** | (0.000) | 55.39*** | (0.000) |
| var(e.GDP) | | | | |
| _cons | 0.203*** | (0.000) | 0.376*** | (0.000) |
| var(e.Unemployment) | | | | |
| _cons | 20.15*** | (0.000) | 18.96*** | (0.000) |
| var(e.Satisfaction) | | | | |
| _cons | 169.8*** | (0.000) | 125.1*** | (0.000) |
| var(Policy Instability) | | | | |
| _cons | 3607.9*** | (0.000) | 3220.4*** | (0.000) |
| <i>N</i> | 189 | | 238 | |

Satisfaction with democracy model



Trust in government model



Summarizing

- Unemployment has the most direct effect on satisfaction and trust.
- Electoral instability shows the expected effects as well.
- GDP has an effect through its causing unemployment.
- Policy instability proves to be related to dissatisfaction, as it has significant effects on both electoral instability and GDP.

Concluding remarks

- In regard to satisfaction with democracy and trust in government, these results show that there is an increase in dissatisfaction and a decrease in trust in government.
- These results strongly suggests we should investigate other institutions, such as banks, media, business.
- The trust in institutions is important because it is these institutions and the elites who run them who are charged with solving the problems generated by globalization. Ironically trust is lower at precisely the point where it is most needed.