

Macroeconomic Performance and Preferences for Democracy

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This policy brief summarizes the results of our research on factors influencing preferences for democracy in transition countries. The aim of this work was to detect which macroeconomic and individual factors impact the choice of supporting democracy. The results showed that the performance of the country, described by level of GDP, unemployment, level of corruption and economic growth, has a serious impact on an individual's perception of democracy. At the same time, individual factors like education and age also influence people's choice of support of democratic authorities.

Individual perception of democracy is a question that attracts attention of policymakers. The macroeconomic instability that has been observed worldwide lately is likely to impact individual attitude to democratic values and political institutions. The recent economic crisis brought a deterioration of the economic situation around the world and provided new challenges to cope with. It is likely that macroeconomic indicators have an impact on how a person perceives democracy. Literature studying similar questions has showed that GDP growth, unemployment and inflation all affect personal attitude to democratic institutions (Clarke et. al., 1994; Barro, 1999; Papaioannou and Siourounis, 2008). As for individual characteristics, level of education is revealed by the literature as a very important factor in the context of the individual's propensity of democracy approval.

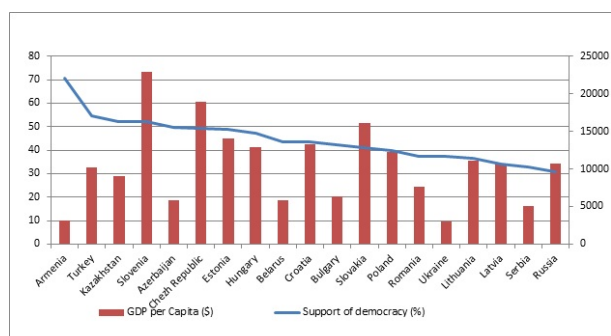
The literature on the determinants of political support and attitudes to democracy was mostly focusing on exploring stable world economies with long-formed and steady-functioning

democracies. We tried to look at a similar question in the context of transition economies, where democratic institutions are still under development.

We intend to estimate individuals' propensity to favor democratic values. The specification of our econometric model was based on the literature addressing the same topic. The estimation procedure used probit econometric techniques, which allows for calculation of the propensities of interest, while taking into account the influence of both macroeconomic factors and individual characteristics. The paper used two sources of data: macroeconomic information was collected from the World Development Indicators of the World Bank, and individual level cross-sectional data was obtained from Life in Transition Survey (LITS) 2010, which initially covered 38864 individuals from 35 countries. However, as the paper focuses on countries in transition, the final set only included individuals from 30 countries, most from Eastern Europe, Baltics and CIS, and excluded representatives of Western Europe. This data

allowed for substantial data variation in the context of economic development vs. perception of democratic values (Graph 1).

Figure 1. Support of Democracy and GDP Per Capita



Source: WDI and LITS 2010

Inclusion of different macroeconomic variables together with individual factors allowed for an evaluation of their importance and level of impact on the perception of democratic values (Table 1). The results show that GDP per capita has a positive and significant effect on individuals' perception of democratic values, which is in line with the literature claiming that standard of living in countries with not so high level of GDP is positively correlated with satisfaction with their life and the political system (Easterlin, 1995; Clark et al., 2008; Stevenson and Wolfers, 2008). Inflation rates are not significant and do not influence individuals' attitude to democracy. On the other hand, economic growth is strictly positive and significant, and an increase of the economic growth rate raises propensity of democratic support by around 1.6 percentage points. The possible explanation here is that the growth rate of GDP works as a proxy of expectations for improvements of the standard of living in the future.

Unemployment works as an indicator of a country's economic performance and has an expected negative sign in terms of individuals' satisfaction with life and political institutions, which is also in line with the results in the literature (Di Tella et al., 2001; Wagner and Schneider, 2006). Impact of unemployment

was tested using a cross product of unemployment and the Freedom House Index (this latter indicator shows the level of political and civil rights from 1 (most free) to 7 (least free)). The sign on this cross product is positive, which captures their mutual positive impact on the support for democracy. Thus, the higher the unemployment in a country with a low level of democratization is, the larger the probability of democratic support by individuals in these countries is. The indicator for the level of corruption in a country was also taken into account, via the Corruption Perception Index. This index ranks countries on a scale from 0 (highly corrupt) to 10 (effectively, corruption-free). The results show that the less corrupt a country is, the higher the propensity that an individual in that country will support democracy is. In fact, one additional point in the index increases the propensity of support by almost 4 percentage points. Military expenditures negatively affect the support of democratic values, and so does the existence of oil in the country. Here, military expenditures may be seen as a proxy for a less democratic regime, so that the leaders there have higher incentives to rule using suppressive measures with a support of military force in the country (Mulligan, Gil and Sala-i-Martin, 2004).

As for the individual factors, both secondary and higher education appear to be very important factors with a positive impact on the satisfaction with democracy. This finding follows the literature (Barro, 1999; Przeworski et al., 2000; Glaeser et al., 2004). In our results, people with secondary or higher education degree showed 10 and 18 percentage points higher propensity of support, respectively. Age also seem to matter: positive perception of democracy is specific to those aged 18-54, compared to the older generation, which goes in line with the explanation that senior citizens are more conservative than younger citizens. We also observe a negative significant coefficient on female gender, which

may, perhaps, be related to women being more conservative than men.

Subjective relative income measure (answer to the question "to which income quintile do you think you belong to?") has a positive impact on the support for democracy. Surprisingly, individuals from middle-income group have a more positive attitude than those who regard themselves as rich. Employment status is positively correlated with the support for democracy. Moreover, self-employment and employment in the public sector have a larger effect on the propensity of positive attitude to democratic values than employment in the private sector.

Divorced and widowed people expressed less support for democracy than single individuals, which might signal some dissatisfaction that impacts on personal attitude. Urban residency is positively correlated with the support of democracy. The same relationship is present for the risk tolerance of an individual. Finally, inclusion of a subjective measure of life satisfaction brought some changes to the general picture. It appeared that those who are satisfied with life strongly support the democratic values and such mentality raises the propensity of support by 7 percentage points. Moreover, inclusion of this variable makes the effect of being rich insignificant.

To sum up, the results showed that economic performance of the country described by various macroeconomic indicators has a serious impact on individual's perception of democracy and, most probably, of other forms of government. At the same time individual factors also influence people's satisfaction with the authorities. Thus, individual support of a political system is based on the results of performance of both the individual and the country.

Table 1. Influence of Macroeconomic and Individual Factors on Perception of Democracy

Support for democracy	1	2
Macroeconomic Factors		
GDP per capita	0.00001***	8.81e-06***
Average growth of GDP	0.0161***	0.0162***
Average inflation	0.0015	0.0012
Unemployment	-0.0135***	-0.0134***
Unemployment*FreedomHouse Index	0.0049***	0.0049***
Corruption Index	0.0364***	0.0361**
International migrant stock	1.20E-04	-2.00E-05
Oil producer	-0.1877***	-0.1859***
Military expenditures	-0.01**	-0.083*
Individual Factors		
Secondary education	0.1053***	0.102***
Higher education	0.1826***	0.1728***
Female	-0.033***	-0.035***
Age 18-24	0.0587***	0.053***
Age 25-34	0.0274*	0.0269*
Age 35-44	0.0331**	0.0348**
Age 45-54	0.0374***	0.0404***
Age 55-64	0.0241**	0.0255**
One child	-0.0002	-0.0013
Two children	0.0139	0.119
Three children	0.0064	0.0047
Four children and more	-0.0086	-0.0104
Medium income	0.099***	0.0854***
High income	0.0789*	0.043
Self-employed	0.623***	0.0583***
Employed by state company	0.0351***	0.0303***
Employed by private company	0.0193**	0.0158*
Retired	-0.0046	-0.0064
Riskiness	0.033***	0.0186***
Urban residence	0.0215***	0.0204***
Metropol city	-0.0063	-0.0082
Married	-0.0023	-0.0019
Divorced/Widower	-0.044***	-0.0399***
Satisfied with life	0.0699***	0.0699***
Constant	-1.344***	-1.321***
Observations	24691	24691

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