Economic Outcomes, Quality of Governance, and Satisfaction with Democracy

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1. Introduction

Citizens' satisfaction with the way democracy works in practice varies a lot across countries, people, and time. As Linde and Ekman (2003: 396-397) put it, such satisfaction is an "instrumental" and "output-oriented" dimension of political support, and it is thus likely to be driven by political systems' outputs and outcomes, such as economic performance. In recent years, for example, there has been a precipitous decline in people's satisfaction with democracy in Southern European countries (Alonso 2013), a decline that can hardly be understood without considering the economic and financial crisis in which these countries were engulfed. Many studies focusing on the individual-level determinants of political support have indeed confirmed that the subjective evaluation of economic performance has "a strong and highly significant effect (…) on support for national democracy," emerging in fact, according to some, as its strongest individual-level predictor (Armingeon and Gutthman 2014: 439). And economic growth, unemployment, or inflation seem to perform well and in the predicted directions in explaining trends over time in levels of popular satisfaction with democracy (Wagner, Schneider, and Halla 2009).

However, there are two additional aspects about this that must be taken into account. First, there is no such thing as unanimity about such an economic performance effect, with some studies failing to find systematic effects (McAllister 1999; Nye and Zelikow 1997; Wells and Krieckhaus 2006 Dalton 2004). Second, people's views about political authorities cannot be described purely in the instrumental terms presumed by the relationship between economic outcomes and satisfaction. Political support also responds to other factors, particularly to a constellation of aspects that might be designated as "quality of governance" (Rothstein and Teorell 2008). Social psychologists have long told us that authorities, above and beyond their ability to deliver favorable outcomes, are also evaluated on the basis of the perceived fairness of decision-making procedures (Thibaut and Walker 1975), and have shown that this also applies to political authorities (Tyler 2006). In political science, many studies have repeatedly shown how individual-level perceptions (Rose, Mishler, and Haerpfer 1998; Seligson 2002; Linde & Erlingsson 2013) or aggregate measures based on expert and stakeholder surveys (Anderson and Tverdova 2003; Norris 2011; Wagner, Schneider, and Halla 2009; Curini et al. 2012; Dahlberg & Holmberg 2014) of (lack of) corruption, fair and honest treatment by political officials, or impartiality affect popular satisfaction with the way democracy works.

This chapter takes the view that both economic outcomes and quality of governance should go a long way indeed in explaining political support. However, it takes an additional step: it suggests that the effect of economic performance is contingent upon quality of governance. A fundamental insight of procedural fairness theories in organizational psychology is the existence of a fundamental *process-outcome interaction*, through which procedural fairness moderates the effects of outcome favorability in the explanation of support for decision-makers and authorities in organizations (Brockner and Wiesenfeld 1996 & 2005; Brockner 2002). This chapter shows that the same occurs when we move from the meso-level of organizations to the macro-level of entire political systems. In particular, it argues that citizens' satisfaction with the performance of democracy is most affected by economic outcomes in those countries where the quality of governance is lowest. In contrast, in contexts where institutions and policy-making adhere to high standards of quality and impartiality, political support is less sensitive to short-term fluctuations in the economy.

This hypothesis is tested with the help of the high-quality survey data provided by the *European Social Survey*, conducted in more than 30 countries throughout six rounds from 2002 to 2013. This study also resorts to data on economic outcomes, which are aggregated into a single *Economic Performance Index* (EPI) – combining data on economic growth, unemployment, inflation, and budget deficits (Khramov and Lee 2013) – as well as data on the *Quality of Governance* (QoG) drawn from the World Bank Worldwide Governance Indicators (Kaufmann, Kraay, Mastruzzi 2010)[1] and on the *Impartiality* in the exercise of public power, obtained from an expert survey conducted in 97 countries (Dahlberg et al. 2013).[2] The next section presents the main argument: that the effects of outcomes on satisfaction are moderated by procedural fairness and the quality of governance in general. Section three presents the results of our analysis. Section four concludes.

2. Outcome favorability, procedural fairness, and political support

The phenomenon of the contingent effects of economic performance on satisfaction with democracy can be described with an illustrative example. Figure 1 shows two dual y-axis graphs. The black lines in each graph, scaled along the left y-

[1] Available at: http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls.
[2] Available at: http://qog.pol.gu.se/data/datadownloads/qogexpertsurveydata.

axis, represent EPI - *Economic Performance Index* (Khramov and Lee (2013), a composite measure of yearly economic performance, including growth, unemployment, inflation, and budget deficit (to be fully explained in the data and methods section). The grey lines, scaled along the right y-axis, represent the sample mean level of *Satisfaction with democracy*, for each year when the *European Social Survey* was conducted in each of the countries.[3]

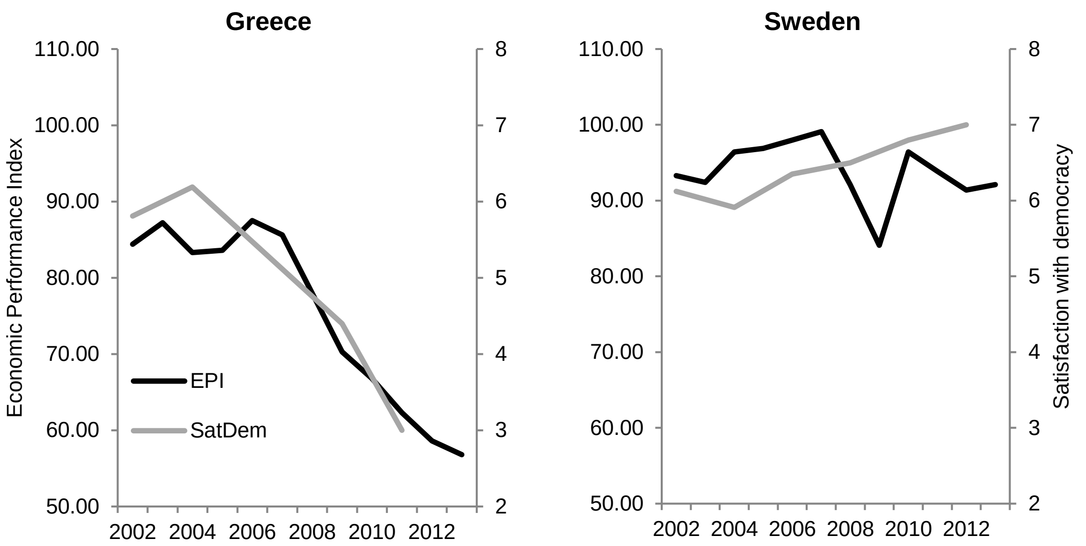

Figure 1. Economic performance and satisfaction with democracy in Greece and Sweden.

There are at least two interesting aspects about these graphs. The first is that it seems that people in Greece have already been, on average, as satisfied with the way democracy works in their country as people in Sweden. By the beginning of the 20th century, aggregate levels of satisfaction with democracy in both countries were very similar. The second interesting aspect in those graphs is the kind of relationship between aggregate trends in satisfaction with democracy and economic performance

[3] The question posed on the survey is "How satisfied are you with the way democracy works in [country]?" and respondents use an 11-point scale, from "Not at all satisfied" (0) to "Very satisfied"(10).

in both countries that emerges from visual inspection. In Greece, the accelerated decline in the performance of the economy that has taken place since 2006 seems to be accompanied by a steep decline in satisfaction. In Sweden, in contrast, the steady rise in aggregate satisfaction since 2004 seems completely insensitive to economic performance, namely to the effects of the Great Recession that shook the world economies, including the Swedish one. To be sure, these graphs can be deceptive, as these are just two countries and a relatively short series. However, they also suggest a question: should we really expect the relationship between economic performance and levels of satisfaction with the way democracy works to be the same in all contexts and for all people? Indeed, the cases of Greece and Sweden illustrate that the ability of regimes to elicit support from people should not be equally driven by the delivery of favorable economic outcomes. I suggest that this is part of a broader phenomenon, which characterizes not only the relationship of citizens with political authorities but also other kinds of social exchanges. This phenomenon is the interaction between outcome favorability and procedural fairness in determining positive attitudes and behaviors vis-à-vis authorities and organizations.

2.1 Outcome favorability and procedural fairness

In the social psychology of organizations, many laboratory experiments and observational studies of workplaces, courts, universities, and other settings have supported the notion that positive attitudes and behaviors – measured in expressed satisfaction, organizational trust and support, organizational commitment, acceptance of decisions, and affect towards authorities – are explained by two main factors. The first is "outcome favorability," the extent to which an individual receives a beneficial or valued outcome such as, for example, a favorable ruling in a court, a pay raise, or even the acceptance of an article in a journal. The second is “procedural fairness,” the adoption of rules and procedures that allow for a real or perceived treatment of individuals by organizational authorities that is characterized by transparency, impartiality, and the right to be heard (Thibaut and Walker 1975; Folger and Greenberg 1984; Lind and Tyler 1988).

What happens when we move to the larger and more impersonal level of a national political system? First, economic performance, particularly in terms of economic growth and prosperity, is an aspect likely to be seen as favorable as such in any polity and by any citizen. Thus, many studies find economic performance to be related in predictable ways with citizens’ satisfaction with the way the regime works in their country (Clarke, Dutt, and Kornberg 1993; Anderson 1998; Rose, Mishler, and Haerpfer 1998; Wagner, Schneider, and Halla 2009; Kotzian 2010; Fails and Pierce 2010; Ezrow and Xenozakis 2011; Norris 2011; Kumlin and Essaiasson 2012; Voicu and Bartolome Peral 2013; Armingeon and Guthmann 2014).[4] It should be noted, however, that others fail confirm that relationship. For example, although they focus on institutional confidence rather than satisfaction with democracy, McAllister (1999) and Nye and Zelikow (1997), find it unrelated with objective economic performance. Wells and Krieckhaus (2006), replicating previous studies with different methodologies, do not confirm a relationship between GDP growth and democratic satisfaction. And more generally, Dalton (2004: 111) argues that there is “little evidence that economic performance is a major reason for the decline in political support”.

[4] Not to mention the equally large literature showing that positive subjective *perceptions* of economic outcomes are correlates of satisfaction with democratic performance (Anderson and Guillory 1997; Rose, Mishler, and Haerpfer 1998; Mishler and Rose 2001; Chu et al. 2008; Thomassen and van der Kolk 2009).

Second, the study of the determinants of political support has also begun to focus not only on the "what" citizens get from government, but also on the "how." Social psychologists who have applied the concept of "procedural fairness" beyond the realm of organizations to the level of political institutions and regimes have confirmed its relevance there too (Tyler 1984; Lind and Tyler 1988; Tyler 2001). And in a closely related literature, political scientists have focused on the concept of "quality of governance," conceived as having at its very core the notion of "impartiality in the exercise of public authority", a procedural norm presiding over how power is exercised by political bodies, the courts, and the state as a whole (Rothstein and Teorell 2008; Rothstein 2011). Several studies have shown the importance of different measures of such "quality of governance," including the functioning of courts, transparency/control of corruption, checks and balances, or the quality of public policy-making, treated either as system attributes or as individual-level perceptions of such attributes. Invariably, when such variables are employed, they emerge as powerful predictors of popular satisfaction with the way democracy works (Rose, Mishler, and Haerpfer 1998; Anderson and Tverdova 2003; Wagner, Schneider, and Halla 2009; Norris 2011; Curini et al. 2012; Linde & Erlingsson 2013; Dahlberg & Holmberg 2013).

2.2 Why procedural fairness moderates the effect of outcome favorability

There is, however, an implication of the studies of procedural fairness in organizations that remains unexplored in the study of political support: the notion that outcomes *interact* with procedural fairness in explaining satisfaction. Why should this be the case? There are several arguments in social psychology pointing in this direction (Brockner and Wiesenfeld 1996; Brockner 2002; Brockner and Wiesenfeld

2005). The first, a so-called "instrumental" argument, is that when individuals perceive procedures as being fair, allowing them voice and influence, for example, they become more likely to discount present bad outcomes in favor of expected future positive outcomes (Thibaut & Walker, 1975; Brockner and Wiesenfeld 1996: 199). A second argument focuses on accountability attributions: when people perceive that there is an adherence to fairness norms, they are less likely to believe outcomes could have been more favorable and, thus, also less likely to hold authorities directly responsible for negative outcomes (Folger and Cropanzano 1998; Brockner et al. 2007). A third and related argument, resulting from referent cognitions theory, suggests that people's reactions to outcomes are referential, deriving from a mental comparison between the outcomes they got with what they could get in other circumstances (Kahneman and Tversky 1982). The more fairness rules are broken or perceived to be broken, the more referential people's thinking is likely to become, creating a gap between actual and referent outcomes that is a source of resentment and negativity (Folger 1986). Finally, relational theories suggest that fairness impinges on the social relationship between people and the authorities employing the procedures: if procedures are fair, outcomes can lose importance in favor of other intangible benefits, such as the perception that one is respected and held in high regard. In contrast, lack of fairness may lead individuals to see their relationship with authorities as purely instrumental, heightening the impact of tangible benefits and self-interested considerations on satisfaction (Tyler and Lind 1992; Lind 2001).

Reviewing 45 different studies addressing the determinants of positive evaluations and behaviors within organizational settings, Brockner and Wiesenfield (1996) find that the modal result is indeed one of an interaction between outcome favorability and procedural fairness. In particular, "when procedural justice is relatively low, outcome favorability is more apt to be positively correlated with individuals' reactions" (Brockner and Wiesenfield 1996: 191). Later reviews of extant research confirm that "across a wide variety of studies, high procedural fairness has been found to reduce the effect of outcome favorability on people's support for decisions, decision-makers, and organizations, relative to when procedural fairness is low" (Brockner and Wiesenfield 2005: 548). [5]

What are the implications of these findings when we move to the macro-political level of political systems and regimes? If they do travel to such contexts, a fundamental hypothesis should hold: the relationship between economic outcomes and satisfaction with democracy should be strongest in situations where the quality of governance is lowest. In a recent study, I show that, across Europe, although satisfaction with democracy is indeed strongly related with both evaluations of economic performance and the perceived prevalence of procedural fairness in the political system (conceived as a combination of impartiality, standing, and trust), the latter exerts a relevant moderation over the effect of the former (Magalhães 2016). In other words, the process-outcome interaction found in organizational studies seems to be present as well when we move to the macro-political level. However, important questions can be raised about the use of subjective perceptions of the economy in explaining political support, particularly in what concerns threats of endogeneity and the possibility that varying perceptions over the same objective economic data may reflect little else than random or systematic measurement biases (van der Brug et al. 2007). Does the finding of a process-outcome interaction survive when we move from

[5] To be sure, one can imagine a relationship of reverse causality, where satisfaction with authorities increases perceptions of fairness. However, the hypothesis posed in this paper is that low levels of procedural fairness increase the effects of economic outcomes on satisfaction in comparison with situations of high procedural fairness. This means that high satisfaction can perfectly coexist with low procedural fairness, provided economic outcomes are positive. If confirmed, these results cannot be driven by the reverse causality mechanism described.

the use of subjective perceptions of the economy to the use of objective economic conditions? This is the question addressed in this chapter.

3. Data and analysis

Data on people's satisfaction with the way democracy works in practice in their countries comes from six rounds of the European Social Survey, conducted between 2002 and 2013. The ESS1-6 Cumulative Data File, updated in 26 November 2014, is used here.[6] It includes 152 surveys conducted in 32 countries. Our major dependent variable of interest is *Satisfaction with Democracy* (*stfdem* in the ESS dataset, "How satisfied are you with the way democracy works in [country]?", ranging from 0 to 10). Given that our focus is on satisfaction with *democracy*, we exclude from the analysis countries whose status as "democracies" is unclear throughout the period under analysis. In other words, we only include countries that have consistently scored 7 or more in the Polity IV dataset between 2002 and 2013.[7] This leads to the exclusion of Ukraine, Croatia, and Russia.[8]

Our crucial independent variables are *Economic performance* and *Quality of governance*. To measure economic performance, instead of relying on individual-level perceptions of the state of the economy, I resort to a macro-level variable based on objective economic data: the *Economic Performance Index* (EPI) proposed by Khramov and Lee (2013). EPI aims at measuring the general macro-economic performance of a nation, comprising information on four variables about three

[6] Downloaded in December 5th 2015, from: http://www.europeansocialsurvey.org/downloadwizard/#
[7] Available at: http://www.systemicpeace.org/polityproject.html. Although Luxembourg and Iceland are not included in the Polity IV dataset, we considered these countries to be democratic since World War II.
[8] See Appendix for more information.

primary segments of the economy, households, firms, and government: "the inflation rate, as a measure of the economy's monetary stance; the unemployment rate as a measure of the economy's production stance; the budget deficit as a percentage of total GDP as a measure of the economy's fiscal stance; and the change in real GDP as a measure of the aggregate performance of the entire economy" (Khramov and Lee 2013: 3).[9] Starting from a set of benchmarks about the desirable economic performance of a country – inflation at 0%, unemployment at 4.75%, government deficit at 0% as a share of GDP, and GDP growth at 4.75% – the optimal EPI score is normalized to 100%. Current performance is compared with these benchmarks, allowing for a simplified formula:

$$EPI = 100\% - [Inflation(\%)] - Unemployment(\%) - \frac{Deficit}{GDP}(\%) + \Delta GDP(\%)$$

Resorting to Eurostat and World Bank Development Indicators data, a value for EPI is calculated for each country-year. In this, we take into consideration fieldwork date. For example, several surveys contained in each of the six ESS rounds considered (2002, 2004, 2006, 2008, 2010, and 2012) took place, in particular countries, not in the "official" round year but rather in the following one. For example, for round 1, when fieldwork is actually conducted in the second semester of 2003, 2003 economic data rather than 2002 is used. Values for EPI in our sample range from 60.6 (Spain in 2012) to 114.9 (Norway in 2006). Although the primary analysis in the chapter will employ EPI, we will also assess the robustness of the

[9] Sources for primary data: Eurostat and World Bank Development Indicators. Available at: http://ec.europa.eu/eurostat/web/main/home and http://data.worldbank.org/data-catalog/world-development-indicators.

results with a more conventional — although narrower — measure of economic performance, real GDP growth.

To measure *Quality of governance*, I rely on two alternative sources, which are employed alternatively in the analyses. First, the World Bank Governance Indicators: each country-year is matched with an average of the indicators of *Government effectiveness*, *Control of Corruption*, *Rule of Law*, and *Voice*.[10] Effectiveness captures "perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies." Control of corruption "captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests". Rule of law "captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence." Finally, voice captures "perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media" (Kaufmann, Kraay, and Mastruzzi 2010). Across the world, values for each of these variables range from -2.5 to 2.5, although in our sample the index ranges from -.01 (Bulgaria in 2008) to 2.16 (Denmark in 2004). WGI data is available only until 2012, which resulted in surveys conducted in 2013 (in Lithuania and Italy) being dropped from the analysis in this case.

[10] Available at: http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls.

Alternatively, a different variable is used to code "quality of governance": *Impartiality* measures the extent to which, "when implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law" (Rothstein and Teorell 2008: 170). One disadvantage of employing this variable is that, unlike the World Bank WGI Indicators, we don't have measures per year of *Impartiality*, as it results from a single expert survey conducted between 2008 and 2012. *Impartiality* is thus taken to characterize each country throughout the entire period of data collection. The advantage, however, is that, unlike what occurs with the more general measure derived from World Bank's WGI, the notion of "impartiality" taps what is arguably the core of both the "quality of government" (Rothstein and Teorell 2008; Holmberg et al. 2009) and "procedural fairness" (Leventhal 1980; Lind and Tyler 1988) concepts. The *Impartiality* index is built on five items from the QoG expert survey, with higher values meaning greater impartiality. In our sample of cases, it ranges from -.46 (Bulgaria) to 1.33 (Norway). On this variable, no data is available for Cyprus, Iceland, and Luxembourg. These cases are thus dropped in the models where *Impartiality* is employed.

Besides these crucial dependent and independent variables, several macro- and micro level controls are employed in the analysis. First, country-level measures of how consensual democratic regimes are in terms of their basic institutions, a variable that has been found to increase specific support in some studies (Rose and Mishler 2011; Bernauer and Vatter 2012). Readily available measures of consensual democracy – in the executive-parties dimension – exist only for 19 of the 32 European countries available in our initial sample (see the web appendix for Vatter, Flinders, and Bernauer 2014). However, the average *Effective Number of*

Parliamentary Parties (ENPP) for those countries in the 1997-2010 period is correlated at .87 with the measure of consensual executive-parties democracy. Thus, ENPP is considered to be a good proxy of consensual democracy for all the ESS countries. It is coded, for the 1997-2010 period, using the Vatter, Flinders, and Bernauer (2014) data for 19 countries and using Gallagher (2014) for the remaining ones.[11] It ranges from 2.25 (Turkey) to 7.02 (Israel).

Income inequality has also been found to be a correlate of satisfaction with democracy and even some aspects of diffuse support (Fails and Pierce 2010; Andersen 2012; Schäfer 2012), at least for some individuals (Anderson and Singer 2008) and in some polities (Boda and Medve-Bálint 2014). Here, the net Gini index of income inequality, post-taxes and post-transfers, described in Solt (2009), is used.[12] Data for Ireland, Israel, Italy, Lithuania, and Turkey were not yet available for the year 2012 at the time of this writing, and thus these cases for that year are also dropped. Values range from 22.1 (Slovenia in 2002) to 40.9 (Turkey in 2004).

Finally, at the macro-level, we control for level of *Economic development* (GDP per capita at constant thousands of 2005$, from the World Bank) and for the *Age of democracy* (number of continuous years with a Polity score greater or equal than 7, topcoded at 70, from the Polity IV dataset). Thus, we rely on a maximum of 130 surveys in 29 countries, with a total of respondents above 200,000 for the entire 6 rounds of the ESS. At the individual-level, we control for *Age*, *Years of education*, *Female*, *Social trust*,[13] *Religiosity*, *Political interest*, *Unemployed*, and *Left-right self-placement* (as well as LRSP squared, to allow for the possibility of non-linear effects).

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[11] Available at: http://www.tcd.ie/Political_Science/staff/michael_gallagher/ElSystems/Docts/ElectionIndices.pdf-

[12] Available at: http://myweb.uiowa.edu/fsolt/swiid/swiid.html.

[13] This is the average of three items in the ESS questionnaire, measuring trust in others, their expected fairness, and their helpfulness.

Some variables vary only across countries, like 1997-2010 *ENPP*, our measure of consensual democracy, or *Impartiality*. Others vary across countries and time, such as *Economic development*, *Income inequality*, and *Age of democracy*, as well as *Economic performance* and *Quality of Governance*. Finally, *Satisfaction with democracy*, the main dependent variable, as well as the individual-level controls, varies across individuals. We take into account this three-level structure of the data – countries, country-years and individuals – by estimating multilevel linear regression models. *Satisfaction with democracy* is treated as a continuous variable, and the model includes predictors at the three levels of analysis, as well as varying intercepts and error terms for country (and year). Crucially, to test our hypothesis, the model includes an interaction term between *Economic performance* and, alternatively, *Quality of Governance* or *Impartiality.* We allow the effect of *Economic performance* to vary by country-year, in the models with *Quality of Governance*, and by country, in the models with *Impartiality*. Table 1 shows the results.[14]

[14] Collinearity tests show that the highest values of the variance factor are below 6, suggesting that no harmful collinearity exists (Kennedy 2008: 199).

Table 1. Economic performance, quality of governance and satisfaction with democracy

	Model 1	Model 2
EPI	.08 (.02)***	.05 (.008)***
QoG	3.54 (.99)***	-
Impartiality	-	2.29 (.77)***
QoG*EPI	-.04 (.01)***	-
Impartiality*EPI	-	-.03 (.01)***
Contextual controls		
ENPP	-.01 (.09)	-.003 (.09)
GDP per capita	.02 (.01)*	.02 (.02)
Age of democracy	.0002 (.009)	.004 (.01)
Income inequality	-.006 (.02)	-.01 (.02)
Individual controls		
Female	-.20 (.01)***	-.20 (.01)***
Age of respondent	-.005 (.0003)***	-.005 (.0003)***
Years of education	.01 (.001)***	.01 (.001)***
Religiosity	.05 (.002)***	.05 (.002)***
Social trust	.30 (.003)***	.31 (.003)***
Political interest	.18 (.006)***	.19 (.006)***
LRSP	.22 (.007)***	.23 (.007)***
LRSP squared	-.01 (.0007)***	-.01 (.0007)***
Constant	-5.32 (1.57)**	-2.36 (1.10)**
Variance components		
Country-year intercept	.11	.13
Economic performance	.00	.00
Country intercept	.14	.00
Countries	29	26
Country-years	130	122
Respondents	207,919	201,097

*p<.10; **p<.05; ***p<.01 (two-tailed tests).

Both economic performance and quality of governance, the latter measured either through the index derived from the World Bank data or through the *Impartiality* index, have a positive effect on specific support. However, more importantly for our purposes, the interaction term between economic performance and our measures of quality of governance is negative, as expected, and statistically significant. Results for the contextual control variables suggest that Europeans who live in more economically developed democracies tend to be more satisfied with the way they work, but only in one specification and only at p<.10. All remaining contextual controls are very far from conventional statistical significance. At the individual level, males, as well as younger, more educated, and more religious individuals display higher levels of satisfaction with democracy. Social trust and political interest are also positively related with support, while ideology display a non-linear pattern, through which both satisfaction and political trust increase as individuals move from the extreme-left to the center and then stabilizes.

Table A2 in the appendix shows results of other analyses that suggest the robustness of the findings presented in Table 1. First, an additional interaction is included in relation to Model 1: between EPI and *Age of Democracy* (Model 3), taking into account the possibility that the results obtained in Table 1 might be a function not so much of the process-outcome interaction, but rather of a dampening of the effects of economic performance on satisfaction that might increase as democracies become older. Second, Model 1 is estimated replacing EPI by a more conventional measure of economic performance, real GDP growth (Model 4). Third, Model 1 is re-estimated replacing EPI with the difference between the yearly EPI and the “normal” performance within each country, i.e. a benchmarked EPI, centered around the country mean for the entire 2002-2013 period (Model 5). Finally, Model 1 is reestimated including only the more established democracies, i.e., dropping the Eastern European/Post-Communist countries (Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia). In all these cases, the main result — the interaction between economic performance and quality of governance — stands.[15]

Figures 2 and 3 show the estimated marginal effects of *Economic performance* on *Satisfaction with democracy* across levels of *Quality of governance* (Figure 2) and *Impartiality* (Figure 3) on the basis of, respectively, models 1 and 2. The solid black line shows the marginal effects, dotted lines the 95% confidence intervals, and the

[15] Although the coefficient of the interaction between GDP growth and QoG is not significant, examination of the marginal effects show that GDP growth effects decrease as QoG increases, and are only significant at conventional levels at GoG levels below 1.8, which is substantively close to the results presented here.

grey bars represent the distribution of values of both our WGI-based measure of quality of governance and our impartiality measure across the sample.

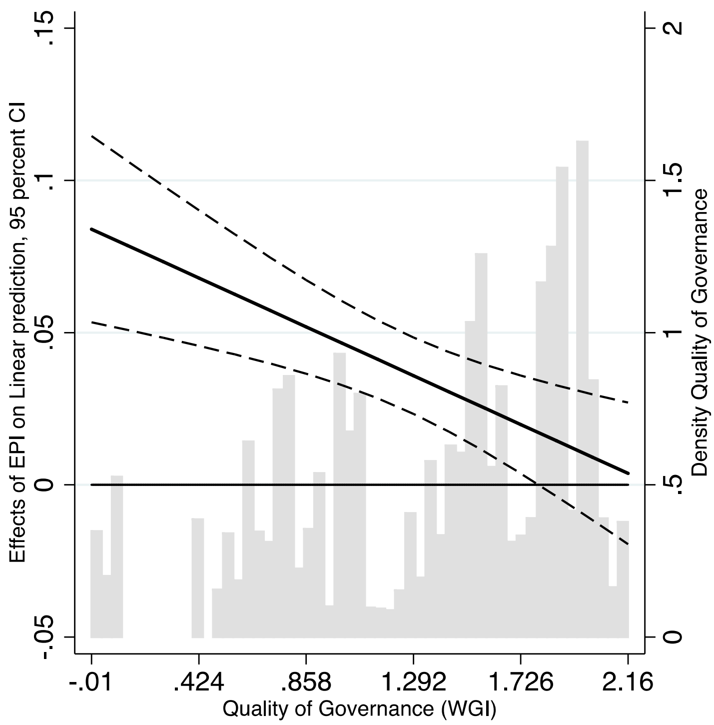

Figure 2. Marginal effect of economic performance (EPI) on Satisfaction with Democracy, across the range of levels of Quality of Governance.

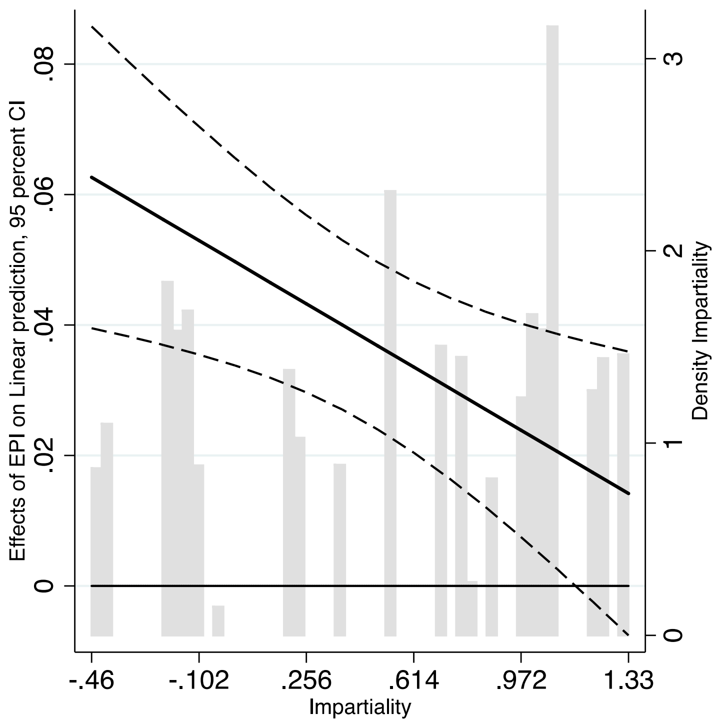

Figure 3. Marginal effect of economic performance (EPI) on Satisfaction with Democracy, across the range of levels of Impartiality.

Clearly, the effect of economic performance on satisfaction with democracy decreases as quality of governance increases, becoming indistinguishable from zero at the highest levels of quality of governance. To put this in a different way, in a country like Italy in 2004 (with *Quality of governance* at about .7, the average value minus one standard deviation), a one standard deviation increase in EPI is predicted to increase satisfaction with democracy by .45 in a 0 to 10 scale, about one-third of a standard deviation in the dependent variable. Conversely, in a country like Switzerland in 2006 (with Quality of Governance at 1.9, average plus one standard deviation), the estimated effect is less than half as large (.18) and is not significantly different from zero. A very similar pattern and the same magnitude of effects is obtained when we look at the role of *Impartiality* as a moderator.

Another way of looking at the results is to estimate how the predicted levels of satisfaction with democracy change as the values of economic performance increase, under different quality of governance contexts. Figure 4, on the left, compares the effect of EPI under the lowest (-.5) and highest (2.2) levels of the *Quality of governance* variable. On the right, the same approach is used, this case under the lowest and highest levels of *Impartiality.* Clearly, countries with very high quality of governance exhibit a gentle slope, showing how people's satisfaction with democracy there is nearly insensitive to economic performance. This raises the possibility that some of discrepancies in extant findings concerning the relationship between the economy and democratic satisfaction may be a function of the sample of countries employed: when that sample is limited to countries with a relatively high quality of governance, little to no effects of the economy are to be expected. In contrast, people living in countries with very low quality of governance in Europe show a much stronger sensitivity to economic outcomes when evaluating the performance of the democratic regime.

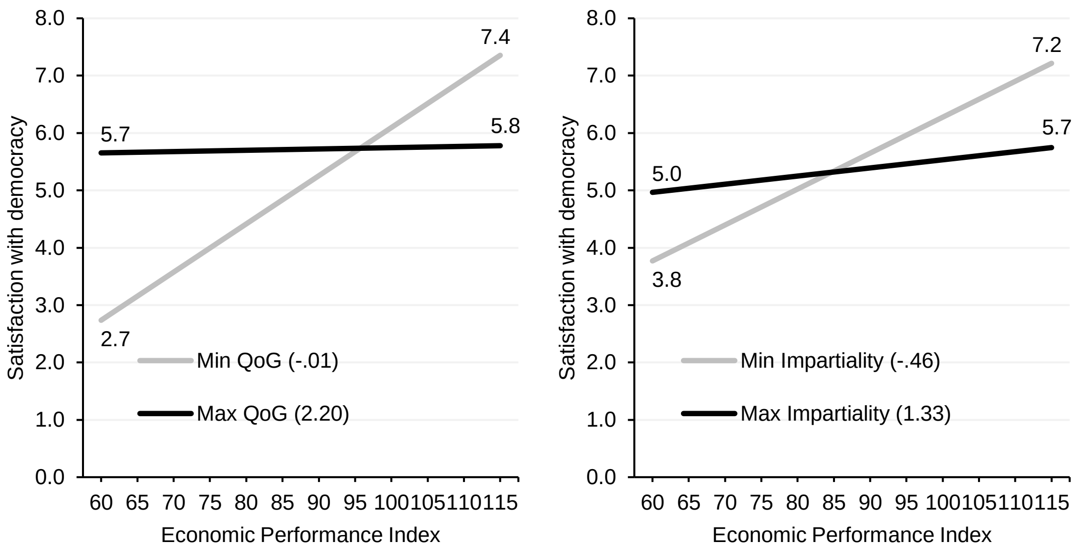

Figure 4. Predicted values of Satisfaction with democracy for combinations of values in EPI and QoG, with all remaining variables at their mean values.

4. Conclusion

When examining certain correlates of political support in democratic regimes, many studies have observed how citizens react both to economic outcomes and to prevalent procedures. When the economy is doing well, or at least for people who perceive it as such, satisfaction with the way democracy works tends to increase. However, citizens do not care only about "what" regimes deliver: they also care about "how" regimes work. When the state apparatus, political institutions, and public officials are perceived to be transparent, impartial, and fair, satisfaction with democracy also rises. Nobody wants a bad economy and "everybody wants good government" (Dahlberg and Holmberg 2014: 125).

However, these two aspects are related in ways that organizational psychologists have emphasized for long, but political scientists have, so far, mostly neglected. Procedural fairness and favorable economic outcomes interact in the explanation of people's evaluation of democratic performance. There are different arguments about why such interaction should occur, provided by "instrumental", "relational," "fairness" and "referent cognitions" theories in social psychology. However, they all point to a clear generic hypothesis that has found systematic empirical support: procedural fairness should moderate the effects of outcome favorability. In other words, there are contexts where the extent to which individuals form positive evaluations and sentiments about authorities and institutions is very contingent upon the delivery of favorable outcomes, while there are other contexts where such evaluations and sentiments are more immune to outcome delivery. The latter are those where procedural fairness prevails.

Elsewhere, I tested this hypothesis at the macro-political level, confirming it from the point of view of people's perceptions of both the state of the economy and of the extent to which procedural fairness prevailed in the regime (Magalhães 2016). In this chapter, I extend those findings and assess their robustness, by employing objective measures of economic performance, irrespective of how the economy might be perceived. Furthermore, the chapter employs measures of quality of governance that, although still relying on "perceptions," are at least partially exogenous to the views of survey respondents, by being collected near experts and stakeholders. The basic finding about a process-outcome interaction is confirmed. In contexts where the "quality of governance" is low or where government officials display low levels of impartiality in their decisions and dealings with citizens, satisfaction with democratic performance is both, in general, lower, and also more sensitive to the delivery of negative or positive national economic outcomes. The contrast exposed in the beginning of the chapter, the one between the cases of Greece and Sweden, can now be better understood. In a country like Greece, with comparatively low quality of governance, political support can rise high under a good economy, but it also drops to very low levels when that falters. In a country like Sweden, political support is less sensitive to economic conditions. This result is obtained even when we control for how long countries have been democratic, how economically developed they are, the extent to which their institutions are consensual, or the level of economic inequality.

Having said that, we still know little about the specific mechanisms behind the process-outcome interaction in the realm of political support we observed in this chapter. Does it result from the way in which impartial and high quality governance affects the attribution of responsibility for outcomes, deflecting blame from authorities for short-term economic failures? Or because it changes the time-horizon of individuals when making judgments about authorities, leading them to discount present or recent outcomes and heightening the importance of expected future benefits? Or is it because, when living under conditions of high quality of governance, individuals attribute greater value to intangible benefits, to being heard and respected and treated with equity and impartiality, than to short-term tangible benefits? All these mechanisms have been advanced in the study of procedural fairness and outcome favorability in organizations, and all of them are promising lines of inquiry in the study of support for political authorities, institutions, and regimes.

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Figure A1. Countries and surveys in the ESS1-6 Cumulative Data File and included in the analyses

Countries	Number of surveys	QoG (min-max)	Impartiality	ENPP	GDP per capita thousands (Min-Max)	Age of democracy (Min-Max)	EPI (Min-Max)	Gini Index Net (Min-Max)
Austria	3	1.82-1.84	.87	3.48	35.7-39.5	57-61	91.3-96-2	26.7-26.9
Belgium	6	1.34-1.54	.78	6.40	34.5-36.6	58-68	85.6-92.9	25.3-26.9
Bulgaria	4	.01-.08	-.46	3.40	4.0-4.6	16-22	84.0-92.0	29.5-34.6
Cyprus	4	1.13-1.26	-	3.77	21.8-24.3	31-37	76.2-96.4	-
Czech Republic	5	.75-.79	-.18	3.75	10.9-14.2	12-22	82.4-91.0	24.3-26.1
Denmark	6	1.98-2.16	1.21	4.86	45.6-49.0	57-67	89.2-102.8	22.6-27.8
Estonia	5	.98-1.07	.79	4.85	9.3-11.8	5-13	76.8-102.4	31.8-34.7
Finland	6	1.97-2.13	1.02	5.05	34.4-40.6	58-68	86.3-99.6	25.2-26.3
France	6	1.35-1.51	.69	2.69	32.8-34.8	34-43	83.1-89.5	27.0-30.3
Germany	6	1.56-1.69	.54	3.58	33.0-38.2	53-63	85.1-93.2	27.4-28.7
Greece	4	.41-.84	-.40	2.39	19.3-22.7	27-31	62.3-84.4	32.7-33.6
Hungary	6	.55-.91	-.21	2.52	9.6-11.5	12-22	79.6-85.4	26.7-28-1
Iceland	2	1.62-1.97	-	3.74	53.2-54.9	61-68	85.7-103.2	24.6-25.8
Ireland	6	1.47-1.61	.99	2.84	44.9-51.0	70	73.2-98.8	29.0-31.0
Israel	4	.87-1.00	.36	7.02	18.3-23.1	54-64	79.1-92.5	34.8-37.9
Italy	3	.70-.77	-.18	5.59	28.3-30.7	54-65	81.6-87.9	33.8-34.0
Lithuania	2	.64	-.05	5.15	8.6-10.0	20-22	81.0-88.0	34.5
Luxembourg	2	1.73-1.83	-	3.92	75.9-78.1	59-60	95.1-95.9	26.8-26.9
Netherlands	6	1.78-1.90	1.03	5.50	37.8-42.5	57-67	86.6-97.8	25.5-27.0
Norway	6	1.81-1.96	1.33	4.58	62.2-67.0	57-67	105.7-114.9	22.9-25.6
Poland	6	.43-.76	.23	3.41	7.0-10.6	11-21	74.5-90.1	29.3-31.5
Portugal	6	1.00-1.27	-.15	2.72	17.9-18.9	26-36	71.8-88.0	33.7-36.4
Slovakia	5	.58-.69	-.12	4.92	10.7-14.9	11-21	76.8-90.2	25.3-26.9
Slovenia	6	.92-1.02	-.20	4.66	16.0-20.7	11-21	81.8-96.9	22.1-25.2
Spain	6	1.06-1.42	.21	2.51	24.7-26.7	24-34	60.6-94.4	31.1-33.7
Sweden	6	1.85-2.00	1.07	4.22	37.7-43.8	70	91.4-98.0	23.0-24.1
Switzerland	6	1.85-1.97	1.25	5.04	50.2-55.4	70	96.0-99.8	26.8-30-7
Turkey	2	-.01-.09	-.14	2.25	6.7-7.7	21-25	77.5-84.1	38.9-40.9
United Kingdom	6	1.54-1.77	1.06	2.32	35.3-39.6	70	80.6-93.8	34.0-35.7

Table A2. Economic performance, quality of governance and satisfaction with democracy

	Model 3	Model 4	Model 5	Model 6
EPI	.08 (.02)***	-	-	.11(.02)***
QoG	3.88 (1.52)**	.74 (.29)**	.49 (.24)*	4.65 (.98)***
QoG*EPI	-.04 (.02)**	-	-	-.05 (.01)***
GDP growth	-	.10 (.03)***	-	-
QoG*GDP growth	-	-.04 (.03)	-	-
EPI centered	-	-	.10 (.02)***	-
QoG*EPI centered	-	-	-.05 (.01)***	-
Contextual controls				
ENPP	-.01 (.09)	.06 (.08)	.08 (.08)	.04 (.10)
GDP per capita	.02 (.01)*	.03 (.01)**	.02 (.00)**	.02 (.01)*
Age of democracy	-.01 (.04)	-.007 (.008)	-.001 (.008)	-.01 (.01)
Income inequality	-.01 (.02)	-.004 (.02)	-.01 (.02)	-.04 (.03)
Age of democracy*EPI	.0001 (.0004)	-	-	-
Individual controls				
Female	-.20 (.01)***	-.20 (.009)***	-.20 (.009)***	-.23 (.01)***
Age of respondent	-.005 (.0003)***	-.005 (.0002)***	-.005 (.0003)***	-.004 (.0003)***
Years of education	.01 (.001)***	.01 (.001)***	.01 (.001)***	.01 (.001)***
Religiosity	.05 (.002)***	.05 (.002)***	.05 (.002)***	.06 (.002)***
Social trust	.30 (.003)***	.30 (.003)***	.30 (.003)***	.30 (.003)***
Political interest	.18 (.006)***	.18 (.006)***	.18 (.006)***	.20 (.007)***
LRSP	.22 (.007)***	.22 (.007)***	.22 (.007)***	.24 (.008)***
LRSP squared	-.01 (.0007)***	-.01 (.0007)***	-.01 (.0007)***	-.02 (.0008)***
Constant	-5.12 (1.72)***	1.03 (.82)	1.39 (.88)	-5.55 (1.66)***
Variance components				
Country-year intercept	.14	.18	.14	.11
EPI/cEPI/GDP growth	.00	.00	.00	.00
Country intercept	.28	.21	.20	.23
Countries	29	29	29	21
Country-years	130	130	130	98
Respondents	207,919	207,919	220,263	163,585

*p<.10; **p<.05; ***p<.01 (two-tailed tests).