

**PERSONAL ECONOMIC HARDSHIP, HAPPINESS, AND POLITICAL SATISFACTION:
A CROSS-NATIONAL ANALYSIS**

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Abstract

On the basis of cross-national survey data collected in 12 European democracies, we argue and demonstrate empirically that people who have experienced economic hardship are less satisfied with their lives and the performance of the political system. Moreover, we show that different kinds of economic hardship (financial and job-related difficulties) have separable effects on people's levels of happiness and political satisfaction. Finally, we hypothesize and show that economic distress that is personally experienced has a greater impact on life satisfaction than on satisfaction with the political system. Conversely, evaluations of the national economy affect political satisfaction more strongly than attitudes about one's life.

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Whether the legitimacy of a political system presupposes some degree of positive economic performance and under what conditions political systems can withstand widespread experiences of economic hardship and deprivation are classic questions in the study of politics (Powell 1982). Based on the idea that personal and collective economic well-being affects political behavior, it has been argued, for example, that unemployment and hard economic times contributed to the downfall of the Weimar Republic (cf. Lipset 1959), that economic grievances can lead to rebellion (Davies 1962; Gurr 1970), and that democratic governments are more likely to fall when the economy deteriorates (Lewis-Beck 1988).

Whether and how economic difficulties affect people's attitudes about their own lives also has been subject to much scholarly debate. Starting from the premise that personal economic distress constitutes a profoundly negative experience, sociologists and psychologists have established that personal economic well-being has important consequences for how people view their life and cope with it (Bakke 1933; Brenner 1973; Diener 2000; Eisenberg and Lazarsfeld 1938). Individuals who experience economic distress and marginalization are, for example, significantly more likely to be unhappy or depressed, and are more likely to engage in a variety of deleterious behaviors, such as drug abuse and suicide (Brenner 1973; Diener, Suh, Lucas, and Smith 1999; MacFadyen, MacFadyen, and Prince 1996).

While researchers have thus studied the effects of economic well-being on both happiness and political satisfaction, they invariably have done so separately. That is, social scientists have not sought to compare the impact of personal economic well-being on attitudes about self and the political system. As a result, it is unclear, for example, whether economic hardship has a stronger impact on how people feel about their own lives, whether it more strongly affects their views toward the political system, or whether personal economic well-being has similar consequences for people's personal lives and their views of how well the political system performs.

Moreover, when examining the effect of economic well-being on attitudes, scholars typically have relied on a single indicator—financial situation or employment status, for example—to measure people's

personal economic situation. This means that scholars have not systematically compared the independent effects different manifestations of economic well-being have on people's attitudes. That is, the impact of different kinds of economic well-being on people's attitudes usually have not been analyzed side by side. As a consequence, studies that employ single items to measure individuals' economic well-being may not properly conceptualize its multifaceted nature and, as a result, underestimate its full impact people's attitudes (Rosenstone, Hansen, and Kinder 1986).

Finally, because the relationship between personal economic well-being and people's attitudes usually has been examined in one country at a time, it is yet to be established whether these effects exist across a variety of countries that differ in their political systems and culture, for example. If they do not, the general validity of the relationship between personal economic situation and attitudes toward self and polity may be called into question.

Below, we address these issues by examining how personal economic well-being affects people's attitudes about the political system and their own lives. Using survey data collected with identically worded questionnaires administered in 12 European democracies at a similar point in time, we compare the effects of different kinds of economic hardship, such as unemployment, financial difficulties, or problems on the job, on how people view their own lives and how they evaluate the political system. We expect that people who experience difficulties display systematically lower levels of satisfaction with their own lives and the political system. Moreover, we argue that different kinds of hardship should exert independent and additive effects on people's attitudes about life and politics. Finally, because personal economic difficulties are experienced individually and have the most immediate ramifications for one's life rather than the political system, we also predict that they have a bigger impact on people's personal happiness than their satisfaction with the performance of the political system.

The Political Consequences of Economic Hardship

People's experiences with the economy matter for our understanding of democratic politics because they have significant political consequences. It is, for example, widely recognized that negative economic outcomes lead to a loss of enthusiasm for the political system (Clarke, Dutt, and Kornberg 1993) and that governments are less popular when economic performance is less than satisfactory (Lewis-Beck and Paldam 2000). Similarly, an extensive literature has argued that good economic performance is a crucial condition for democratic stability (Lipset 1959; Powell 1982). Substantial individual-level evidence suggests that economic performance and public perceptions of both personal and national economic conditions are related to system support (Clarke, Dutt, and Kornberg 1993; Finkel, Muller, and Seligson 1989; Weatherford 1984).¹

However, researchers also have found that there is an asymmetry in the relationship between economics and political behavior. Specifically, negative economic conditions have been found to have a much larger effect on political behavior, such as the vote, than positive ones (Nannestad and Paldam 1994). Governments are, for example, blamed to a much greater degree for bad times than they receive credit during good times. Thus, we focus on the impact of economic hardship on people's attitudes for the purposes of our analyses.

The notion that economic misfortune is likely to reduce people's satisfaction with the political system is based on David Easton's work, much of which is concerned with (economic) outputs generated by the

¹ Yet, the relationship between economic performance and system support may not necessarily be clear-cut or direct. Monroe and Erickson (1986) find, for example, that poor economic conditions can affect support for the system, but this effect is mediated by whether citizens hold the government responsible for the economy, and the effect is filtered by perceptions of party differences on economic priorities or managerial skills. Related evidence suggests that both sociotropic and egocentric evaluations of the economy are related to system support (Citrin and Green 1986; Lockerbie 1993).

political system (Easton 1965, 1975). Studies that examine the connection of system outputs and political support typically assume that the two are related because “the government is assumed to possess the tools and abilities to solve social problems” (Weatherford 1984, 189). Thus, performance evaluations shape the reputation of political institutions and the political system, especially among those who personally have to confront the negative consequences of what the system produces. If these citizens no longer deem these consequences acceptable, they are likely to strive for changes in the system. Hence, the continued goodwill of citizens who experience economic hardships is important to the stability of political systems because they have a bigger incentive to change existing institutions; in contrast, those who do well have an incentive to avoid such change and preserve the status quo (Riker 1983).

One of the few empirical studies that has directly addressed the question of how specific manifestations of economic hardship affect political behavior examined political participation among unemployed and employed voters in the U.S. (Schlozman and Verba 1979). Based on a national survey of employed and unemployed citizens, the study found that unemployed voters were less likely to be politically involved. However, the research also showed that many of the differences between unemployed and employed voters were enhanced by differences in socio-economic status. The study concluded that economic hardship had negative consequences, but that these were significantly attenuated when the socio-economic status of respondents was controlled for.

Although Schlozman and Verba’s unemployment study has not been replicated elsewhere, comparative research has established that unemployed voters tend to support extreme right-wing parties and movements and that rising unemployment rates are related to the success of extreme parties (Betz 1994). Similarly, a number of studies have found that personal economic grievances lead to protest and rebellion (Gurr and Moore 1997). Finally, scholars have discovered that people who experience economic hardships have lower levels of political involvement because they are less strongly embedded in social milieus, organizations, and social support networks, and because they lack resources such as time, money, and interest

to be engaged in political life (Mutz 1992, 1998; Newman 1988; Schlozman and Verba 1979; also see Sears and Funk 1990).

Taken together, the research in this area suggests that economic misfortune has negative political consequences, and that it is important to compare the attitudes and behavior of voters who have experienced economic hardship with those who have not. However, it is yet to be determined whether we can observe differences between those who personally experience hardship and those who do not *across different kinds of countries* or whether such variation exists among people experiencing *different kinds of economic difficulties*. If they do not, the general validity of models postulating differences in attitudes and behaviors among those who experience economic hardship and those who do not may be called into question. Moreover, if different kinds of economic difficulties exert independent—that is, separate and additive—effects, standard models of political behavior that measure a person’s economic situation with the help of a single variable—e.g., an individual’s financial situation—are likely to underestimate the overall impact of different kinds of personal grievances (Rosenstone, Hansen, and Kinder 1986). If this is the case, this may help explain differences in sociotropic versus egocentric influences on political behavior, given the common wisdom that sociotropic effects usually are stronger than egocentric ones (Kinder and Kiewiet 1981).

Finally, although economic self-interest and grievance are frequently assumed to be motivating mechanisms in models of political behavior, there is some debate whether it is *personal experience* with the economy that affects political behavior or whether the effects of the economy are channeled through information, observation, and reason. Mutz (1992, 1998), for example, found that personal experience with unemployment was not a significant predictor of political support. Focusing on the electoral support for incumbents among unemployed voters, she found that the effects of personal experiences (such as unemployment) were mediated by people’s attitudes toward, and media information about, the unemployment situation. These findings are worthy of reconsideration for a couple of reasons. First, it is possible that they do not extend to evaluations of political system performance. Second, they may not apply to people outside

of the United States because America's political culture of individualism and self-reliance makes it less likely that individuals will attribute personal economic difficulty to others (Sears and Funk 1990; Sniderman and Brody 1977).

Despite these mixed results, we expect to see lower levels of satisfaction with the performance of the political system among those who report experiences of economic hardship:

Hypothesis 1: We hypothesize that economic hardship has negative consequences for how people view the political system. Specifically, we expect individuals who have experienced hardship to be less satisfied with the performance of the political system.

The Personal Consequences of Economic Hardship

In addition to affecting people's views about the political system, we expect economic hardship to have negative consequences for how they view their own lives. Economic misfortune frequently is experienced as deeply personal and unpredictable. Not having an income for the foreseeable future as a consequence of losing one's job, for example, affects people's ability to satisfy their most basic needs (Jennings 1999). In addition, it is not always transparent why economic difficulties befall specific individuals; a person may be working the same assembly line as their neighbor, yet only one of the two is let go during hard times. In fact, it may not be altogether clear whether times really are hard, and that layoffs are necessary in the first place. Economic hardship thus can be a very capricious experience (see, e.g., Newman 1988).

Overall, the absence of a sense of control over the market outcome as well as the severity of economic misfortune as a life-experience are likely to make the experience acutely consequential. Economic hardship constitutes a negative outcome for an individual, and one that is psychologically costly. Research on the personal consequences of economic distress, for example, has established that it has a number of profoundly negative consequences for people's well-being and social behavior (Bakke 1933; Brenner 1973; Eisenberg and Lazarsfeld 1938). Social psychologists have found that people who have experienced personal troubles

are more likely to hold dim views of the world than those whose lives have been less difficult (Forest 1995). Moreover, some of these views remain even years after an event occurred (Catlin and Epstein 1992). Overall, this strand of research provides strong support for the notion that individuals derive their beliefs about the world and their own lives from personal experiences.

Negative economic experiences, in particular, long have been identified as having adverse psychological consequences. People who face personal economic risk, such as being laid off or already having been laid off, are less likely to maintain high levels of self-esteem, are more likely to be depressed, and are more likely to engage in a variety of deleterious behaviors, for example (Brenner 1973; MacFadyen, MacFadyen, and Prince 1996). Economists and sociologists, too, have examined the behavior of those who are at risk of losing their jobs. People who fear unemployment, for instance, are more likely to accept lower wages for comparable jobs and have lower overall levels of job and life satisfaction (Turner 1995). Taken together, these findings all would lead us to hypothesize that economic hardship leads to lower levels of life satisfaction or happiness (Diener, Suh, Lucas, and Smith 1999).² Moreover, because this research hypothesizes differences across individuals, not context, we expect that these are observable across countries.

Hypothesis 2: We hypothesize that economic hardship has negative consequences for how people view their own life. Specifically, we expect individuals who have experienced hardship to be less satisfied with the way their life is going than those who have not experienced hardship.

The Effects of Different Kinds of Economic Hardship

Economic hardship manifests itself in different ways and may include the loss of one's job or a reduction in earnings or purchasing power, to name a few. Participants in the economy can experience a host of hardships that stem from a variety of sources. For instance, personal characteristics such as a lack of skills

² The literature uses the terms life satisfaction, subjective well-being, and happiness interchangeably (Diener 2000), a practice we follow here as well.

or education may make people vulnerable to layoff and downsizing. Changes in monetary policy or increased competition in a particular industry may contribute to shrinking paychecks. On a broader scale, even international economic events and trends such as changes in international capital markets or intensified global economic competition can have an impact on the employment of domestic workers.

Different sources of dislocation and distress may matter differently and may matter cumulatively when it comes to people's attitudes about the political system and their lives. Thus, when respondents are asked to comment on their personal economic situation, they are likely to give very different answers depending on their reference point. One respondent may consider the loss of her job, whereas another might think about diminished opportunities to collect overtime pay. Moreover, the same respondent may experience two different kinds of hardship at the same time.

If this is the case, it has important implications for how we study the effect of personal economic well-being on people's attitudes. It is common practice both in research on subjective well-being and political attitudes to measure economic well-being with the help of one, generally quite broad, indicator such as a measure of the person's or the household's financial situation. We argue that such a strategy may miss important differences in the experiences people have as participants in the economy. Specifically, using only one item to measure personal economic well-being is likely to underestimate the political and personal effects of economic hardship. In fact, Rosenstone, Hansen, and Kinder (1986) report that using only one item may underestimate political effects by as much as one-half.

To examine whether this is indeed the case, we address two questions. First, are personal referents separable; that is, can we consider their effects on judgments of satisfaction separately or should they be considered substitutable in our analyses? If they are distinct, do they affect people's perceptions of satisfaction differently? If we find that these sources of distress are distinct and exert independent effects on people's attitudes, then it would behoove scholars to account for these differences when developing their models of the link between personal circumstances and behavior.

Hypothesis 3: We expect that different sources of economic hardship have independent (i.e., separable and additive) effects on attitudes about life and the political system.

The Relative Effects of Personal and Collective Hardship

While we expect that economic hardship negatively affects both political and life satisfaction, we also expect that they do so to different degrees. Specifically, we expect personal economic distress to have a greater impact on life satisfaction than on attitudes about the political system. Conversely, perceptions of the national economy (sociotropic perceptions) should have a stronger impact on political satisfaction than on happiness.

We justify this expectation by drawing on the literature on economic voting and by relying on the logic of transitivity. The literature on economic voting suggests that so-called egocentric evaluations of economic conditions—that is, people’s perceptions of their own economic situation—have a smaller effect on political support than so-called sociotropic ones—that is, evaluations of the national economy (Lewis-Beck and Paldam 2000). Indeed, a sizable literature on the role of egocentric concerns in political attitudes has found that the link between personal economic circumstances and political support is more tenuous than many economic theories of self-interested utility maximization would predict (Mutz 1992; Sears and Funk 1990). These findings, which have been extended to analyses of people’s satisfaction with the performance of the political system (Lockerbie 1993), suggest that voters blame the government less for their personal economic difficulties than for failing to produce good economic outcomes for the country as a whole (Kinder and Kiewiet 1979, 1981). Thus, personal economic grievances are less connected to government action than collective ones.

One reason for the differences in egocentric and sociotropic effects lies in the relevance of an experience for the attitude it is supposed to affect. Unlike collective economic well-being, personal well-being has immediate consequences for people’s lives by affecting their ability to fulfill basic needs (Oishi, Diener, Lucas, and Suh 1999). If this relevancy argument holds, then we would expect that personal economic hardship should have a more powerful effect on how people view their personal situation than the

performance of political institutions. In other words, personal circumstances should influence judgments of one's personal situation more powerfully than evaluations of the political system, whereas judgments about the well-being of the collective should influence judgments of institutions that serve the collective; that is, sociotropic perceptions should more strongly influence political satisfaction than life satisfaction.³

Hypothesis 4: We hypothesize that there are differences in the size of the effect personal economic hardship has on how people view their own life and the functioning of the political system. In particular, we expect personal economic hardship to have a larger effect on life satisfaction than on satisfaction with the political system.

Hypothesis 5: We hypothesize that there are differences in the size of the effect evaluations of collective well-being have on how people view their own life and the functioning of the political system. In particular, we expect perceptions of national economic conditions to have a larger effect on satisfaction with the political system than on life satisfaction.

Analysis

³ Note that we do not seek to compare the effects of personal hardship and sociotropic judgments with each other. Instead, we are interested in comparing whether personal hardship has a bigger effect on life satisfaction than on political satisfaction (and whether evaluations of the national economy have a bigger effect on political satisfaction than on life satisfaction).

To examine the effects of individual economic hardship on personal and political attitudes, we utilized *Eurobarometer* surveys from 1994 (EB 42), which included random national samples of the mass publics in the member states of the European Union.⁴ Because the Eurobarometer surveys employ identically worded questionnaires, this dataset allows for a direct comparison of the effects of personal economic well-being across the dependent variables of interest and across a number of countries. For the purposes of this analysis, we define economic hardship as the actual (reported) experience an individual has as a participant in a market economy.⁵

Measuring different aspects of a person's economic well-being with the help of survey data is both a conceptual and an empirical challenge (Rosenstone, Hansen, and Kinder 1986). One major limitation of using survey data is the fact that personal well-being is not observed directly, but reported by respondents. Acknowledging this obvious shortcoming, we classify people who personally experience economic hardship in two specific ways that are both conceptually and empirically distinct. First, we consider economic losers from competition in one specific area of the economy—the labor market. Second, we focus on people who report having experienced difficulty with regard to their personal financial situation. This allows us to focus on what has happened (or is happening) to an individual in a specific market (the labor market) and in a more general way as a participant in the economy (with an eye toward a person's financial situation). These indicators also are useful for the purposes of our analyses because they allow us to measure both a reported

⁴ The national surveys involved about 1000 respondents per country (with the exception of Luxembourg with about 500); the entire data set thus yielded roughly 12,000 respondents from Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. This particular survey is one of only a few that have asked people specific questions about their job situation. It also is the most recent one available that includes questions about satisfaction with the performance of the democratic political system.

⁵ This defines hardship as an event that directly affects people's life circumstance and does not require people to project as to what might be (Dominitz and Manski 1997). Because projections are not easily compared across individuals (or countries for that matter), and because we are interested (for theoretical reasons) in examining whether the actual knowledge of what it is like to experience hardship affects people's attitudes, we focus on actual (reported) hardship here.

state of well-being (unemployment) as well as a *change* in individual economic well-being. This is important because people can experience a negative change in well-being without being unemployed, and vice versa (Rosenstone, Hansen, and Kinder 1986).

To categorize people's experience with economic hardship empirically, we used three different variables. One variable asked respondents about their employment status; those who said they were unemployed were coded 1, others 0.⁶ Another question asked respondents about changes in their job situation: "Compared to 12 months ago, your job situation now is ...? A lot better; a little better; stayed the same; a little worse; a lot worse?"⁷ Respondents who answered that their job situation was a little or a lot worse were scored 1, and 0 otherwise. Finally, we utilized a question that asked people: "Compared to 12 months ago, the financial situation of your household now is ...? A lot better; a little better; stayed the same; a little worse; a lot worse." If respondents said that their situation was a little or a lot worse, they were coded 1, and 0 otherwise.⁸ Thus, to maintain comparability across indicators and focus on the experience of personal economic hardship, all three indicators differentiate between respondents who had actually experienced hardship (that is, those who were unemployed or said that things had gotten worse) and those who had not (this category included all respondents who were either employed or said that things had gotten better or stayed the same).

Table 1 shows the distribution of these variables across the 12 countries included in this study. Several things stand out: First, significant proportions of Europeans report having experienced economic

⁶ Housewives were coded as working in the home (and thus were not classified as unemployed).

⁷ Some have cautioned that a time frame of 12 months may be beyond respondents' memories. However, a test of this proposition found little difference between those who are asked about more recent events (6 months) versus those who are given a 12-month frame of reference (cf. Rosenstone, Hansen, and Kinder 1986).

⁸ The bivariate (Pearson) correlation among the three items is as follows. Unemployment and negative changes in job situation: .18 ($p < .05$); unemployment and negative changes in financial situation: .08 (n.s.); changes in job situation and changes in financial situation: .24 ($p < .05$).

hardship. Over one quarter of all respondents report having encountered financial difficulties (27.9%), and almost one in four acknowledged that they had experienced a worsening of their job situation (22.5%). Finally, a smaller group of people (7.0%) reported that they were unemployed at the time of the survey. Taken together, these figures suggest to us that the experience of economic difficulty is not an isolated occurrence among European mass publics, and that financial difficulties are more commonly experienced than difficulties on the job or unemployment.

Second, the figures show significant variation across and among the countries, both in terms of the actual distributions of economic hardship and the distributions of types of economic difficulties people encounter. We find the largest number of reports of personal financial difficulties in France, Greece, and Portugal ($\geq 35\%$), and the smallest ones in Luxembourg and Denmark (about 15%). When we look at reports of worsening job situations, Greece stands out (38.7%), with the UK, Spain, Portugal, and the Netherlands following at around 25 to 27 percent. In stark contrast, only about ten percent of citizens in Ireland, Denmark, and Luxembourg reported having encountered a worsening of their job situation. Finally, self-reports of unemployment are highest in Spain and Germany, and most countries are in the 5-7 percent range (with the exception of Luxembourg at 2.4%).⁹

(Table 1 about here)

To analyze people's attitudes, we relied on questions gauging personal and political satisfaction. Life satisfaction was measured by responses to the following question: "On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead?" To measure people's attitudes

⁹ The percentage unemployed would be highest in East Germany if it were treated as a separate country. With the exception of Spain, where the percentage of unemployed usually has hovered around twenty percent over much of the last ten years, these numbers compare favorably to the officially recorded unemployment rates in these countries at the time.

toward the political system, we relied on a question that has been widely used to gauge people's satisfaction with the performance of the political system (cf. Fuchs, Guidorossi, and Svensson 1995): "On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the way democracy works in (name of country)?"¹⁰ This measure is located somewhere between diffuse and specific support and captures people's satisfaction with regime performance (Norris 1999).

Aggregate Level Effects

Are economic losers less satisfied with their lives and the political system than those who have not experienced economic hardship? Figures 1 and 2 as well as Tables 2 and 3 offer evidence at the aggregate level. To examine differences in satisfaction between economic losers and others, both overall and at the level of the country, we compared the satisfaction measures between those who had experienced difficulties and those who had not by combining the "very" and "fairly satisfied" answer categories and calculating the percentage in each category.

(Figures 1 and 2 about here)

Figures 1 and 2 show the differences in life and political satisfaction between citizens who had encountered economic hardship and those who had not (pooled sample). The figures show clearly that there was a gap in personal and political satisfaction between these two groups. The overall gap in life satisfaction was around 20 percent; it was slightly larger for those who had experienced changes in their job and their

¹⁰ The bivariate (Pearson) correlation between the two items is .26 ($p < .05$). For an in-depth discussion of the democracy satisfaction indicator and what it measures, see Fuchs, Guidorossi, and Svensson (1995); for a discussion of the life satisfaction indicator, see Diener (2000) and Diener, Suh, Lucas, and Smith (1999).

financial situation and somewhat smaller for the employed and unemployed. The gap in political satisfaction was slightly smaller but of a similar magnitude, with the exception of unemployed and employed citizens, where the overall gap was around 13 percent.

Tables 2 and 3 also show the different levels of personal and political satisfaction for each country included in the study. The results show that the gap in satisfaction existed independent of how personal economic hardship was defined and regardless of the general level of life satisfaction or support for the political system in the country. The satisfaction gap thus was remarkably consistent across the three different categories of economic hardship. There was no case where those who had experienced difficulties were more satisfied than others—regardless of the overall level of satisfaction that existed in a country (although Denmark came very close). Moreover, the levels of satisfaction were roughly the same for unemployed citizens, people who had experienced a worsening of their job situation, and those who had sustained financial losses. Taken together, these figures provide consistent aggregate-level evidence in favor of the argument that economic hardship is associated with lower levels of life satisfaction and satisfaction with the political system across all countries and different kinds of hardship examined.

(Tables 2 and 3 about here)

Multivariate Analyses of Economic Hardship and Satisfaction: Variables and Measures

To further test the claim that those who had encountered personal economic difficulties were less satisfied and to identify the precise individual-level impact of economic hardship on life and political satisfaction, we examined the effect of hardship on personal and political satisfaction once significant individual-level and cross-national differences were accounted for. We therefore estimated pooled multivariate models that included the different manifestations of economic hardship as independent variables alongside evaluations of the country's overall economic situation and individual-level demographic and

attitudinal controls frequently used in models of attitudes toward the political system and life satisfaction. The control variables included in the models were education, gender, social class, and political interest (descriptive statistics can be found in the appendix).

Evaluations of the National Economy

Any study focusing on the effects of personal economic hardship on citizen attitudes would be incomplete without including a variable measuring people's perceptions of the national economy. Because sociotropic perceptions frequently have been found to dominate economic influences on political attitudes, a true test of the validity of the personal economic hardship argument must control for economic perceptions that are independent of personal economic gains and losses. While there is a contention in the literature that egocentric assessments affect people's evaluations of the national economy (see Funk and Garcia 1997; Mutz 1992), we do not seek to address this debate here.

Correlation analyses show only modest associations of retrospective sociotropic evaluations and the personal economic hardship variables, ranging from .04 (unemployed), to .28 (job situation), and .36 (financial situation). The correlations do suggest, however, that it is prudent to include evaluations of the national economy in order to determine the unique contribution of personal economic well-being to explaining variation in the dependent variables. Respondents were asked: "Compared to 12 months ago, do you think that the general economic situation in this country now is ...?" A lot better; a little better; stayed the same; a little worse; a lot worse. The variable coding ranged from 1 (a lot worse) to 5 (a lot better).

Education, Gender, and Social Class

Consistent with earlier studies, individuals of high socio-economic status as well as men were expected to display higher levels of life and political satisfaction (Norris 1999; Diener, Suh, Lucas, and Smith 1999). Education was first measured as the year when a respondent stopped full-time education; this answer

was then recoded into a 10-point scale, ranging from 1 (low education) to 10 (high). Social class was the respondent's subjective social class membership, ranging from 1 (low social class) to 5 (high). Gender was measured by a variable differentiating men (0) from women (1).

Political Interest

An extensive literature has demonstrated that political interest is related to efficacy and political support (Almond and Verba 1965; Weatherford 1991). Citizens who understand the political process and believe their participation in it matters, are likely to have a more optimistic outlook on democratic governance and generally to be more efficacious. Respondents were asked: "To what extent would you say you are interested in politics: a great deal, to some extent, not much or not at all?" Because this variable simply was intended as a control, we hypothesized that political interest and satisfaction were positively related, conceivably in a relationship that is reciprocal. The connection between political interest and personal satisfaction is not necessarily obvious. If interest measures a more generally positive predisposition or motivation, we would expect a positive correlation with happiness. Regardless of the actual relationship, we chose to include political interest in both models to keep them strictly comparable.¹¹ Political interest was coded from 1 (low interest) to 4 (high interest).

Multivariate Individual-Level Results

Because the dependent variables were coded 0 and 1 (1=satisfied), we conducted a series of multivariate Logit models that regressed the satisfaction measures on the individual level variables (as well as country dummies) for the pooled sample.¹² Because of the heteroscedasticity frequently present in the kind of

¹¹ As it turns out, the variable's inclusion does not affect the substantive findings of the paper. To obtain estimations of life satisfaction without the political interest indicator, please contact the authors.

¹² There is virtually no difference in the results when we use an ordered MLE procedure. Given that the simple Logit procedure is more widely known, we report these effects. Interested readers can

data used here, we report robust standard errors (Greene 1993). The results of these analyses are shown in Tables 4 and 5.

(Tables 4 and 5 about here)

Hypotheses 1 and 2: The Impact of Hardship on Satisfaction

Hypotheses 1 and 2 posited that individuals who have experienced hardship are less satisfied with the performance of the political system and the way their life is going than those who have not. The chi-squared statistics of overall model fit in Tables 4 and 5 decisively reject the null hypothesis that life and political satisfaction are not driven by the variables we hypothesized above. Moreover, the results of the logistic regression analyses revealed that all three measures of economic hardship significantly affect both life and political satisfaction. Consistent with the aggregate-level differences, economic losers were significantly less satisfied with life and politics than those who had not experienced difficulties. The results also showed that these results were statistically highly significant even when important individual-level differences regarding social status, political interest, and perceptions of general economic conditions were controlled for in the multivariate model estimations. Taken together, then, the results strongly supported Hypotheses 1 and 2.

The control variables performed as hypothesized or turned out to be insignificant. High levels of political interest and social status, for example, were associated with significantly higher probabilities that people displayed both personal and political satisfaction. In contrast, education only had a significant effect on happiness, while gender did not achieve conventional levels of significance in any of the models. By far the strongest effect were found for people's evaluations of the national economy. Those who had a positive assessment of how the economy was doing also were much more likely to express satisfaction with their lives and the performance of the political system.

obtain the ordered MLE estimations by contacting the authors.

Hypothesis 3: The Separable Effects of Hardship

To test Hypothesis 3, namely that different sources of economic hardship have independent (i.e., separable) effects on attitudes about life and the political system, we estimated multivariate models of satisfaction identical to those shown in Tables 4 and 5, with one exception: This time we included all three economic hardship variables in an additive model. The hypothesis would be supported if all three had independent and significant effects on happiness and political satisfaction. The results are shown in Table 6.

The analysis strongly supported Hypothesis 3. Each variable measuring personal economic hardship had a separate—that is, independent and additive—effect on life satisfaction and evaluations of the political system. The coefficients were highly significant, both statistically and substantively (see below for more details), although they were somewhat attenuated compared to the results reported in Tables 4 and 5. Thus, the results suggest quite clearly that personal economic hardship is multidimensional, and that different kinds of hardship can have independent and additive effects on people’s attitudes.

(Table 6 about here)

Hypotheses 4 and 5: Differences in the Impact of Hardship on Life and Political Satisfaction

Hypotheses 4 and 5, finally, suggested that there should be differences in how much impact economic hardship and evaluations of the national economy have on how people view their own life and the functioning of the political system. In particular, we expected personal economic hardship to have a larger effect on life satisfaction than on political satisfaction. Moreover, we posited that perceptions of the national economy would have a larger effect on political satisfaction than on life satisfaction. To compare the differences in the impact of these variables, we calculated the changing probabilities of happiness and political satisfaction, depending on whether people had experience economic hardship or whether they evaluated the national

economy positively or negatively.

In the binomial Logit model, the marginal effects of regressors on response probabilities are not equal to the Logit coefficients. We therefore cannot directly compare the size of the coefficients for the economic hardship variables across models. Thus, to estimate substantive effects of the independent variables, we calculated how typical respondents' satisfaction with life and politics varied with people's experiences of economic hardship and evaluations of the national economy.¹³ The estimated probabilities of life and political satisfaction were based on the Logit coefficients obtained in the multivariate model estimations in Tables 4 and 5.¹⁴ The results are shown in Table 7.

(Table 7 about here)

When we calculated the changing probabilities for life satisfaction, we found that a typical respondent who had not experienced economic hardship had about a 90 percent chance of saying that they were very or highly satisfied (Table 7a). Using the Logit coefficients from Models 1, 2 and 3 (Table 4) to calculate the probabilities of being satisfied, we find that experiencing economic difficulties reduced the probability of expressing satisfaction with life by between 15 and 21 percent. Experiencing hardship in the form of unemployment reduced the probability of being satisfied with life by 21 percent from .87 to .66, whereas experiencing difficulties in their job situation decreased the probability of being satisfied from 88 percent to 72 percent. Finally, a difficult financial situation reduced the chances of life satisfaction from .89 to .74.

¹³ The typical respondent's initial probabilities of responding very or fairly satisfied to the questions about life and the performance of the political system reflect the evaluations of the average respondent; that is, with the independent variables held at their mean when calculating the marginal probability effect of a non-binary variable or their mode for binary variables (such as gender).

¹⁴ We also calculated the response probabilities using the results shown in Table 6. They lead to identical conclusions, though the probabilities of each economic hardship variable are slightly reduced. These results can be obtained from the authors.

Overall, economic hardship in the form of unemployment had the largest substantive impact on the probability of expressing satisfaction with one's life, whereas financial difficulties had the smallest effect.

We used the same procedure to calculate the substantive effects of economic hardship on political satisfaction (Table 7b). Using the Logit coefficients from Models 1, 2 and 3 in Table 5, we found that the effects of economic hardship on political satisfaction were substantial as well. Overall, economic hardship decreased the probability of being satisfied with the political system by around 10 percent. Unemployment reduced the probability of being satisfied with the performance of the political system from 74 to 62 percent, difficulties on the job lowered the chances of being politically satisfied by 10 percent (from .75 to .65), and experiencing financial difficulties diminished the chances of expressing satisfaction with the political system by 11 percent (from .76 to .65). Taken together, then, the results thus strongly supports Hypothesis 4.

The changing probabilities of life and political satisfaction as a function of people's perceptions of the national economy were consistent with Hypothesis 5 as well. Moving from the most positive to the most negative evaluation of the national economy reduces the probability of being satisfied with one's life by between 23 to 39 percent; in contrast, it reduces people's satisfaction with the performance of the political system by between 38 and 51 percent. This also is consistent with the differences in the size of the coefficients for economic perceptions reported in Tables 4, 5, and 6. Thus, perceptions of national economic conditions had a larger effect on satisfaction with the political system than on life satisfaction.

Conclusions

The research reported here was designed to answer several questions: First, we sought to compare the consequences of economic hardship for how people view their own lives and the political system in which they live. Second, we posited that different kinds of hardship have independent effects on people's attitudes; that is, that different manifestations of economic well-being can be separated conceptually and empirically. Finally, we hypothesized that the effect of economic hardship would be greater on life satisfaction than on

political satisfaction, and that the reverse would be true for evaluations of the national economy. The individual-level and aggregate-level results consistently supported our propositions.

The analyses showed that economic hardship that is personally experienced is politically and psychologically relevant. Yet, they also showed that hardship that is personally experienced has a stronger impact on how people feel about their own lives. Thus, the results provide testimony for the view that people are influenced by the experiences they have and hardships to which they are exposed. Moreover, they suggest that analyses that fail to take the multidimensional nature of economic difficulties into account are likely to miss both the cumulative and independent effects different kinds of experiences people have as participants in the economy. As a consequence, such analyses are likely to underestimate the total impact of people's personal economic situation on political behavior. We would suggest that future analyses of economic voting, for example, conceptualize, measure, and estimate the multidimensional nature of personal economic well-being on electoral behavior.

The analyses presented here also build on the growing linkages between research on the consequences of personal hardship and research on political attitudes (e.g., Jennings 1999; Mutz 1998). Extending these linkages is likely to produce important insights about the nature of mass beliefs in modern democracies. Understanding how and why people think about politics and their personal lives requires focusing on the particular and different experiences they have. In particular, personal experiences as participants in the market economy appear to be useful referents because these are directly related to outcomes produced by democratic contests and market competition. Although such experiences may well be affected by what people hear and know about others, we also would argue that personal experiences are the most direct and only truly exogenous way of linking people's lives with attitudes about self, polity, and society.

Finally, the research presented here adds to a growing literature that examines the linkage between economics and attitudes people have about their own lives. Specifically, it bridges the areas of political

behavior and psychological research on subjective well-being. However, by doing so and focusing mostly on the individual level as an important first step, it did not address the question of why there may be cross-national differences in the effects of economic difficulties on people's attitudes, nor did it investigate the determinants of why people encounter economic difficulties in the first place. We would like to suggest that future research address these and related questions.

Appendix: Descriptive Statistics

VARIABLE	Minimum	Maximum	Mean	Std. Dev.
Life satisfaction	0	1	.82	.39
Political satisfaction	0	1	.57	.49
Unemployed	0	1	.06	.25
Job situation	0	1	.21	.41
Financial situation	0	1	.27	.44
Education	1	10	4.96	3.23
Gender	0	1	.50	.50
Social class	1	5	2.34	1.46
Interest in politics	1	4	2.36	.92
Sociotropic economic perceptions	1	5	2.89	1.00

Source: Eurobarometer 42 (Nov./Dec. 1994). ICPSR Study No. 6518.

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Table 1. Incidence of Personal Economic Hardship in 12 European Democracies, 1994

Country	Financial Difficulties (%)	Job Difficulties (%)	Unemployed (%)
Belgium	23.1	16.0	7.8
Denmark	16.8	10.7	9.0
France	36.8	21.1	5.0
Germany	24.9	21.1	9.5
Greece	43.4	38.7	5.7
Italy	22.5	22.4	5.2
Ireland	20.6	11.6	6.8
Luxembourg	14.1	13.3	2.4
Netherlands	31.4	25.2	6.3
Portugal	34.8	27.5	4.9
Spain	30.2	27.1	9.5
United Kingdom	31.1	28.6	7.1
Total Population Avg.	27.9	22.5	7.0
N	13,063	10,853	13,048

Source: Eurobarometer surveys (Nov./Dec. 1994).

Table 2. Life Satisfaction and Personal Economic Hardship in 12 European Democracies, 1994

Country	Unemployed		Job Difficulties		Financial Difficulties	
	No (% satisfied)	Yes	No (% satisfied)	Yes	No (% satisfied)	Yes
Belgium	<i>86.9</i>	58.8	<i>88.3</i>	62.6	<i>90.6</i>	64.7
Denmark	<i>96.8</i>	91.0	<i>97.4</i>	90.3	<i>97.1</i>	92.8
France	<i>77.9</i>	50.0	<i>80.8</i>	57.5	<i>83.2</i>	64.8
Germany	<i>86.7</i>	48.5	<i>85.7</i>	63.2	<i>86.9</i>	64.9
Greece	<i>51.8</i>	40.4	<i>58.9</i>	38.8	<i>61.6</i>	37.2
Italy	<i>89.1</i>	58.2	<i>81.2</i>	61.2	<i>81.8</i>	60.9
Ireland	<i>89.7</i>	73.5	<i>91.8</i>	69.8	<i>92.3</i>	73.6
Luxembourg	<i>95.7</i>	75.0	<i>98.1</i>	83.0	<i>96.8</i>	86.8
Netherlands	<i>94.8</i>	62.5	<i>95.5</i>	85.2	<i>96.2</i>	85.5
Portugal	<i>71.2</i>	49.0	<i>78.5</i>	54.9	<i>80.2</i>	50.7
Spain	<i>72.6</i>	46.8	<i>79.0</i>	51.8	<i>79.9</i>	53.3
United Kingdom	<i>89.3</i>	71.3	<i>91.0</i>	80.7	<i>90.9</i>	81.6
Total Population	<i>82.5</i>	60.9	<i>86.1</i>	63.1	<i>87.3</i>	65.0

Source: Eurobarometer surveys (Nov./Dec. 1994). Higher values are depicted in italics.

Table 3. Political Satisfaction and Personal Economic Hardship in 12 European Democracies, 1994

Country	Unemployed		Job Difficulties		Financial Difficulties	
	No (% satisfied)	Yes	No (% satisfied)	Yes	No (% satisfied)	Yes
Belgium	<i>60.4</i>	44.2	<i>63.3</i>	45.5	<i>64.4</i>	44.7
Denmark	<i>84.0</i>	76.5	<i>87.4</i>	70.7	<i>86.3</i>	71.3
France	<i>58.1</i>	46.4	<i>61.9</i>	44.9	<i>64.3</i>	50.0
Germany	<i>56.4</i>	31.8	<i>59.5</i>	38.4	<i>60.8</i>	40.0
Greece	<i>32.2</i>	26.6	<i>35.3</i>	24.4	<i>38.2</i>	23.8
Italy	<i>26.2</i>	14.5	<i>29.4</i>	18.7	<i>28.7</i>	16.8
Ireland	<i>69.1</i>	58.5	<i>74.6</i>	50.6	<i>74.8</i>	57.4
Luxembourg	<i>86.1</i>	70.6	<i>85.5</i>	71.7	<i>86.9</i>	79.4
Netherlands	<i>69.7</i>	56.6	<i>70.6</i>	61.0	<i>72.4</i>	52.5
Portugal	<i>50.3</i>	34.7	<i>59.2</i>	23.7	<i>57.1</i>	33.0
Spain	<i>37.2</i>	32.2	<i>37.3</i>	28.8	<i>41.0</i>	21.2
United Kingdom	<i>52.4</i>	41.1	<i>58.0</i>	44.7	<i>59.3</i>	41.1
Total Population	<i>55.5</i>	42.3	<i>60.3</i>	39.1	<i>61.5</i>	40.6

Source: Eurobarometer surveys (1994). Higher values are depicted in italics.

Table 4. Logit Models of Life Satisfaction in 12 European Democracies: Pooled Model Estimates

Independent Variable	Model 1 Employment	Model 2 Job Situation	Model 3 Financial Situation
Economic hardship (high=experienced hardship)	-1.195*** (.085)	-1.077*** (.061)	-1.076*** (.057)
National economic performance (high=better)	.452*** (.028)	.320*** (.031)	.271*** (.030)
Education (high=educated)	.038*** (.009)	.026** (.010)	.030*** (.009)
Gender (high=female)	-.053 (.052)	-.085 (.057)	-.086 (.053)
Social class (high=high social class)	.314*** (.028)	.336*** (.030)	.320*** (.028)
Interest in politics (high=interested)	.086** (.031)	.084** (.033)	.102** (.031)
Log Likelihood	-4942.938	-4170.156	-4825.859
% correct	83.1	83.3	83.3
Pseudo R ² (Nagelkerke)	.16	.17	.18
Model chi-square (d.f.)	1422.43 (17)	1294.79 (17)	1518.02 (17)
N	12,481	10,620	12,400

Table 4 Continued: Country Effects

Independent Variable	Model 1 Employment	Model 2 Job Situation	Model 3 Financial Situation
Belgium	.144 (.120)	.078 (.125)	.080 (.120)
Denmark	1.379*** (.192)	1.349*** (.211)	1.243*** (.191)
Germany	-.109 (.095)	-.174 (.101)	-.185 (.095)
Greece	-1.505*** (.103)	-1.379*** (.113)	-1.474*** (.105)
Italy	-.471*** (.110)	-.483*** (.119)	-.571*** (.111)
Ireland	.350** (.135)	.344** (.152)	.334** (.135)
Luxembourg	1.251*** (.252)	1.396*** (.302)	1.306*** (.268)
Netherlands	1.071*** (.159)	1.182*** (.190)	1.154*** (.159)
Portugal	-.553*** (.112)	-.468*** (.126)	-.528*** (.113)
Spain	-.571*** (.109)	-.596*** (.115)	-.658*** (.110)
United Kingdom	.598*** (.119)	.723*** (.126)	.642*** (.122)
Constant	-.531*** (.137)	.017 (.151)	.250 (.146)

Notes: Standard errors in parentheses; ***: $p < .001$; **: $p < .01$; *: $p < .05$; significance tests are two-tailed. France is the reference category.

Table 5. Logit Models of Political Satisfaction in 12 European Democracies: Pooled Model Estimates

Independent Variable	Model 1 Employment	Model 2 Job Situation	Model 3 Financial Situation
Economic hardship (high=experienced hardship)	-.558*** (.083)	-.495*** (.056)	-.529*** (.049)
National economic performance (high=better)	.536*** (.022)	.492*** (.024)	.460*** (.023)
Education (high=educated)	.003 (.007)	-.0002 (.007)	.001 (.007)
Gender (high=female)	-.033 (.041)	-.031 (.045)	-.040 (.042)
Social class (high=high social class)	.101*** (.021)	.093*** (.023)	.098*** (.021)
Interest in politics (high=interested)	.072** (.024)	.083*** (.026)	.080*** (.024)
Log Likelihood	-7171.638	-6060.04	-7090.036
% correct	69.4	70.0	69.6
Pseudo R ² (Nagelkerke)	.15	.15	.15
Model chi-square (d.f.)	1930.33 (17)	1672.32 (17)	1970.50 (17)
N	12,311	10,482	12,235

Table 5 Continued: Country Effects

Independent Variable	Model 1 Employment	Model 2 Job Situation	Model 3 Financial Situation
Belgium	-.503*** (.092)	-.524*** (.097)	-.559*** (.093)
Denmark	.475*** (.106)	.539*** (.117)	.408*** (.106)
Germany	-.867*** (.075)	-.849*** (.081)	-.901*** (.075)
Greece	-1.530*** (.094)	-1.528*** (.102)	-1.522*** (.096)
Italy	-2.060*** (.095)	-2.016*** (.102)	-2.102*** (.096)
Ireland	-.233** (.098)	-.254** (.109)	-.254** (.099)
Luxembourg	.789*** (.160)	.617*** (.173)	.748*** (.161)
Netherlands	-.264** (.092)	-.134 (.107)	-.240** (.092)
Portugal	-.773*** (.094)	-.753*** (.103)	-.773*** (.095)
Spain	-1.426*** (.094)	-1.448*** (.098)	-1.475*** (.094)
United Kingdom	-.741*** (.084)	-.684*** (.089)	-.750*** (.085)
Constant	-.924*** (.108)	-.723*** (.120)	-.585*** (.114)

Notes: Standard errors in parentheses; ***: $p < .001$; **: $p < .01$; *: $p < .05$; significance tests are two-tailed. France is the reference category.

Table 6. Logit Models of Life and Political Satisfaction in 12 European Democracies

Independent Variable	Model 1 Life Satisfaction	Model 2 Political Satisfaction
Employment (high=unemployed)	-.964*** (.093)	-.456*** (.090)
Job situation (high=experienced difficulty)	-.634*** (.069)	-.283*** (.061)
Financial situation (high=experienced difficulty)	-.811*** (.067)	-.440*** (.057)
National economic performance (high=better)	.223*** (.033)	.444*** (.025)
Education (high=educated)	.023* (.010)	.001 (.008)
Gender (high=female)	-.086 (.058)	-.033 (.045)
Social class (high=high social class)	.301*** (.031)	.070** (.023)
Interest in politics (high=interested)	.076* (.034)	.085*** (.026)
Log Likelihood	-4018.880	-5979.042
% correct	83.7	70.2
Pseudo R ² (Nagelkerke)	.20	.16
Model chi-square (d.f.)	1482.65(19)	1728.22(19)
N	10,558	10,422

Table 6 Continued: Country Effects

Independent Variable	Model 1 Life Satisfaction	Model 2 Political Satisfaction
Belgium	.057 (.128)	-.551 (.098)
Denmark	1.436*** (.216)	.543*** (.117)
Germany	-.129 (.104)	-.848 (.081)
Greece	-1.455*** (.115)	-1.553*** (.103)
Italy	-.584*** (.120)	-2.054*** (.102)
Ireland	.405** (.160)	-.251** (.110)
Luxembourg	1.378*** (.313)	.582*** (.176)
Netherlands	1.149*** (.188)	-.143*** (.108)
Portugal	-.542*** (.129)	-.780*** (.105)
Spain	-.639*** (.118)	-1.465*** (.099)
United Kingdom	.679*** (.128)	-.711*** (.090)
Constant	.666*** (.164)	-.411 (.126)

Notes: Standard errors in parentheses; ***: $p < .001$; **: $p < .01$; *: $p < .05$; significance tests are two-tailed. France is the reference category.

Table 7. Changing Probabilities of Life And Political Satisfaction as a Function of Economic Hardship and Perceptions of the National Economy

A. Life Satisfaction

	Model 1				Model 2				Model 3			
	Unemployed		Economy		Job Difficulties		Economy		Financial Difficulties		Economy	
	No	Yes	(+)	(-)	No	Yes	(+)	(-)	No	Yes	(+)	(-)
	.87	.66	.80	.41	.88	.72	.80	.53	.89	.74	.81	.58
Difference	.21		.39		.16		.27		.15		.23	

B. Political Satisfaction

	Model 1				Model 2				Model 3			
	Unemployed		Economy		Job Difficulties		Economy		Financial Difficulties		Economy	
	No	Yes	(+)	(-)	No	Yes	(+)	(-)	No	Yes	(+)	(-)
	.74	.62	.63	.25	.75	.65	.66	.26	.76	.65	.75	.24
Difference	.12		.38		.10		.40		.11		.51	

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