Lost in transition, found in recession? Satisfaction with democracy in Central Europe before and after economic crises

Klára Vlachová

Institute of Sociology CAS, Praha, Czech Republic

ARTICLE INFO

Article history:
Available online 3 August 2019

Keywords:
Satisfaction with democracy
Satisfaction with economy
Trust in parliament
Central Europe

ABSTRACT

For decades, research on democracy has produced evidence that the peoples of countries in Central Europe are less satisfied with the way democracy works in their countries than people in Western Europe. Using the data from the European Social Survey (ESS) I explore, how satisfaction with the way democracy works (SWD) changed in these countries between 2004 and 2014 and test the impact of satisfaction with the present state of the economy and trust in parliament on SWD. Results of the analysis reveal that people in Central Europe are still less satisfied with the democratic performance on average than people in Western Europe, but their satisfaction is on the rise especially in countries where the economy performs well, economic performance brings better standard of living, and people share a sense of economic optimism. Results also suggest that in countries where economic optimism is low, political evaluations of "crises in democracy" may play a larger role in explaining satisfaction with democratic performance.

© 2019 The Regents of the University of California. Published by Elsevier Ltd. All rights reserved.

1. Introduction

For 25 years, research on democracy has routinely produced evidence that citizens of countries in Central and Eastern Europe show the highest levels of dissatisfaction with the way democracy works in their countries (Karp and Milazzo, 2015). These countries have undergone triple or quadruple transitions of economy, regime, state institutions, and nationality issues in the last quarter of century (Ofle, 1991; Kuzio, 2001; Tomini, 2014). And, according to Agh (2015), they underwent a triple crisis - a transformation crisis in the early nineties; a post-EU-accession crisis in the mid-2000s; and a global economic crisis in the late 2000s. In May 2004 five Central European states (Czechia, Hungary, Poland, Slovakia and Slovenia) and three Baltic states (Estonia, Latvia and Lithuania) became members of the European Union and they were soon put under immense pressure. Politicians, experts and the public expected that political and economic integration in the European Union would positively influence the quality of and satisfaction with democracy as well as the economic performance and standard of living in new member states (Cameron, 2003; Kolarska-Bobinska, 2003; Tverdova and Anderson, 2004). Soon, however, they faced the effects of the financial crisis of 2007–2008, the great recession of 2008–2012, and, in some countries, a real estate market crisis as well. And they also watched democracy lose ground in the West (Foá and Mounk, 2016).

Economic crises have not affected all countries of Central Europe equally and countries also varied in the degree to which they were interconnected with political crises. A number of authors have published critical analyses of the sustainability of political change in these countries, the decline of democratic practices, disappearing democracy, and the crisis of democracy.
(Ágh, 2013, 2016, 2017, Bogaards, 2018, Brusis, 2016, Cianetti et al., 2018, Epstein and Jacoby, 2014, Merkel, 2014, Rupnik and Zielonka, 2013, Tomini, 2014). Special attention has been paid especially to Hungary and Poland. Citizens of Visegrad countries, Slovenia, and Estonia have been, however, critical to their democracies as well — they rated their democracies significantly worse than did people in the West (Fig. 1). van der Meer and Hakhverdian (2017) argue that a functioning democracy also benefits from healthy scepticism and Matthes (2016) argues that the criticized phenomena (fragility of governments, restructuring of party systems, decline of party membership and voter turnout, and constitutional changes) are not necessarily indicators of a crisis of democracy, but of a crisis in democracy. Merkel (2014) doubts whether one can speak of a crisis of democracy when the majority of a population does not perceive it. He reminds us that “democracy is a contested concept” and we can distinguish between three models of democracy: minimalist, proceduralist and maximalist. The answer to the question of whether there is a crisis of democracy depends on the preferred model of democracy (Merkel, 2014, 10—11).

A good democracy is thus first and foremost a broadly legitimated regime that satisfies citizens (Morlino, 2016), and people’s opinion sometimes contradicts expert judgements on developments in democracies.

Researchers into democracy and democratization assume that satisfaction with the functioning of democracy is crucial to the legitimacy of the political system. While in many old democracies of Western Europe satisfaction with the functioning of democracy declines as a result of dissatisfaction with the economy and governments’ inability to solve the economic crises coming after 2008 (Torcal, 2014, Morlino and Piana, 2014, Cordero and Simón, 2016, Magalhães, 2016, Foa and Mounk, 2016), in several new democracies of Central Europe and the Baltic satisfaction with democratic performance is growing significantly (Fig. 2). Before the revolutions in 1989, countries of Central Europe and the Baltic (Czechia, Hungary, Poland, Slovakia, Slovenia and Estonia) were poor dictatorships (or parts of one), though they were the richest countries in the Eastern bloc. The living standards of their populations were not high and only a few countries crossed the critical threshold for sustaining democracy - GDP per capita of USD 6055 (Przeworski, 2004) - in the 1980s.

The populations of these countries reacted to the collapse of the dictatorships with a “revolution of high expectations” and under the label of democracy they expected not only civil freedoms and free, fair and secret elections, but also a Western standard of living and welfare state “overnight” (Ágh, 2013). In most of the new democracies in Central Europe, living standards rose, but still lagged behind the standard of living of the populations of old democracies (Abbott and Wallace, 2012; Kornai, 2006). After 2014, only in Slovenia, Czechia, Estonia, and Slovakia was GDP per capita higher than in Greece and Portugal (Fig. 3), where the transition to democracy occurred in the 1970s. Along with Romania and Lithuania, Czechia, Poland and Slovakia were among the European Union’s fastest growing economies in 2017 (Myers, 2016; Johnstone, 2017).

2. The impact of economic crises in Central Europe

The impact of the economic crises that came after 2008 differ from country to country in Central Europe. Slovenia, Estonia and Hungary have been the most heavily affected countries. Slovenia witnessed an economic boom between 2004 and 2007. The boom was based on a large-scale growth of credit, acquired by Slovenian banks from abroad, and directed towards the domestic corporate sector, particularly towards the overheating construction sector. After 2004 came a change in monetary policy, a direct consequence of the process of adoption of the euro. As soon as Slovenia entered the EU Exchange Rate Mechanism II it had to peg the tolar to the euro. The pegged exchange rate ruled out the possibilities of central bank policies aimed at controlled depreciation or prevention of the appreciation of the tolar. The possibility of facilitating exports by means of nominal devaluation was thus ruled out. After 2007, Slovenia was forced to issue its debts in a currency that was beyond its control, which made the country much more dependent on the caprices of international financial markets. Soon, after the export sector started to lag behind in terms of competitiveness, the current account deficit started to rise (Furlan, 2014), as did

![Fig. 1. How democratic do you think [country] is overall?](http://online.ucpress.edu/cpcs/article-pdf/5338/cpcs_52_3_227.pdf)
unemployment (Fig. 4). Slovenia never really made the transition from socialism to the free market. State companies largely remained in public hands, or with a vague ownership structure (Stojanovic, 2012).

The financial crisis of 2008 had a grave effect on the Estonian economy, primarily as a result of an investment and consumption slump that followed the bursting of the real estate market bubble that had been building up during the preceding years. Estonia had the EU’s worst year for unemployment, which rose from 3.9% in May 2008 to 15.6% in May 2009. Nevertheless, it recovered fairly quickly from the crisis and switched to the euro at the end of 2010. In recent years, Estonia has been generating sustainable economic growth and unemployment is falling (Fig. 3). The recovery was boosted by a policy of austerity: the general state budget was cut, the number of public employees was reduced, and salaries in the public sector were reduced as well. Another important factor was the significant financial influx from European structural and cohesion funds, foreign investment and exports to EU countries (Kraus, 2013).

Hungary had already started to experience economic and budgetary troubles before the crisis in the EU began, due to domestic governance failures in the 1990s and early 2000s. The high level of foreign currency debt taken out by corporations and individuals proved devastating in Hungary (Valentinyi, 2012). Declining exports, reduced domestic consumption and fixed asset accumulation hit Hungary hard during the financial crisis of 2008, taking the country into a severe recession. After the election in 2010 of the new Fidesz government of Prime Minister Viktor Orbán, Hungarian banks were forced to allow the conversion of foreign-currency mortgages to the forint (Rao and Peto, 2015). The economy showed signs of recovery from 2011 with decreasing tax rates, moderate GDP growth and a decrease in unemployment after 2014.

Czechia was affected by the economic crisis mainly due to its high level of economic openness and its dependence on exports, but in comparison to other European countries such as Greece, Ireland, Spain, or Slovenia these effects have been relatively mild. After several years of growth, the Czech economy slowed down markedly in 2008, and entered into quite a sharp recession in the fourth quarter of 2008. Czechia largely avoided the problems associated with the mortgage and housing bubble as well as its accompanying artificial boom in the construction industry, and also the fact that even though the Czech budget deficit is relatively high, its overall debt is low in comparison to that of other European states. Between 2013 and 2017, general economic policies of the government leading to sustainable economic growth and transition through economic recession were supported by the Czech National Bank, which used foreign exchange interventions as a tool for countering deflation risks. The economic policies led to a sharp decrease in unemployment (Fig. 4).

Slovakia experienced low economic growth during 1999–2000. This confirmed the need for major economic reforms. Preparations began quickly, but implementation proved not such an easy task. The centre-right coalition made use of its second term to make far-reaching reforms in the country and its economy. The main reforms included public finance, public administration and tax reforms (its symbol was the implementation of a flat tax rate of 19%). More stable confirmation of the positive effects of reforms started to be visible, particularly after 2004 – GDP growth increased and unemployment decreased (Buček, 2010). The average rate of Slovak unemployment is, however, well above the majority of European countries (Machlica et al., 2014). On 1 January 2009, Slovakia was the first Central European state to join the Eurozone, and is currently the fastest developing country in the European Union. These achievements have been possible thanks to a consistent economic policy, and in particular the implementation of liberal economic reforms, investor-friendly legislation and effective measures towards adopting the euro (Dąborowski, 2009).

When the crisis struck most of the developed world in 2008, Poland stood out among its neighbours as the only country that maintained positive economic growth, albeit at a slower pace than in preceding years. The unemployment rate fell from double digits to a single digit level during the years of economic crises (Fig. 4). Poland’s competitiveness has traditionally relied, according to national strategies for development and policymakers, on attracting foreign investment. Relatively low dependency on exports, the resilience of the financial sector and continuing public spending explain why the crisis was not so deep in Poland (Orlowski, 2012).
3. Perceptions of economy and SWD

The economy is one of the strongest and most consistent factors of the emergence and survival of democracy (Przeworski, 2004; Geddes, 2007). Democracies are unlikely to be established in poor countries; they are more likely to emerge in countries at middle-income levels and survive in developed countries. “The more well-to-do a nation, the greater the chances it will sustain democracy” (Lipset, 1959: 56). Strong economic performance can help to promote democratization and democratic values (Karp and Milazzo, 2015, Neundorf, 2010) while bad economic performance may strongly erode people’s opinion of the functioning of democracy (Quaranta and Martini, 2016).

Linde and Ekman (2003: 396–397) argue that satisfaction with the functioning of democracy 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. Good performance increases the regime’s legitimacy, while poor performance makes the public less satisfied with the regime. The regime’s legitimacy is largely determined by its effectiveness in delivering goods to the public. Although people do not look exclusively at economic issues, they generally weigh the economic performance of the government more heavily than its performance in any other sphere (Lewis-Beck and Stegmaier, 2000, 2007).

Many authors (Clarke et. al, 1993, Dalton, 1994) found, however, that macro-economic indicators are only weakly associated with satisfaction with the way democracy works. The economic performance model has only a marginal role in predicting trends in political support (Quaranta and Martini, 2016). Hard macro-economic indicators (GDP, unemployment rate, average income and wages, inflation, etc.) are often lagging (output-oriented) indicators — signs that become apparent after a large economic shift has taken place. They lag behind people’s feelings about their jobs, income, consumption, debts, savings, rising markets, and the strength of the national economy. Individual economic conditions like unemployment or income appear to have some effect. However, they are not the most relevant explanations of political perceptions either (Torcal, 2014). This is the reason for using “feelings-based” measures as an indication of trends in economy. Feelings-based
measures anticipate whether things are getting better or worse because individuals evaluate their past, current and future circumstances (Christmann and Torcal, 2017).

4. Political trust and SWD

Political support is affected by people’s feeling about the economy. However, feelings about the economy are not the only factor that counts (Christmann and Torcal, 2017). Recent studies on democracy and trust in democratic political institutions have witnessed a disillusionment with the results of democracy in practice in ‘old’ as much as in ‘new and emerging’ democracies. Distrust in democratic political institutions - national parliaments, governments, political parties, and politicians - is due to the fact that they are unresponsive to citizens’ demands. They respond more to the demands of supranational and international institutions than to citizens’ needs (Alesina and Wacziarg, 2000; Armingeon and Guthmann, 2014; Torcal, 2014). During and after the economic crises, political institutions in Czechia, Slovakia, Slovenia, and Hungary were affected rather by internal problems - corruption scandals of governments, early elections, voters’ realignments, and restructuring of party systems (Brusis, 2016 Matthes, 2016) — than the demands of supranational and international institutions.

The most important institutions of democracies are parliaments. They are the supreme legislative bodies, set state budgets, and function as the support base of governments as they decide on government policies (Holmberg et al., 2017). As the elected bodies they represent the conflicting interests and expectations of different groups and communities in a society (Beetham, 2006, 1). They should embody the will of the people in government, carry all their expectations that democracy will be truly responsive to their needs and help solve the most pressing problems that confront them in their daily lives. People’s dissatisfaction with the way parliaments regulate their lives or refrain from regulation decreases their trust in the parliament, and their satisfaction with democracy. Trust in parliament is a subjective evaluation of a relationship between citizen and the state institution (van der Meer, 2010).

5. Framework of analysis and data

In this study I will compare satisfaction with the way democracy works in five Central European countries — Czechia, Hungary, Poland, Slovakia, Slovenia, and Estonia in 2004, when they became members of the European Union, and ten years after. Unlike studies of SWD which lump Central and Eastern European countries together (for example: Kriesi, 2018), I will analyse changes in SWD in Czechia, Hungary, Poland, Slovakia, Slovenia and Estonia separately. As I mentioned before, their economic and political developments were very different between 2004 and 2014. I will explore how public perceptions of the economy and trust in parliament affected satisfaction with the way democracy works in these six countries. People who are more dissatisfied with the way democracy works in their country tend to be younger, highly educated, well-informed, politically interested and active (Klingemann et al., 2006, Dahlberg et al., 2015). Assumptions based on old Western democracies, however, might be invalid in the newer democracies of Central Europe. After 1989, groups of people who had benefited from the Communist regimes became disillusioned with the functioning of democracy (Kornai, 2006; Neundorf, 2010). SWD has been higher among people who are younger, higher-educated, politically interested and rather right-wing oriented, and adjusted to the free market environment (Neundorf, 2010; Waldron-Moore, 1999). Many authors have argued that a generational replacement is necessary to establish democratic attitudes in CE countries (Dalton, 1994; Finkel et al., 2001; Klingemann et al., 2006; Mishler and Rose, 2007).

Cross-national comparative surveys provide us an opportunity to measure SWD across countries (Linde and Ekman, 2003). For the analysis of developments in political support in four Central European countries (Czechia, Hungary, Poland, and Slovenia), and one Baltic country (Estonia) - we used the ESS Round 2, 2004 and ESS Round 7, 2014 data. The analysis for Slovakia was performed on the ESS Round 2, 2004 and ESS Round 6, 2012 data. ESS Round 7, 2014 was not collected in Slovakia. Our explained variable is measured by the question: “And on the whole, how satisfied are you with the way democracy works in [country]?” (0 = Extremely dissatisfied, 10 = Extremely satisfied). As SWD is an individual-level measure, we utilized individual-level explanatory variables in our analysis: satisfaction with the present state of the economy (0 = Extremely dissatisfied, 10 = Extremely satisfied) and trust in parliament (0 = No trust at all, 10 = Complete trust). Cutler, Nuesser, and Nyblade (2013) argue that satisfaction with the way democracy works (SWD) is the measure that should be used as an indicator of subjective judgments of the quality of democracy. Our control variables included feeling about one’s household income (0 = Difficult + very difficult on present income, 1 = Living comfortably + coping with present income), voting in the last national election (0 = No, 1 = Yes), education (0 = other, 1 = tertiary), age (years), gender, and ESS Round (0 = Round 2, 1 = Round 6 for Slovakia, Round 7 for the other countries).

6. Results

Results of the descriptive analysis show that in Czechia, Slovakia and Poland satisfaction with the way democracy works increased significantly between 2004 and 2014. No significant difference between the levels of SWD in 2004 and 2014 was
found in Estonia and Hungary, and a significant decrease occurred in Slovenia (Table 1). A significant increase of satisfaction with the present state of the economy occurred in Czechia, Estonia, Hungary, Poland and Slovakia. As concerns trust in parliament, the data confirm a significant increase in Czechia, Estonia, Hungary and Poland, suggesting a change of the relationship between citizens and the core institution of a democratic state. A significant improvement of SWD occurred mainly in countries least affected by the economic crisis (Czechia, Slovakia, and Poland), where political institutions were able to react to changes in the economy before and during the crises and to implement proper policies to cope with economic and social difficulties. It is worth noting that positive changes in economic perceptions occurred also in Estonia and Hungary. The complete outlier is Slovenia, recording a significant decrease in SWD, satisfaction with the present state of the economy, and trust in parliament.

In order to test whether the effects of satisfaction with the present state of the economy and political trust on SWD had increased over time, we carried out OLS regressions for each country controlling for voting in last elections, gender, age, education and ESS Round (Table 2). Adding to the regression models interaction terms between satisfaction with the present state of the economy and ESS Round, and between trust in parliament and ESS Round, allowed us to test whether the relationship between SWD and satisfaction with the present state of the economy and/or trust in parliament was different in 2014 (2012 in Slovakia) than in 2004.

Standardized Beta coefficients in all six models show that the effects of satisfaction with the present state of the economy and trust in parliament are significant predictors of SWD. Satisfaction with the present state of the economy is, however, a stronger predictor of SWD than trust in parliament in all countries. The presence of significant interaction terms between satisfaction with the present state of the economy and ESS Round indicate that the effect of satisfaction with the economy differs between 2004 and 2014 (2012 for Slovakia) in Czechia, Hungary, Poland, Slovakia, and Slovenia. People obviously linked economic development with democratic performance in these five out of six countries. In Czechia and Poland, the interaction term of satisfaction with the present state of the economy and ESS Round is positive, which means that the effect of economic perceptions on SWD increased in 2014. In Hungary, Slovakia, and Slovenia, it is negative — the effect of economic perceptions on SWD decreased in 2014. Significant interaction terms of trust in parliament and ESS Round were indicated in the models for Estonia, Poland, and Slovenia. In Estonia, the effect of political perceptions on SWD increased while in Poland and Slovenia, it decreased in 2014. It is worth noting that in Hungary, which has been the most often discussed example of decline of democratic practices, the effect of the interaction terms between trust in parliament and ESS Round is insignificant.

It means that political perceptions had the same effect on SWD in 2004 and 2014 in Hungary.

The control variables make a small contribution to the explained variation in SWD in all models. Nevertheless, the contribution of two control variables — feelings about one’s household income and age — to SWD explanation is worth noting. In all three countries that experienced significant economic improvements between 2004 and 2014 (Czechia, Poland, and Slovakia), SWD was positively affected not only by general economic perceptions but also by feelings about one’s household income. Respondents’ perceptions that their households economically benefited in the democratic political system contributed to SWD along with their positive economic perceptions and political trust. In three countries (Czechia, Estonia, and Slovakia), SWD was also significantly affected by age. Younger respondents evaluated the performance of democracy more positively than older respondents. While generational differences in perceptions of the quality of democracy persist in three countries, they seem to be erased in the other three. The question is for how long. The millennial generations born 1997—present enter economic and political markets and the relationship between age and SWD may reverse soon. As concerns gender, tertiary education, and voting in the last elections, these variables proved to be insignificant predictors of satisfaction with the way democracy works in all six countries.

7. Conclusion

Democracies vary in terms of how well they are governed and these variations are reflected in citizens’ satisfaction with the way they work (Magalhães, 2014). In this study, I analysed satisfaction with the way democracy works in six countries of Central Europe before and after the economic crises which affected many EU countries after 2008. The analysis explains satisfaction with democracy and its changes between 2004 and 2014 in six selected countries very well. It is evident that economic hardships have not affected all countries of Central Europe equally. Some countries have been less or not at all affected by the economic crises (Czechia, Slovakia, and Poland) because political institutions were able to anticipate or solve

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Comparison of mean values of SWD, satisfaction with the present state of economy, and trust in parliament in Central Europe.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Czechia</td>
</tr>
<tr>
<td>SWD 2004</td>
<td>4.6</td>
</tr>
<tr>
<td>2014</td>
<td>5.2***</td>
</tr>
<tr>
<td>Satisfaction with economy 2004</td>
<td>3.7</td>
</tr>
<tr>
<td>2014</td>
<td>4.7***</td>
</tr>
<tr>
<td>Trust in parliament 2004</td>
<td>3.2</td>
</tr>
<tr>
<td>2014</td>
<td>3.9**</td>
</tr>
</tbody>
</table>

*p < 0.05, ** p < 0.01, *** p < 0.001.
Source: ESS Round 2 and 7 (6 for Slovakia).
malfunctions in economy before and during crises. In these countries, positive developments in the economy (falling unemployment, increasing manufacturing activity and sales, rising wages and consumption, boom on the housing markets ...) were reflected by the public and stood behind the rise in satisfaction with democratic performance.

The sources of feelings about economy are not well explored. Long term economic evaluations have an exogenous effect on political support (Christmann and Torcal, 2017; Pickup and Evans, 2013, Soroka et al., 2015). Judgement of economic performance is not, however, the only explanation for the trends observed in satisfaction with democratic performance in Central European countries. It is a combination of economic and political factors. The results of our analyses suggest that in countries where economic optimism is low, political evaluations of “crises in democracy” may play a larger role in explaining satisfaction with democratic performance.

This study contributes to the debate on the dynamics of satisfaction with democratic performance and reconfirms its economic as well as political causes. It also offers a different point of view of satisfaction with democratic performance in the newer democracies of Central Europe. People in these democracies are still less satisfied with the democratic performance on average than people in older democracies, but their satisfaction is on the rise especially in countries where the economy performs well, economic performance brings better standard of living, and people share a sense of economic optimism.

Acknowledgements

This study was supported by the Ministry of Education, Youth, and Sports of the Czech Republic [grant number LM2015066].

References


Fox, R.S., Mounk, Y., 2016. The democratic disconnect. J. Democr. 27 (3), 5–17.


