Income Inequality and Democratic Support

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My research investigates the consequences of economic inequality for public support for democracy. In recent years, rising economic inequality across the globe – reaching unprecedentedly high levels of income disparity and wealth concentration in many countries – and dismantling democratic institutions and norms triggered an explosion of research and debates across the disciplines in the social sciences. Recent studies point to the damaging effect of economic inequality on democracy, broadly suggesting that growing income disparity tends to weaken public confidence in democracy and inspire sentiment and practices against democratic principles. Surprisingly, however, evidence remains quite scant due to a lack of systemic cross-national research over a sufficiently long period of time. On one hand, prior study tells very little on temporal dynamics of economic inequality and public support for democracy. Does growing economic inequality actually have a damaging impact on public confidence in democracy? If so, how severe is the impact? Is it instantaneous to the extent that, as some scholars argue, economic inequality appears to hold a referendum on democracy? Also, how long would the impact last? On the other hand, we still remain poorly informed of cross-national variation in the association between economic inequality and public opinion on democracy. Especially, are there any social mechanisms that further strengthen or weaken the association, leading to some dramatic divergences in public confidence in democracy among countries with high income disparity?

By compiling a harmonized dataset of income inequality and public support for democracy in 34 European countries that covers a span of 23 years (1997-2020), my study seeks to address these issues by (a) testing both short-run and long-run effects of economic inequality on public support for democracy and (b) exploring potential social mechanisms that lead to cross-national variations. This study, to the author's best knowledge, is the first to test the causal associations between economic inequality and democratic support with rigorous time-series analytic techniques.

(a) Short-run and long-run effects of economic inequality on democratic support. To examine the causal effect of economic inequality on public support for democracy, I conduct a set of statistical analyses using a compiled panel dataset that contain measures for economic inequality and public support for democracy in Europe over the last 20 years (1997-2020). The measures of economic inequality I use demonstrate the overall distribution of income across the population (Gini index) as well as the level of relative deprivation experienced by low-income groups (income quintile ratio (q20/q80); Palma ratio (p10/p60)). Combined together, these measures allow us to assess both overall and relative degrees of economic deprivation caused by income disparity. In particular, examining how over-time changes in relative deprivation are associated with those in public support for democracy helps to test an important insight from the burgeoning literature on democratic governance that attributes growing discontent with democracy to economic anxiety among the economic "have-nots".

The measure of public support for democracy is drawn from the democratic mood dataset[1]. This data has two important analytic advantages. First, it offers the largest

[1] Christopher Claassen, "Does Public Support Help Democracy Survive?," *American Journal of Political Science* 64, no. 1 (January 2020): 118–34.

longitudinal dataset of public support for democracy, drawing on all existing cross-national data that surveyed public opinion on democracy, which, combined together, cover141 countries beginning 1988 and ranging until 2020. Second, it ensures comparability of all countries across years by smoothing the compiled data by making use of the Bayesian latent variable analysis. Analyzing the temporal dynamics of public support for democracy in this dataset and its determinants, therefore, would allow us to conduct a set of rigorous panel data analyses with sufficiently many countries over a long time period.

The measures of income inequality are drawn from existing harmonized datasets: Gini from the Standardized World Income Inequality Database[2]; income quintile ratio and Palma ratio from the World Bank database. In addition to the measures of income inequality, I also collect from various data sources harmonized data of political trust, perceived corruption, macroeconomic conditions (real GDP; inflation), and to take account of the insight from the extant literature on democratic backsliding and public opinion.

With this dataset, I estimate the short-run and long-run effects of economic inequality on public support for democracy. Estimation is made by a set of autoregressive distributed lags (ADL) models, a variant of time-series analysis that ensures robust estimation of short-run and long-run relations between variables of interest. The predicted short-run effect of economic inequality on democratic support will report the magnitude of the

[2] Frederick Solt, "Measuring Income Inequality Across Countries and Over Time: The Standardized World Income Inequality Database," *Social Science Quarterly*, 2020.

instantaneous shock (if statistically significant) imposed by a unit increase in each inequality indicator on the degree of public support for democracy. The predicted long-run effect, which will be reported by long-run multipliers estimated by the ADL models, represents the total effect of a unit increase in inequality on change in public support for democracy over subsequent time periods. Combined together, the predicted short-run and long-run effects will reveal whether and to what extent increasing economic inequality leads the public to withdraw their support for democracy and how severe the damage will be in the long run.

(b) Supplementary cross-sectional analysis. I am planning to conduct a set of cross-sectional analyses to supplement the outcomes from the panel data analyses with the ADL models. Certainly, while the ADL models with country-level data allow us to examine how the public changes their view on democracy under changing income inequality, it does not tell us how each individual revise their assessment of democracy under varying economic circumstances. The additional individual-level analysis, therefore, would help to supplement the findings from the country-level panel data analyses, shedding light on *why* the public would react to increasing income inequality in ways predicted by the ADL models. The analysis will be collected with multi-level data extracted from modules from European Social Survey that contain measures of attitudes toward democracy and economic status.