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Economic Expectations and Satisfaction with Democracy: Evidence from Italy¹

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Abstract: Using original, nationally representative data on young jobless Italian university graduates, we assess the effect of individuals' expectations on job security, stability and future earnings on satisfaction with democracy. Using administrative data to control for province-level economic context, we find that those expecting increased job insecurity and instability have lower satisfaction with democracy. This provides an important contribution to understanding system support by meaningfully conceptualizing and operationalizing individuals' future economic expectations as a determinant of support for national governance. At the same time, these findings bode poorly for many European countries as the long-term effects of high levels of unemployment among the young appear to be potentially delegitimizing.

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1. Introduction

Satisfaction with the performance of national democracy in Europe is waning (Armingeon and Guthman 2014; Cordero and Simón 2016). In the case of Italy, between the 2004 and 2012 European Social Surveys, satisfaction is down for all, a pattern particularly pronounced among the young.⁴ At the same time, Italy is one of the countries that have suffered the highest rise in unemployment among young adults. In the last trimester of 2014 the unemployment rate for the 25 to 34 age group was 19%, 6% higher than the EU average.⁵ This includes the highly skilled with a University degree. For this group, since 2011, unemployment rate has increased by 46%, real wages have decreased by 20%, and temporary types of employment and fixed-term contracts have sharply increased (AlmaLaurea 2014) pushing 1 out of 5 University graduates into accepting jobs below their qualifications (Rapporto ISFOL 2014). While unemployment has been implicated in changing in vote patterns across Europe since the onset of the 2008 economic recession (Rombi 2016), we see the economic plight of the young and their satisfaction with national democracy related in an important and novel way.

We propose to assess whether the *future* economic expectations of these high skilled workers shapes their current satisfaction with democracy. To do so, we use an innovative survey instrument administered to a nationally representative sample of jobless Italian university graduates matched with administrative provincial-level data on local labor markets' conditions⁶ to investigate whether individuals' expectations about future economic outcomes shape their support for democracy. We find that what individuals see as prospects for their economic futures

⁴ 2004 ESS: for those 35 and younger: Satisfaction with democracy on a scale from 1 (very dissatisfied) to 10 (very satisfied): mean: 4.81 (sd: 2.0); N=426; 2012 ESS: mean: 3.94 (sd: 2.2); N=279; t-test=5.41; p<0.000.

⁵ Evidence from the Italian Labour Force Survey: <http://dati.istat.it/Index.aspx>

⁶ The administrative data come from *Istituto Nazionale della Previdenza Sociale* – INPS, which is the equivalent of the Social Security (US)/National Insurance (UK) Administration for Italy. These data were collected in Rome (Italy) during the summer of 2016 as part of a larger project. Funding was provided by the *VisitINPS Scholars Program* for the project: 'Expectations of Job Instability, Job Insecurity and Earnings Risk of the Italian Skilled Unemployed: Patterns and Impact on Behavior.'

– expectations about future job instability, job insecurity, and earnings - powerfully affect current satisfaction with national democratic performance.

The contribution is two-fold. One, we update the study of system support by including substantive measures of individuals' *future expectations*. While individuals' expectations have been either overlooked or under-studied in this literature (Anderson 2005), we directly measure and include them using the innovative Quantitative Expectations Data methodology, which collects data on potential future outcomes in combination with their associated probabilities of realization (Manski 2004). Two, the observed impact of these expectations on satisfaction with the performance of democracy challenges our thinking about what democracy means to citizens as the *prospects* of improvement or decline can be a crucial part of current system evaluations.

While this study examines a specific group – jobless Italian university graduates – the problem, widespread and long-lasting European youth unemployment, is significant. Our study offers tentative generalizability to this larger question by tapping previously unobserved mechanisms of system support that are not only highly salient to current debates – i.e. Brexit and the 2016 US election – but also to the literature on system support more generally.

2. Theory on System Support

Satisfaction with democracy is a cornerstone of system support (Anderson 2005) and has been argued to originate from individuals' preference for, feelings about, experiences with, and performance assessments of democratic institutions (Anderson and Tverdova 2001; Seligson 2002). At the broadest level, it can be understood by the degree of individuals' normative or ideological attachments to democracy as a preferred system of governance (Rohrschneider 1999; Anderson 2005). That is, in as much as one prefers democracy as a form of government, there tends to be a reservoir of support. Variation in satisfaction has also been demonstrated to move

with individual democratic experiences – voting, participation, or other forms of interaction (Rohrschneider 1999, 2005; Weatherford 1987). Those with positive experiences with democracy more likely show positive orientations to political institutions and, conversely, those with poor experiences with democracy are more likely to judge these institutions harshly.

A potent source of individuals' satisfaction with democracy has been theorized to originate directly from the primary activity of democracy, namely, elections. A seminal piece demonstrated that - in Western Europe - losers of democratic competition show lower levels of satisfaction than do those in the winning majority (Anderson and Guillory 1997; see also Blais and Gélinau 2007; Singh *et al.* 2012). This contribution has generated a great deal of work, mostly on the institutional variations of this party-individual linkage (see for example Aarts and Thomassen 2008). Others have continued to search for mediating effects at the individual-level and have found that, among losers, previous experience of victory attenuated dissatisfaction with democracy, while among winners, high ideological proximity to the current government increased political support (Curini *et al.*, 2012; Mayne and Hakhverdian 2016). This sub-literature has also investigated the effect of the dilemma of sub-optimal winning in strategic voting (Singh 2014); the tightness of the electoral contest to heighten the winners' 'highs' (Howell and Justwan 2013); and the congruence between voters and policy positions (Kim 2009) on individuals' satisfaction levels.

At the same time, citizens' satisfaction also appears to be highly sensitive to variations in the economic management by political institutions (Dahlberg *et al.* 2015; Kiewiet 1983; Kinder and Kiewiet 1981; Anderson 1998). As one recent example, national democracies perceived as doing little in response to rising income inequality are seen as performing poorly (Loveless 2016; Loveless 2013; Whitefield and Loveless 2013; Binelli and Loveless 2016). Such findings are

related to the literature on economic voting (Lewis-Beck and Stegmaier 2000 for full review). Although dominated by retrospective economic evaluations as sources for vote choice, where prospective evaluations have been taken up, citizens – as voters – attempt to form expectations about party competence from *past* performance (in a strictly economic sphere) to form expectations about parties’ future abilities to handle the economy (Lewis-Beck and Paldam 2000; Duch and Stevenson 2008; Lewis-Beck, 1988; Blais and Bodet 2006; Fisher and Hobolt, 2010).⁷ As a specific example, parties perceived as owners of an issue – such as ‘the economy’ – are thought to be best at handling that issue (Carlsen, 2000; van der Brug et al., 2007; Gerber and Huber, 2009). However, the assumption - citizens forming expectations about how a future government *will* perform (Martinsson 2009) - relies heavily on perceived *retrospective* (economic) competence (Duch and Stevenson 2008). This is a problem as the reliance on retrospective evaluations is used to explain *continuing* support, forcing us to assume that what citizens *expect* from their government is equivalent to – or is an uncomplicated linear function of – evaluations of retrospective performance.

Thus, in the case of national support based on (past) experience, retrospective evaluations, and (current) inclusion in democracy (being part of a ‘winning’ party), current models fail to account for salient *anticipated change in events* – e.g.: one’s party winning/losing in an upcoming election, a significant change in legislation, or an economic swing - which may serve to mitigate/aggravate current system evaluations. More specific to Europe, the critical issues facing European citizens – immigration, economic performance, terrorism, the EU, democratic stability – deeply challenge governments *and their future responses*. Thus, both experiences and *expectations* must feature into their system support evaluations. The lack of a means to

⁷ This is related to the clarity with voters determine responsibility for economic policy making (Powell and Whitten 1993; Hibbs 2006). We are interested in better measuring expectations of *outcomes* rather than specific party responsibilities.

meaningfully assess what citizens expect from their governments – theoretically and operationally – leaves a significant gap in the literature on system support. While individuals’ expectations currently represent only a narrow slice of our current understanding of system support, it is our *inability* to reliably assess individuals’ expectations about uncertain futures which has in fact been the limitation to its wider application.

3. Literature Review on Individuals’ Expectations and System Support

In the literature, individuals’ expectations are under-examined in three key and related ways: exclusion, inference, and poor operationalization. Of these three, the overwhelming approach is effective exclusion and thus disregard for citizens’ future expectations entirely (Anderson 2005). For example, current models fail to account for *anticipated change in experience* – e.g.: one’s party winning/losing in an upcoming election, a significant change in legislation, or an economic swing - which may serve to mitigate/aggravate current system evaluations. In the American case, voters have shown the capacity to mis-remember the recent past, if recalling it at all (Achen and Bartels 2016). Thus, in terms of specification, models of national support are limited by the reliance on past experience as sufficient to explain how citizens’ orient themselves to the *dynamic and ongoing process* of political representation.

The second limitation is the use of inference-based approaches which proxy expectations as functions of socio-demographic profiles or other individual attributes. A good example of this is the winners/losers of EU expansion into Eastern Europe (Gabel 1998a, 1998b). In Central and Eastern Europe (CEE), citizens’ support of the accession to EU membership (in 2004/7) is modeled as the outcome of a simple cost-benefit calculation based on their recent socio-economic profiles such that those *inferred* to benefit from integration were deemed ‘winners’ of integration - and thus supporters - and those *inferred* to fare poorly were ‘losers’ – and thus less

supportive.⁸ However, despite these efforts, evidence of this inferential approach failed to mount (Ehin 2001; Tverdova and Anderson 2004; Rohrschneider and Whitefield 2006; Loveless 2010; Gherghina 2010; Guerra 2013; Jackson *et al.* 2011).

Finally, when citizens' expectations are included, they are often included in rudimentary and outmoded operational forms. The common approach in this literature is to use the "verbal (or qualitative) expectations data" (VED) methodology which asks respondents to report whether they "think" or "expect" that an event will occur and attach the strength of this belief by adding "definitely," "high chance," "fifty-fifty", "low chance" or "not at all" as likelihood. A widely used example is the question on individuals' expectations about national economic performance. From the *European Elections Surveys*: "And over the next 12 months, how do you think the general economic situation of this country will be? Will it..." get a lot better (1); a little better (2); stay the same (3); a little worse (4); or get a lot worse (5).⁹

The VED approach underpins a great deal of literature (Ladner and Wlezien 2007; Anderson 2005, 2007; Anderson and Reichert 1996; Niedermayer and Sinnott 1995; Carrubba 2001; Söderlund and Kestilä-Kekkonen 2014; Duch and Stevenson 2008). In one recent case, Simpson and Loveless (2016) find that while EU citizens are currently dissatisfied with the EU's handling of income inequality, they expect the EU *will perform better in the future*. Provocatively, those showing the greatest optimism for future EU performance are not only those defined by their socio-economic profiles as 'losers' (Gabel 1998a, 1998b, as above) but also those who worry that they *might soon become* economic 'losers'. Yet, while citizens' (egocentric economic) expectations drive their EU support in two different directions (lower support for EU 'as it is' but

⁸ These profiles included various arrays of individuals' levels of income, education, skill sets, and positions defined by occupational groups (see in addition: Gabel and Palmer 1995).

⁹ VED questions are common in most large, cross-national surveys such as: *World Values Surveys*; the *European Values Surveys*; the *American and British National Election Studies*, the *Eurobarometer Series*, *International Social Survey Programme*, and the *European Quality of Life Surveys*.

greater support for ‘future deepening’), the analysis proceeds no further (i.e.: how much ‘poorer’, the certainty of this outcome, inter-personal comparability of concern, or cross-national variation) since only VED are available.

The relatively poor performance of VED is likely a function of measurement problems rather than a lack of importance. Manski (2004) points out that there are two main problems with VED. First, inter-personal comparability across responses is limited as it is difficult to know how respondents interpret the questions posed (e.g.: what is the ‘general economic situation of this country’?). Second, there is potentially substantial bias induced by the coarseness of the response options (e.g. ‘a little better’), which limits the richness of the uncertainty about the future that respondents may perceive but cannot provide.

Thus, the three limitations discussed above – exclusion, inference, and poor operationalization - form a vicious cycle that undermines the development of meaningful theories. As such, any model of system support that is neither fully nor correctly specified runs a high probability of omitted variable bias and measurement error, in turn producing inadequate theory testing and thus underdeveloped theories. This analysis attempts to confront these limitations by fully specifying a model of system support that incorporates meaningful measures of individuals’ future economic expectations. Specifically, in terms of individuals’ egocentric prospective economic *expectations*, we expect that the direr the economic prospects, the lower the satisfaction with democracy.

4. Model

Theoretically, we argue that, in addition to retrospective evaluations, prospective economic evaluations are a crucial determinant of support for democracy. That is, what people expect to happen *in the future* shapes how they might feel about democracy *in the present*. As a simple

example, in addition to a citizen saying, “I am supportive of my democracy because things have gone well for me” [*retrospective* egocentric economic evaluation], we also expect the same citizen to say “I am supportive of my democracy because things look as though they will improve for me” [*prospective* egocentric economic evaluations]. Thus, we specify a model where support for democracy depends not only on actual circumstances and on retrospective evaluations, but also, and crucially, on individuals’ concerns about their *personal economic expectations*; in particular, on the degree of job instability and insecurity, and on the level of earnings that they expect in the near future.

We therefore specify and estimate the following individual-level model:

$$\begin{aligned}
 y_{ij} = & \beta_{0j} + \beta_{1j}Expected\ job\ instability_{ij} + \beta_{2j}Expected\ job\ insecurity_{ij} \\
 & + \beta_{3j}Expected\ earnings_{ij} + \beta_{4j}Socio\ demographic_{ij} \\
 & + \beta_{5j}Political\ Economic_{ij} + \varepsilon_{ij}
 \end{aligned} \tag{1}$$

where y_i is satisfaction with democracy that is a function of expected job instability, insecurity and future earnings, as well as a set of socio demographic controls and political and economic variables (discussed below); ε_i is a normally distributed error term. Equation (1) allows for a direct test of the central hypothesis of the paper: *individuals’ satisfaction with democracy will be lower for those with expectations of greater job instability and insecurity and lower earning (b_1 , b_2 , and b_3 are all negative).*

Data and measurement

The data that we use to estimate equation (1) were collected with an original survey instrument - the Italian Youth Employment Survey (IYES) – which was designed to study the future employment and earnings’ expectations of jobless young skilled in Italy. The IYES was administered online between January and February 2015 to a nationally representative sample of

1462 Italian jobless University graduates aged 25-34 that were out of employment at the time of the survey and graduated between 2011 and 2013 from one of the 64 universities that belong to AlmaLaurea consortium (representative of 80% of all Italian graduates). The survey starts with two compulsory questions to establish the eligibility of the potential participants. The first compulsory question asks respondents to confirm that they are not currently working, and the second question asks to confirm to be between 25 and 34 years old. 1,238 young provided valid answers to both compulsory questions, which made them eligible to take part in the survey, and 1,074 decided to continue to fill in the survey.

The IYES includes 71 questions divided in three main sections: socio-demographic information, and political, economic, and social attitudes; job search and job experience; occupational and earnings expectations with a rich battery of questions on subjective employment probabilities and expected earnings in different scenarios. The novel inclusion of a rich battery of questions to elicit quantitative expectations data (QED) on future employment and earnings' prospects builds on a previous extensive literature (Manski 2004) and is fully described and discussed in Binelli (2017). Importantly, these innovative questions distinguish the IYES from any other available survey on jobless young by allowing, for the first time in the literature, to identify and accurately measure the extent of future economic instability, insecurity and earnings' risk that the jobless young expect to face.

Satisfaction with Democracy:

The dependent variable, satisfaction with democracy, is measured by the widely used question, "How satisfied are you with the way democracy works in Italy? [*Quanto soddisfatto si ritiene del modo in cui funziona il processo politico democratico in Italia?*]" The response categories were: "Very satisfied, satisfied, somewhat satisfied, neither satisfied nor satisfied,

somewhat dissatisfied, dissatisfied, very dissatisfied.” The response categories ranged from 1 (very satisfied) to 7 (very dissatisfied) with a mean of 6.18 (sd: 1.09). We note that not a single respondent responded with ‘very satisfied’ and more than 50% responded with ‘very dissatisfied.’ This variable was reverse coded to make a higher score correspond to higher satisfaction.

Political and Economic Variables:

At the individual-level, the core elements of satisfaction with democracy include: experiences with democratic institutions (Rohrschneider 1999, 2005); winners and losers (Anderson and Guillory 1997; see also Blais and Gélinau 2007; Singh *et al.*, 2012), including congruence between voters and current government policy positions (Kim 2009); and the outputs of democratic institutions, primarily their capacity for managing both the national economy and their effects on personal economic conditions (Lewis-Beck 1986; also Finkel, Muller, and Seligson 1989; Listhaug and Wiberg 1995 Wagner *et al.* 2009).

For democratic experience, we use an additive variable that accounts for recent past voting, signing a petition, or participating in a demonstration. For winners and losers, we include a dummy variable for having voted for *Italia Bene Comune* (leader Pier Luigi Bersani) in the 2013 election (1) or not (0). Additionally, to account for ‘policy congruence’, we use individuals’ ideological proximity to the current government. The Comparative Political Data set (1960-2013) describes the governing party in 2013 as a “balance of power between left and right.”¹⁰ Respondents who self-report their political views as ‘centrist’ are coded as ‘ideological winner’ (coded as 1; others coded as 0), representing generic policy alignment with the governing coalition (‘quasi-winners’).

We include a variable to capture a form of economic awareness or knowledge. Respondents

¹⁰ <http://www.cpbs-data.org/>; variable ‘govparty.’

were asked if they knew the unemployment rate for their age group (25-34, in the last trimester of 2014, answer: 19%). They were then given a score that reflected the distance between their guess and the actual rate. Additional controls include individuals' ideological location (we include as well as squared location to capture any 'extreme' vs. moderate effects); gender; type of university degree; years of working experience; and a 'family socio-economic' background variable. The Measurement Appendix presents all variables in details.

There are two methodological implications of the respondents being jobless. One, they do not have an income. We proxy their socio-economic status by using two indicators: combined mother and fathers' educational levels (Cronbach's alpha: 0.745) and a yes (1) or no (0) answer to the question, "my family can help me economically." Two, their unemployment is a *de facto* control for retrospective economic evaluations. This is not an unreasonable assumptions as evaluations of recent (egocentric and sociotropic) economic performance are expected to be very low. Using Italian respondents from the 2014 European Election Study, we compare the retrospective economic evaluations of the employed and unemployed. For respondents who have lost a job or suffered a loss of income, not only were their evaluations statistically significantly lower than their employed counterparts (job loss: t-test: 3.984 ($p < 0.000$); income loss: t-test: 6.259 ($p < 0.000$)); but also had modal responses of 'a little worse' and 'a lot worse.'¹¹

Future Economic Expectations:

We include three measures of individuals' economic expectations:

- **Expectations of *job instability*:** Expected probability of finding a job in the next 12 months multiplied by the expected duration of that job.
- **Expectations of *job insecurity*:** Expected probability of finding a job with adequate health coverage and pension benefits (i.e. a higher quality job).
- **Expected *earnings*** measured as the mean of expected earnings.

¹¹ See full description of this at: www.tba.org/EESdataforConsequencespaper.pdf

We use the Quantitative Expectations Data (QED) methodology, which has been extensively used to study a variety of research questions in Economics¹², and provides a consistent means to elicit individuals' *future expectations* by collecting data on potential future outcomes together with their associated probabilities of realization (Manski 2004). This allows for an accurate assessment of the *uncertainty* that individuals face by providing a clear metric to quantitatively measure expectations about future events. Using QED improves our analysis of system support in three specific ways. One, including substantially meaningful and reliably measured indicators of individuals' future expectations subject models of national support – often dominated by retrospective experience - to rigorous and competitive theory testing (Weatherford 1987; Anderson and Guillory 1997; Anderson and O'Connor 2000). Two, QED allows to collecting consistent data on future expectations by solving two problems associated with the more common “verbal expectations data” (VED) methodology (discussed above); namely, by generating inter-personally comparable expectation distributions across respondents as well as limiting the bias induced by qualitative response categories (e.g. ‘a little better’, ‘much better’).

Finally, the standard model for system support also includes a number of variables at the macro-level. Studies have examined satisfaction with democracy cross-nationally comparing variation across party systems, e.g. majoritarian vs. multi-party (Anderson and Guillory 1997; Aarts and Thomassen 2008); executive–legislative power balance and number of interest groups (Bernauer and Vatter 2012); and mean voter position (Ezrow and Xezonakis 2011). Yet, satisfaction with democracy has been demonstrated to be particularly sensitive to variations in economic performance, explained primarily by sociotropic economic issues and perceptions of

¹² The QED methodology has been used to study topics such as job insecurity, income and returns to schooling, social security and mutual-fund investment and probabilistic polling (Manski 2004; Attanasio 2009; Delavande, Gine and McKenzie 2011; Delavande and Manski 2015; Binelli 2015); on occupation and education choices (Kaufmann 2008; Attanasio and Kaufmann 2009), and the likelihood of being arrested in predicting criminal behavior (Lochner 2007).

government economic performance (see also Kiewiet 1983; Kinder and Kiewiet 1981; Anderson 1998).

In order to account for the economic context, we compiled an original dataset at the *Istituto Nazionale della Previdenza Sociale* (INPS) to account for economic variation across all the 110 Italian provinces. Using the population data by province, we generated the mean of expected earnings, the percentage of both temporary and very temporary jobs, and the amount of unemployment subsidies to control for economic concerns about employment stability, insecurity, and earnings. Each variable was constructed for the population of 25-34 year olds in each province in Italy (in January 2015).¹³ Thus, we control for a broad spectrum of the proximate economic contexts relevant to the young unemployed:

$$\begin{aligned} \beta_{0j} = & \gamma_{00} + \gamma_{01} \textit{Mean expected Earnings}_j + \gamma_{02} \% \textit{Temp jobs}_j + \gamma_{03} \% \textit{Very Temp jobs}_j \\ & + \gamma_{04} \textit{Unemploy.Subsidies}_j + \mu_{0j} \end{aligned} \quad (2)$$

Combining equations (1) and (2), we estimate the following multi-level, mixed random- and fixed-effects model:

$$\begin{aligned} y_{ij} = & \gamma_{00} + \gamma_{01} \textit{Mean expected Earnings}_j + \gamma_{02} \% \textit{Temp jobs}_j + \gamma_{03} \% \textit{Very Temp jobs}_j \\ & + \gamma_{04} \textit{Unemploy.Subsidies}_j + \beta_{1j} \textit{Expected job instability}_{ij} \\ & + \beta_{2j} \textit{Expected job insecurity}_{ij} + \beta_{3j} \textit{Expected earnings}_{ij} \\ & + \beta_{4j} \textit{Socio demographic}_{ij} + \beta_{5j} \textit{PoliticalEconomic}_{ij} + \mu_{0j} + \varepsilon_{ij} \end{aligned} \quad (3)$$

¹³ The amount of subsidies was a monthly average of 2015.

Table 1: Descriptive statistics IYES Survey and INPS data.

<i>Individual-level data</i>	Obs.	Mean	Std.Dev.	Range
Satisfaction with Democracy	942	1.82	1.09	1-6
Winner	947	0.28	0.45	0-1
Quasi-winner	947	0.56	0.50	0-1
Economic Knowledge	921	3.86	0.89	0.74-5.0
Democratic Experience	911	3.32	1.94	0-7
Job Instability	839	224.47	75.45	-100-300
Job Insecurity	946	69.99	24.60	0-100
Expected Earnings	947	1070.86	606.55	115-7825
Ideological Position	840	3.35	1.32	1-7
(Ideological Position) ²	840	2.18	2.14	0-9
Male=1	946	0.38	0.49	0-1
Education	947	1.70	0.73	1-4
Work Experience	945	2.93	1.64	1-6
Family SES	938	1.94	0.48	0.43-2.71
<i>Province-level data</i>				
Mean of expected earnings for youth	946	1254.93	185.25	1010.80-855.80
Percentage of temporary jobs for youth	946	1.81	4.16	0-40.70
Unemployment subsidies for youth in 2015	946	3423.77	601.08	1009.96-4326.70
Percentage of very temporary jobs for youth	946	18.48	5.58	0-37.45

Table 2: Satisfaction with Democracy and Future Economic Expectations in Italy

	(1)	(2)	(3)	(4)	(5)
<i>Future Economic Expectations</i>					
Expected Job Instability		-0.000995[†]	-0.000912	-0.00136[*]	-0.00133[*]
		(-1.92)	(-1.81)	(-2.50)	(-2.46)
Expected Job Insecurity: Health/Pension		-0.0110^{***}	-0.00970^{***}	-0.00881^{***}	-0.00893^{***}
		(-7.16)	(-6.35)	(-5.39)	(-5.44)
Expected Earnings: Log Mean Exp Earnings		-0.000203^{**}	-0.000192^{**}	-0.000252^{***}	-0.000255^{***}
		(-3.17)	(-3.05)	(-3.86)	(-3.92)
<i>Economic/Political Variables</i>					
Winning Party Voter	0.659^{***}		0.651^{***}	0.654^{***}	0.666^{***}
	(8.52)		(8.17)	(7.70)	(7.83)
Ideological Winners	0.0754		0.0341	0.0445	0.0856
	(1.06)		(0.47)	(0.29)	(0.55)
Economic Knowledge	0.130^{***}		0.0787[†]	0.100[*]	0.0995[*]
	(3.33)		(1.92)	(2.32)	(2.29)
Democratic Experience	-0.0502^{**}		-0.0479[*]	-0.0360	-0.0382
	(-2.70)		(-2.48)	(-1.66)	(-1.76)
<i>Socio-demographic controls</i>					
R's Ideological Self-ID				0.0370	0.0284
				(1.12)	(0.86)
ID position squared				-0.00588	0.00287
				(-0.17)	(0.08)
Male				-0.152	-0.162[*]
				(-1.94)	(-2.07)
Years of working experience				-0.0161	-0.0131
				(-0.67)	(-0.55)
Parents' Combined Education				0.0722[*]	0.0755^{***}
				(3.18)	(3.32)
Economic Help from Family				0.0154	0.00760
				(0.15)	(0.07)
R's Edu: <i>Laurea Magistrale</i>				(-0.26)	(-0.37)

				-0.0921	-0.0969
R's Edu: Postgraduate Degree				(-0.77)	(-0.81)
				0.0635	0.0318
R's Edu: Ph.D.				(0.19)	(0.10)
				(-0.26)	(-0.37)
<i>Province-level data</i>					
Mean of Expected Earnings					0.000177
					(0.80)
Youth Unempl. subsidies '15					0.0000413
					(0.42)
Youth % Temp Jobs					-0.0166
					(-1.86)
Youth % Very Temp Jobs					-0.0187
					(-1.85)
Constant	1.227^{***}	3.005^{***}	2.522^{***}	1.932^{***}	1.894^{***}
	(7.19)	(17.33)	(9.37)	(4.85)	(3.16)
Observations	857	804	757	691	691
Wald Chi-2	95.06	69.04	152.24	162.96	173.42
prob.	0.0000	0.0000	0.0000	0.0000	0.0000

Notes: Dependent variable is satisfaction with democracy. † $p < 0.06$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Source: Italian Youth Unemployment Survey (IYES) 2015 and INPS data.

5. Empirical results

The main regression results reported in Table 2 are informative. Across Models 1, 3, 4, and 5, the political and economic attributes – when significant – perform as expected. Specifically, voting for the winning party and having higher levels of economic knowledge produced higher levels of satisfaction. In particular, the strong and consistent effect of ‘winning’ in support for democracy is consistent with the literature (Singh *et al.* 2012). Democratic experience however is negatively related to satisfaction in Models 1 & 2. Although this negative relationship becomes insignificant in the larger models, it does reflect increasing popular frustration found in Portugal, Spain and Greece where although the normative appeal of democracy remains, performance evaluations of democracy have produced a lower support for democracy (Weßels 2015). In addition, controlling for socio-demographic profiles, while being male (in Model 5) is negatively correlated with satisfaction levels, higher education of parents - although not their economic support - is consistently and positively related to satisfaction levels.

At the same time, except for the statistical insignificance of ‘job instability’ in Model 3, all three economic expectation variables are statistically significant and negatively correlated with satisfaction levels. In the full models (4 & 5), as individuals’ expect greater job instability and insecurity in their employment future, they are less likely to be satisfied with democracy. Thus, at the same time, those who expect to have greater job stability and security are more satisfied with how democracy works in their country, and those who see greater earning potential are less satisfied with democracy. This seems at first a counter intuitive result; however, if we consider the other end of this relationship, namely, those who do *not* expect a great deal of income from their next job are *more* satisfied with democracy, we find that this less unintuitive by echoing recent work in the field of inequality where satisfaction is linked to the *proper function* of

democracy rather than a one-to-one relationship with economic advancement. Loveless writes,

“Normatively, democracy is designed to function in a roughly egalitarian manner and is the vital institutional mechanism available for most citizens to influence other aspects of their society (Bollen & Jackman 1985; Reuveny & Li 2003). Thus, ... it is not unreasonable to argue that political democracy can be perceived as an important means to contest perceived market inequalities. ... More simply, most citizens want both the market and democracy to work fairly and effectively” (2016, 1004).

Including the provincial-level data for aggregate (mean) expected earning, percentage of temporary and very temporary jobs, and unemployment subsidies neither change the results of the individual-level model nor do they have independent effects on individuals' levels of satisfaction with democracy. This is not entirely unexpected. While some have found variation with satisfaction at the local level based on variation in political performance and corruption (Weitz-Shapiro 2008), the findings here correspond to similar work which linked perceptions of performance to specific economic contexts at the local level demonstrating the same weakness of local contexts (for the case of unemployment in the US, see Books and Prysby 1999). Secondly, the theoretical impact of macro-economic contexts are predicated at the national-level. Here, on the contrary, they have served as provincial-level controls specific to variation in employment contexts in one individual country.

6. Discussion

Citizens' satisfaction with democracy is an important measure of democracy. While some have argued that citizens' satisfaction with democracy problematically takes on several facets of the relationship between citizens and government (Linde and Ekman 2003; also Canache *et al.* 2001), Anderson (2005) reminds researchers that citizens' orientations to and subsequent evaluations of their (own) democracy must correspond to what they consider to be 'democratic' (Easton 1965, 1975). This includes, in Eastonian language, both diffuse (what an object is or represents) and specific (what a system produces) support (Anderson 2005, 3). The former –

diffuse support - is the generic and positive orientation to the democratic process (i.e. ‘I like democracy’) whereas the latter – specific support - is more an ‘experiential’ and performance assessment (i.e. ‘I like *my* democracy’). Both are meaningful and very often correlated (Kaase 1988) and, as Anderson points out, “the object of a citizen’s support *does not have to be—and probably cannot be—*reliably separated in terms of the system and the system’s outputs” (2005, 4; *emphasis ours*). Therefore, as an assessment of the performance of democracy, we appeal to citizens’ *own* assessments of their democracy.

We note that there is a great deal of related work in this topic; most prominently the retrospective ‘pocketbook voting’ literature linking economic expectations to party choices and the literature that evaluates individuals’ economic expectations produced by partisan preferences or electoral expectations (Ladner and Wlezien 2007; Lacy and Christenson 2016). These two literatures in particular have been engaged in an ongoing battle over the endogeneity of economic and political expectations and choices. Yet, despite several clever research designs to address the uncertainty about economic and political outcomes, these analyses continue to rely on VED-type questions, the limitations of which have been discussed earlier. These limitations are addressed in the QED methodology. However, we also point out again that the QED methodology is not merely an improvement over existing methods. It confronts the central issues of individuals’ future expectations by directly eliciting inter-personally comparable future outcomes.

Within the literature on system support, the handling of expectations has been limited substantially - from the point of diminishing impact to full exclusion. An effort to improve the handling of the conceptual and operational nature of individuals’ expectations may have several potential, positive, and direct implications for the study of system support. In the context of the

research here on European citizens, the ongoing economic crisis, threats of terrorism, and concerns about immigration are of renewed and significant importance to the future of Europe. Satisfaction with how democracies choose to address these issues could be a crucial indicator of regime legitimacy at national levels. Long-term patterns of system support as well affect the likelihood of sustainable democratic governance by providing both the opportunity for continued exposure to democratic norms (building institutional legitimacy) and a national reputation of stability and legislative accountability (Lipset 1994). In addition, future research on expectations and systems support would improve on this study by expanding the number of cases and countries as well as investigating alternative expectations on, for example, vote choice, strategic voting in multi-party elections, and political participation.

7. Conclusion

We have used an original and innovative survey instrument to identify an under-investigated and potential important mechanism for system support; namely, individuals' expectations about *future* economic outcomes as an important determinant of current system support. This study aims to shed light on the possibility that not only individuals' future expectations are salient to system support but also that the methodological limitations in the current literature may be overcome by using the QED methodology commonly used in other social science disciplines.

This study focuses on a specific but significant sub-population of Europe: high skilled unemployed youth in Italy. Unemployment among the young in Europe, as well as across the world, has significantly increased since the start of the economic recession in 2008. Between 2007 and 2012, employment in Greece, Ireland and Portugal declined by 1.6 million, but 75 per cent of this reduction was concentrated among young people aged 15-34 years (ILO 2014). While our work speaks to the academic literature on system support, the frustrations of

unemployment, the lack of substantial effort to alleviate it, and the absence of some relief do not bode well for the satisfaction with democracy at the national and supranational levels.

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Measurement Appendix

Variables not reported fully in text:

Political Ideology: Dove colloca la sua posizione politica? *Estrema sinistra* (1); *Sinistra* (2); *Centro sinistra* (3); *Centro* (4); *Centro destra* (5); *Destra* (6); *Estrema destra* (7).

Squared Political Ideology: (Political Ideology – 4 (centro))²

Winner: dummy variable =1 if R voted for Italia Bene Comune (leader Pier Luigi Bersani) in 2013 election. Otherwise =0

Ideological winner: According to the Comparative Political Dataset 1960-2013 (Armingeon *et al.*, 2015), the governing party in 2013 was "Balance of power between left and right" (govparty); therefore dummy variable =1 if R self-reported a centrist political ideology (i.e.: 3, 4, or 5). Otherwise =0.

Democratic Experience: Additive variable if R voted in 2013 election (yes=1; no=0), signed a petition, or demonstrated recently (for both: never=0; once=1; 2-5 times=2; and 6 or more times =3); Cronbach's alpha: 0.509.

Economic knowledge: 'Secondo i dati Istat, il tasso di disoccupazione in Italia per la fascia di età compresa tra i 15 e i 64 anni è pari al 12%. Secondo lei qual è il tasso di disoccupazione tra i giovani di età compresa tra i 25 e i 34 anni?' [According to Istat, the unemployment rate in Italy for the age group between 15 and 64 years is 12%. In your opinion, what is the rate of unemployment among young people aged between 25 and 34 years?]. Reverse coded.

Gender: Dummy Male=1

Work Experience: 'Considerando tutti i lavori per cui ha percepito un guadagno e i lavori non pagati solo se effettuati presso l'azienda di proprietà di un familiare, quanti anni di esperienza lavorativa ha accumulato?' [Considering all the work for which he received an income and jobs not only paid if carried out at the holding of a family-owned, how many years of work experience has accumulated?] No work experience (1); less than 1 year (2); 1-2 years (3); 3-4 years (4); 5-6 years (5); more than 6 years (6).

Education: Dummy variables for 1: Undergrad Degree (*Laurea triennale di primo livello; Laurea di 4 anni o più*); 2: Laurea Magistrale (*Laurea specialistica/magistrale biennale*); 3: Postgrad Degree (*Specializzazione post-laurea (compresi master)*); 4: Ph.D. (*Dottorato di ricerca*). Reference category: Undergraduate degree.

Socio-economic Status:

(1) Additive combination of parents' education: 'Qual è il titolo di studio più elevato che hanno conseguito i suoi genitori?' [What is the title of highest level of education achieved your parents?]: *Nessun titolo di studio (1)*; *Licenza elementare (2)*; *Licenza media (3)*; *Diploma di scuola superiore (4)*; *Laurea (5)*; *Specializzazione post-laurea (compresi master) (6)*; *Dottorato di ricerca (7)*. Cronbach's alpha: 0.745

(2) Expectation of family help: : 'Se dovesse trovarsi in una situazione di difficoltà economica, può contare su un aiuto finanziario da parte della sua famiglia di origine?' [If it were to be in a situation of economic difficulty, it can count on financial help from his family of origin?] yes=1; no=0.

Job Instability: expected job duration (less than 6 months, between 6 and 12 months, between 1 and 3 years, four or more years) times expected probability to find a job in the next 12 months.

Job Insecurity: probability to find a job that offers adequate health coverage and pension benefits.

Expected Earnings: logarithm of mean expected earnings computed using the questions on the minimum, maximum and probability of expected earnings at least equal to average expected earnings if individuals were to find a job in the next 12 months. These are the two questions in details:

a. "Assume that you will start working in the next 12 months. What is the minimum monthly net earnings that you expect to be able to earn? What is the maximum monthly net earnings that you expect to be able to earn?"

b. "On a scale from 0 to 100, what is the probability that your monthly net earnings will be at least equal to the average monthly earnings between the minimum and the maximum monthly net earnings that you expect to be able to earn? In other words, if you were to assign a number between 0 and 100 to the probability that you will earn at least the average of the monthly earnings between the minimum and the maximum monthly earnings that you expect to be able to earn, what would this number be? "0": you are certain that your earnings will be lower than the average between the minimum and the maximum earnings that you expect to be able to earn. "100": you are certain that your earnings will be at least as high as the average between the minimum and the maximum earnings that you expect to be able to earn."