

# The Democracy Deficit and the Enlarged European Union

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## Introduction

In 2004, the European Union (EU) was enlarged to include several countries of East Central Europe. A timely expansion, as older member countries were starting to show signs that this ongoing endeavor might be reaching a critical period. More widespread in the West was the popular perception that the EU was becoming a decreasingly transparent and less democratic elite playground. Therefore the recent integration of the new member states provided a moment of anticipation, possibly renewing hope in the future of the EU. Therefore, we ask: do citizens of these newest member states feel represented by the EU? And are citizens' evaluations of the representative capacity of the EU determined similarly as in the West? These are the questions this paper attempts to answer.

Theoretically, this paper examines whether theories developed in the context of Western Europe can be transferred to the new democracies. Citizens' support for the EU and integration has been understood in largely economic terms (Gabel 1998) as individuals base their attitudes on the output of institutions. That is, individuals' evaluations of their personal economic well-being and/or national economic performance shape their support for the regime. However, for the newer members, previous research on democratic transitions has further suggested that the citizens of this region also integrate perceptions of institutions' "democracy-ness", or quality of representation, into their assessments (Mishler and Rose 2001). Rather than these two evaluative heuristics being mutually exclusive, we argue that in fact they play a symbiotic role in determining citizens' assessments of the EU. In order to further our understanding of EU attitudes, we provide empirical evidence that individuals evaluate the representational capacity of the EU on two criteria. The first, we argue, takes into consideration the output or economic capacity of the regime and the second stresses the procedural or political integrity of the regime. These criteria are not independent but move together. When economics is the primary integration concern, individuals not base their evaluations on economic criteria. As economic integration is overshadowed by issues of political integration, not only do individuals shift the basis of their

evaluative criteria from economics to politics. We will develop these implications of this change for the unified Europe.

### **Two Dimensions of Political Representation**

How do citizens evaluate regimes? Any discussion of the democracy deficit must consider the criteria which citizens use when they evaluate institutions. The literature on democratic transitions provides several criteria. Our premise here is that the EU represents yet another (democratic) transition for East Central European citizens; and it constitutes a first transition for most West European publics, particularly outside of southern Europe. Although some dispute that there is a democracy deficit in the European Union (Majone 1998; Moravcsik 2002), most would agree with the proposition that citizens' views about the EU-wide representation process are important for our understanding of the evolving EU (Dahl 1994; Scharpf 1999; Schmitter 2000). We therefore suggest that the transition literature may have something to tell us about how citizens of the European Union evaluate the development of new, Europe-wide institutions.

An important insight of the democratic transition literature is that citizens not only use economic criteria when thinking about a new regime, but also evaluate institutions on the basis of their political performance (Evans and Whitefield 1995; Mishler and Rose 1997; Hofferbert and Klingemann 1999). Therefore, the first simple lesson we might draw in understanding how individuals' perceptions of the EU are shaped includes assessing not only economic but political determinants as well

Figure 1 provides the basic summary of how citizens evaluate the EU in the context of the EU's democracy deficit (Rohrschneider 2002). We argue that citizens evaluate the representational capacity of a regime on the basis of two basic mechanisms: one that stresses the output capacity of regimes; another one that stresses the procedural integrity of a regime; that is explicit economic and political criteria, respectively.

--Figure 1 about here--

The distinction between these presentational dimensions is based on Robert Dahl's insightful discussion of these representation components. Dahl argues that representation means, substantively, that citizens must get what they want some of the time, though not necessarily all the time. As he notes: a "democratic government provides an orderly and peaceful process by means of which a majority of citizens can induce the government to do what they most want it to do and to avoid doing what they most want it not to do" (1989: p. 95). Although citizens rarely obtain every valued good all the time, they would be unlikely to support a system that never delivers goods they prefer and likely to support one that does. The substantive dimension of representation underlies most empirical representation studies, such as analyses of the congruence between public and elites' views on various issues, both in the context of nation-states (Dalton 1985) and the EU (Schmitt and Thomassen 1999).

In addition to the substantive dimension, however, the concept of representation contains a procedural component. "Fairness need not require equality in allocation," Robert Dahl writes. Rather, fairness in a representative democracy requires "that each person should receive an ...equal chance to gain the scarce item" (Dahl 1989). If citizens' interests receive a fair expression within policy-making institutions without becoming public policy, citizens may still conclude that their interests are adequately represented. The procedural dimension is especially important in light of the fact that individuals rarely obtain everything they value—what counts, to a considerable degree, is the belief that institutions provide a proper articulation of individuals' interests.

This distinction is important because most citizens in Europe's parliamentary regimes experience its capacity through the fairness of output institutions (Rohrschneider 2005). Consider that most people in advanced industrialized democracies experience a country's institutions through their contacts with courts and bureaucracies. Given the limited number of times that citizens actually vote or contact politicians, their contacts with the output institutions of a regime during ordinary transactions between citizens and the state constitute a major source of

information about the fairness of a regime. When these *arbitrating institutions* are impartial, and they evenhandedly consider the concerns of citizens, citizens obtain valuable information about how well a regime works. Consequently when arbitrating institutions work well, citizens in advanced industrialized democracies are more likely to believe that politicians are doing a good job, or that representative institutions generally function properly than when arbitrating institutions do not function well. In short, citizens rely on more than economic affluence when evaluating the extent to which a regime represents their interests, although that is certainly something that most citizens do take into account. In short, citizens are generally supportive of the political process when arbitrating institutions are perceived to function well.

### **Representation and the European Union**

The recognition of these two elements of political representation, and the fact that they influence how citizens perceive the political process, is the starting point for our discussion of how Eastern and Western Europeans might perceive the democracy deficit. Let us start with what we know about how West Europeans evaluate the EU. A range of studies argue that citizens take economic conditions into account when evaluating the EU. Those who were optimistic about their personal economic situation or the national economy, both in the past and future, were more likely to support the European Union (Eichenberg and Dalton 1993; Anderson 1998; Gabel 1998). And citizens who expected to do worse economically in the near future or had done so in the past usually were less supportive of the integration project. These patterns provide strong support for the idea that citizens evaluate the European Union in part based on the perceived economic performance. In the language of representation research, these studies focus mostly on the output capacity of the European Union.

More recently, however, some analysts began to suggest that citizens do not just generalize the national performance of the economy to the integrated market, but that they actually compare the quality of domestic institutions with those at the supranational level. Thus,

if citizens live in countries with well-functioning institutions, they are less supportive of the EU as they use national institutions as a comparative metric to assess the institutions of the EU. Some maintain that the effect is direct (Sanches-Cuenca 2000); others argue that the effect is more indirect via perceptions of the democracy deficit (Rohrschneider 2002). Both, however, agree that citizens do take into account the political performance dimension of the European Union when forming an opinion about it, just as the democratic transition literature proposed.

This argument about taking the domestic institutional environment into account is plausible. However, it is based on two implications that, while immediately plausible in the context of Western Europe, lead to counter-intuitive predictions in East Central Europe (more of this below). First, it assumes that as integration shifts from the economic to the political domain, citizens *change the criteria* they use in evaluating the performance of the European Union. Obviously, when the economy dominates the integration process, citizens presumably rely mainly on economic criteria when evaluating the EU. However, once economic integration nears completion, citizens presumably increasingly take into account the political performance of the EU, such as a democracy deficit. We are not suggesting that they ignore the economy; what we do suggest instead is that political criteria become more important relative to the period when economic integration was at the foreground. In short, as integration proceeds from economics to politics, the criteria by which citizens use to evaluate institutions also shift from economic to politics.

In addition to this shift of criteria, a second implication concerns citizens' *way of thinking* about the EU and their national context. As the quality of national institutions becomes more salient to individuals, we hypothesize that they increasingly compare the quality of national institutions to that of the emerging EU. Let us explain this.

First consider how citizens think about the national economy and the integrated market. In the context of economic issues, it makes sense for citizens to use the national economic context to assess the EU. For the only way that the success or failure of the integrated economy manifests

itself for citizens is through their evaluations of their personal economic circumstances or through their perceptions of the national economy (or some combination thereof). In the economic domain, nearly everyone agrees on what good economic performance is: low unemployment rates, low inflation rates, higher personal and national income. How do citizens know that the Europe-wide, integrated market performs well? They look at the national economy. If it works well, the integrated market presumably performs well; if it does not, the integrated market works poorly. Therefore, regardless of whether citizens use personal or national economic information, this logic suggests that when citizens evaluate the EU and the economy dominates the integration process, citizens employ a proxy logic (Anderson 1998). Rather than assuming that the proxy mechanism emerges primarily when individuals lack information, we would suggest that that proxy mechanism is a key for citizens to know how the integrated market economy works. This leads to the general expectation that a poor economy lowers evaluations of the EU, and a good economy leads to positive perceptions of the European Union (figure 2a)—a linear relationship.

--figure 2 about here--

Now consider how a country's quality of output institutions influences how citizens evaluate the EU. As a starting point, we note that a key difference to the economic domain is that successful political integration does not have a straightforward manifestation at the national level. That is, there is no simple and easily accessible indicator in the political domain which citizens could use to evaluate the performance of the EU. Instead, political integration manifests itself as a separate set of institutions: one at the national level, another one at the EU level. Thus, one difference to the economic domain is that that there are two discernable sets of political institutions.

Another difference to the economic domain is that citizens do not necessarily use their observations about the national context to the EU-level. Imagine first a scenario where countries are plagued by notoriously low institutional performance. Here, corruption is rampant, the judiciary is unreliable, and bureaucrats are known for playing cronyism and nepotism. When

citizens live in countries with under-performing output institutions, they have ample reason to distrust the EU. They distrust national input institutions – including the politicians which make decisions at the EU level on behalf of citizens. And EU laws are implemented by national output institutions which do not work well. Therefore, to the extent that citizens focus on this experience, this, too, suggest a proxy mechanism: individuals use the national experience to infer how the EU level works. Thus, here citizens are given no reason to trust the EU.

At the other end of the institutional quality spectrum, however, citizens are actually given a reason to *distrust* the EU: citizens stand to lose well-functioning, domestic institutions. Given that they have well functioning domestic institutions, citizens may actually incur a loss in institutional quality through Europe's political integration. This situation, in turn, establishes a context where citizens are more likely to compare what they have now with what they may get. The incentive structure is to contrast the two levels rather than to apply a proxy mechanism. Empirically, we know that citizens do not generalize from the national to the supranational level when output institutions work well: citizens in these nations are indeed the most *negative* about a range of EU institutions (Sanches-Cuenca 2000; Rohrschneider 2002).

In a highly stylized form, what this argument suggests, is that as one moves from the context of low quality institutional environment to one with high quality institutional environment, we would expect to find a curvilinear relationship between institutional quality and perceptions of the EU (figure 2b): when domestic institutions work poorly, citizens apply a proxy logic. Consequently, as institutions begin to improve, they view the EU more positively (because people generalize from the national to the supranational level). At some point, however, this improvement turns into a liability for the EU because individuals begin to worry about the loss of their domestic quality environment as a result of political integration. Therefore, after the tipping point, increasing institutional quality leads to a more negative evaluation of the EU.

We are not suggesting that citizens would never generalize from the national to the supranational level. Clearly, there is a mix of incentives in place. For example, the integrated

economy is largely evaluated on the basis of the proxy mechanism in low and high-quality institutional environments. What we do suggest, however, is that the more people perceive the EU against a high quality institutional environment at home, the more likely they will apply nor rely on a contrast logic.

We should also note that we do not want to place the entire burden of the changing criteria and ways of thinking on citizens alone. As integration increasingly emphasizes the political aspect, then political elites no doubt change their ways of framing of integration in domestic political debates (Franklin 1994; Marks, Wilson et al. 2002; Ray 2003). They may emphasize different issues, or they modify previously held positions. An important question therefore is how political parties in different countries respond to the changing character of European integration in varying context when framing EU integration. This is the topic of a separate investigation. What we do argue here, is that how ordinary citizens respond to changing environmental conditions defines the context for party level analyses. If citizens all over Europe view the EU similarly regardless of varying national conditions, then it raises a different set of questions for party level analyses than when citizens' views about the EU systematically and predictably reflect countries' socioeconomic conditions and political institutions.

In sum, our argument suggests that a twofold change takes place as integration moves from the economic to the political domain. First, their criteria shift accordingly and second, they change the way of thinking from the proxy logic to the contrast logic.

### **Hypotheses**

In order to develop testable hypothesis from this general discussion, consider figure 2. Based on our discussion, we would expect that citizens in Europe use the national economic experience in evaluating whether the EU represents their interests.

*Hypothesis 1: Positive economic perceptions increase support for the EU.*

Furthermore, our discussion suggests that citizens increasingly contrast the national and supranational institutions. This argument implicitly states that citizens do not rely as much on the economy where they must be concerned with a loss of high-quality institutions. If this argument is correct, we should see a weakening of economic perceptions as a predictor of the democracy deficit as we move across the range of countries, from poor countries to wealthy nations. In other words, there should be an interaction effect between socioeconomic affluence and economic perceptions.

*Hypothesis 2: The greater the socioeconomic affluence of a country, the weaker the influence of economic perceptions on the democracy deficit.*

A third expectation is directly derived from our discussion of the relevance of nations' institutional quality. We expect a curvilinear relationship between institutional quality and perceptions of the EU's democracy deficit.

*Hypothesis 3: Countries' institutional quality and perceptions of the democracy deficit are curvilinearly related: in countries with institutions which function poorly citizens do not feel represented by the EU; as to citizens who live in countries with well functioning institutions. In contrast, those in the middle should feel more represented than those at the two endpoints of the institutional quality continuum.*

### **Data and Measurement**

We use the 2004 European election study in order to measure citizens' attitudes about the representation process. The surveys contain the following two questions:

“How much confidence do you have that decisions made by the European Union will be in the interest of [country]?”

And:

“And how much confidence do you have that decisions made by the European Union will be in the interest of people like you?”

Response categories are “a great deal of confidence, a fair amount of confidence, not very much, no confidence at all. We included the fairly small number of missing values as a neutral middle category. The responses suggest that citizens in East Central Europe are as reluctant as West Europeans to evaluate the representative capacity of the European Union positively. For example, about 49% in the East and 50% in the West have no confidence in the European Union to represent the interests of respondents’ country. Similarly, 51 percent in the East and 54 percent in the West do not believe that the EU represents respondents’ interests at the outset. These patterns are remarkable because they indicate that the EU has a representational deficit not just in the West but in the East from the moment of EU enlargement onwards. If one considers that the European Union has made a significant effort to remake the institutions and economies of East Central Europe, this result is surprising as East Central Europeans shortly after joining the EU are already as ambivalent about its representative capacity as West Europeans are.

For Western Europe, the results confirm previous analyses which indicate that Europeans have no more confidence in the EU than they have in national level institutions in representing their interests.

These two variables strongly interconnected ( $r=.75$ ). We therefore constructed an additive indicator of the two variables which will be the dependent variable in the ensuing analyses.<sup>1</sup> High scores indicate perceptions that the EU is a good job in representing citizens. Figure 3 highlights the overall patterns. The figure suggests that there is no clear difference across the East-West divide, which reflects the fairly weak correlation coefficient between representative perceptions and living in Eastern or Western Europe ( $r=.03$ ).

--Figure 3 about here --

**Independent Variables.** Our theoretical discussion emphasized the import of economic factors in

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<sup>1</sup> The additive index has an average inter-item covariance of 0.3921 and scale reliability coefficient (*alpha*) of 0.8513.

influencing perceptions of the democracy deficit. We are especially interested in whether perceptions of the national economy, as we argue, influence respondents' evaluations of the EU's representative capacity *differently* across the socio-economic spectrum. At the individual level, we use the following question:

'What do you think about the economy? Compared to 12 months ago, do you think that the general economic situation in this country is a lot better, a little better, stayed the same, a little worse, a lot worse.

We again included the small number of missing data as a neutral middle category. Another question asked about the future economy for the country over the next year. Because these two variables are fairly strongly inter-connected ( $r = .55$ ), we constructed an indicator of the two variables.<sup>2</sup>

Figure 4 shows the relationship across the East-West divide because eastern countries are less affluent than those in Western Europe. In Eastern Europe, we see a fairly significant increase in positive evaluations of the EU as we move from the category of respondents, who believe the economy is doing poorly, to the category of respondents who believe that the economy is doing quite well. In contrast, the relationship is considerably weaker in Western Europe, although it exhibits the same basic pattern: positive evaluations of the economy help the EU. This difference is summarized by a correlation coefficient of  $r = .35$  in East Central Europe and a coefficient of  $r = .16$  in Western Europe. This provides initial support for our claim that the economy matters more in the East than in the West.

--Figure 4 about here --

Another hypothesized relationship concerns the relationship between the countries' institutional quality and perceptions of the democracy deficit. Recall that we predicted a curvilinear relationship between the two variables. However before we present the initial

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<sup>2</sup> The additive index has an average inter-item covariance of 0.5480 and scale reliability coefficient (*alpha*) of 0.7082.

evidence, we must address one critical issue: namely how to measure the quality of national institutions.

It is often the case that analyses link subjective perceptions of the national system to subjective perceptions of the EU. After all, the logic of our argument dictates that--if we would like to assess how citizens evaluate the two levels-- we should use indicators taken from public opinion surveys gauging subjective evaluations of both institutions.

The problem with the strategy is that there's a high degree of endogeneity among these variables. It is hard to sort out whether citizens like the EU because of the national system, or the national system because of the EU. Thus, it is hard to attribute unambiguous causality to one level. In addition, most surveys ask citizens about institutions either in the same question or in adjacent questions. For example the satisfaction with national democracy indicator and satisfaction with the EU democracy are often asked in adjacent questions. This survey design no doubt introduces an artificially high correlation between the two indicators, further complicating an assessment about which attitudes are the causes and which ones are the effects.

Our solution to this quandary is to use objective indicators of how well output institutions work. Specifically, we use indicators developed by the World Bank which summarize a large amount of information about the procedural quality of arbitrating institutions. The World Bank data about institutional quality uses the assessments of various independent institutions to evaluate the procedure or quality of bureaucracies and judiciaries (Kaufmann 2003). We know from prior research that these institutions strongly predict individuals' evaluations of a range of national institutions such as parliaments, governments, or politicians. We therefore believe that this is a reliable indicator for how well national institutions work in Europe.

Not surprisingly, institutions of the West work considerably better than institutions in the East (figure 5). Clearly, output institutions in East Central Europe fall short of the best-performing countries in the West. At the same time though, note that some West European countries do not outperform some countries in the East. For example Slovenia's output

institutions (2.8) obtain higher ratings than Greek (2.16) and Italian (2.53) output institutions. This is helpful for our analyses because we have a continuum from poor to well functioning institutions across the East-West divide, rather than having a dichotomy that duplicates the East-West dichotomy.

-- figure 5 about here --

The question, therefore, becomes whether the quality of output institutions is related to how the democracy deficit is perceived. The next figure plots the mean scores on the democracy deficit variable on the y-axis, with national output institutions on the x-axis (figure 6). Recall that we predicted a curvilinear relationship. And the prediction is met to a surprising degree. Countries with lower institutional quality are substantially less likely to feel represented by the EU than countries that are at the midpoint of the scale. In turn, publics who reside in nations with well-functioning arbitrating institutions are also among the nations with the lowest evaluations for the EU. In contrast, when citizens reside in the medium-range countries on this national performance indicator, they tend to be the most satisfied with the EU.

-- figure 6 about here --

However, another possibility for this pattern is that countries from East Central Europe, which score lower on the socioeconomic dimension, trust the EU less because of its economic problems, for countries with lower institutional quality also tend to be poorer. Indeed, we do observe a curvilinear relationship of socioeconomic affluence with perceptions of the EU's democracy deficit (figure 7). This similarity of the relationship to that of the previous figure is not surprising given that there is a strong relationship between institutional quality and socioeconomic affluence (.87). This similarity also raises the question of which of the two factors actually predicts citizens' evaluations of the EU's democracy deficit. The multivariate analyses below will provide an answer to this issue.

-- figure 7 about here --

Before we present the multivariate analyses, we would like to present evidence about

plausible rival hypotheses. For instance, one might speculate that citizens from countries which receive more from the EU than they contribute to the EU budget also feel that the EU effectively represents countries and citizens. Ireland is a case in point as a country which has benefited significantly from the EU over the past decades. Similarly, the EU has contributed to rebuilding the economies of East Central Europe. This might lead one to suspect that a critical factor in influencing perceptions of the EU's capacity to represent nations is how much the country proceeds from the EU beyond its contribution to it.

Another argument might be that citizens who live in nations with powerful institutional representation at the EU level feel more effectively represented by EU institutions. Nations like Germany, Italy, and Poland have larger representation in both the Council and the European Parliament.

The next two figures, however, lay these possibilities to rest (figures 8 and 9). Not only is the relationship between these two indicators is very weak, but they also defy clear linear and/or curvilinear modeling. On one hand, there is some indication that countries which benefit disproportionately from the EU feel more represented than citizens in countries that benefit fairly little. At the same time, countries which are roughly at the 0 position on the x-axis-- reflecting balanced payments and receipts - hold widely differing opinions about the EU's democracy deficit. In short, the relationship is fairly modest. Similarly, when citizens reside in nations which are well represented at the EU level, they are no more likely to view the democratic process more favorably than when citizens reside in smaller countries which typically have fewer representatives in the European Parliament and the European commission. Given the weak relationships of these factors on evaluations of the democracy deficit, we do not expect them to eradicate any effect of the institutional quality indicator on evaluations of the EU's democracy deficit.

--figure 8 and 9 about here--

### **Multivariate Analyses.**

In order to sort out the unique influence of these factors on perceptions of the democracy deficit, we conducted several multivariate analyses. We begin by testing the influence of economic perceptions on evaluations of the democracy deficit. Because our argument predicts that the effect emerges especially in nations with lower socioeconomic affluence and institutional development, we again begin by showing the results separately for post-communist and West European EU member states (table 1).

--Table 1 about here --

It is immediately apparent that economic perceptions have a much stronger effect on the democracy deficit in the East than in the West. In the West, the unstandardized coefficient (0.079) is about one third the size of the unstandardized coefficient in the East (0.208). Note also that the standardized regression coefficient, shown in parentheses, indicate that economic perceptions have the second-strongest influence on evaluations of the representative capacity of the EU at the micro level. This clearly indicates that citizens who do not perceive to be represented among the Central Europeans base their dissatisfaction with the EU on perceptions of the national economy.

Another important predictor at the individual level is citizens' evaluations of the perceived benefits a country receives. When they believe the EU benefits a country, they are considerably more likely to believe that the EU also represents the interests. This pattern emerges both in the East and the West. It is unclear, of course, whether the causal force is uni-directional; we expect that respondents' perceptions of the benefits coming to a country EU is partly shaped by whether they perceive the EU to represent them in the first place. However, we include the identification variable in order to assure that the results for the economic variable emerge regardless of respondent's general predispositions towards European integration. And the results support this contention, especially for post-communist democracies.

Remarkably, few of the other variables have much of an influence on the dependent

variable. Respondents at the extreme left or right wing do not differ significantly from those with a centrist ideological identification regarding the evaluations of the democracy deficit. Neither does employment status, social class, or respondents' age. All in all, the one factor that most significantly affects evaluations of the democracy deficit is individuals' economic perceptions, especially in post-communist democracies.

#### The Country Context.

These analyses provide initial support for our argument by endorsing the first hypothesis. But they do not consider yet the contextual factors we deem important, especially the institutional quality of a country's output institutions or their socioeconomic affluence. In order to consider these factors, we need to address one methodological issue which is related to the multi-level data structure.

Since we have data from both the individual level and the country-level, OLS is inappropriate because it under-estimates the standard error for contextual data (Snijders 1999). We therefore use HLM which takes into account the multi-level structure of our data. In particular, it estimates coefficients by considering the two levels of the data structure simultaneously; and by including an error term in the estimation of coefficients that the individual level and the macro level. This means, among other things, that we do not have to assume, in contrast to OLS, that the contextual variables explain all the variance at the country-level (again see Snijders and Bosker for a discussion of this point).

Given that we have individual level and country level data, HLM requires the specification of two sets of equations. A first equation models the influence of individual level variables on perceptions of the democracy deficit:

$$\text{EU Representation} = \beta_{0j} + \beta_{1j} \text{ Perceived Economy} \dots + \beta_k X_{kij} + e_{ij} \quad (1)$$

The second equation captures the influence of contextual variables on cross-national variation in representational assessments. This is captured in HLM through the influence of macro variables on the intercept from equation 1:<sup>3</sup>

$$\beta_{0j} = \gamma_{00} + \gamma_{01}\text{Quality} + \gamma_{02}\text{QualitySquared} + \gamma_{03}\text{Affluence} + \gamma_{04}\text{AffluenceSquared} + \gamma_{05}\text{EU Benefits} + \delta_{0j} \quad (2)$$

Note that we hypothesize a curvilinear relationship between institutional quality and perceptions of the democracy deficit; this argument also applies to a country socioeconomic affluence. This is the reason why we include a squared term for both country characteristics. We also included a measure of whether net beneficiaries from the EU more likely to feel represented than net contributors.<sup>4</sup> In short, this equation captures the influence of contextual variables on perceptions of the democracy deficit.

Since our argument also predicts that economic perceptions are less important in countries which are economically affluent, this is represented by an interaction term between a country's socioeconomic affluence and the individual level coefficients from level 1:

$$\beta_{\text{economic Perceptions } j} = \gamma_{10} + \gamma_{11}\text{Affluence} + \delta_{1j} \quad (3)$$

Together, the three equations model the effect of individual level variables on perceptions of the representational capacity of the EU (equation 1), the effects of contextual variables on countries' average perceptions of the democracy deficit (equation 2), and the hypothesized effect of social economic affluence on the strength of the coefficients of economic perceptions (equation 3).

In a first step, we included a country's institutional quality indicator – both the main and squared terms – and nations' socioeconomic affluence as a predictor of the mean scores on perceptions of the democracy deficit (model 1 in table 2). The results clearly support the argument about a curvilinear relationship. The squared term for the institutional quality indicator

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<sup>3</sup> Countries in this analysis include: Austria, Belgium, Britain, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain

<sup>4</sup> Preliminary analyses show this to be the most important control variable. Given the small degrees of freedom in the country-level data (N=22), we focus the analyses on the most important zero order predictors.

is significant statistically, even though we only have 17 degrees of freedom. Surprisingly, countries' socioeconomic influence does not come even close to being statistically significant—not even when we exclude the institutional performance indicators (model 2), whereas the institutional performance variables remain significant when they are estimated alone (model 3). Substantively, this means that despite the overlap and the strong correlation between socioeconomic affluence and institutional quality, how citizens experience output institutions has a direct impact on perceptions of the representation process at the EU level. In short, at the lower *and* higher end of institutional development, citizens' experience with institutions reduces their support for the EU democracy deficit.<sup>5</sup>

--Table 2 about here--

Of course, we are not arguing that economic factors are irrelevant. To the contrary, our argument is precisely that these variables are more important because they influence representation perceptions directly, and because socioeconomic affluence shapes how much importance people attribute to economic issues. We find several pieces of evidence in support of this argument. First, economic perceptions remain a strong predictor. However, our argument suggests – indeed requires – that economic perceptions are less important influences of perceptions of the democracy deficit when citizens reside in nations with higher socioeconomic affluence. In order to test this premise of the argument, we re-estimate the model, this time including an interaction term between socioeconomic perceptions and countries' economic affluence (Model 5). And it clearly shows that the influence of economic perceptions is weaker in socio-economically advanced nations, just as we hypothesized.

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<sup>5</sup> Given these results, we dropped the squared economic affluence term from the model.

## Conclusion

The democratic deficit in the EU has become endemic among mass publics and should provide cause for concern for the enterprise of further EU integration and expansion. For the high performers of the EU, strong national-level institutions seem to challenge the legitimacy of the EU, a consistent finding that does not bode well for new members and aspirants alike. In terms of Dahl's thesis (1989), although the original intent of the EU was market integration, it has become a political institution and as such is being evaluated not only on its ability to deliver as an 'output' institution but also increasingly as representational institution and is coming up lacking.

The literature of democratic transitions has something to say to the 'second' transition in the East and the 'first' in the West. Understanding the determinants of citizens' assessment of the EU requires researchers to incorporate several components of economic and political integration. Despite the similar levels of popular discontent across both regions of the EU, our understanding of how citizens arrive at evaluations of the EU must admit to two processes. The first is that economics provides only some of the answer. As countries progress economically, citizens rely less on these criteria as the basis for evaluating a regime and are slowly replaced by political criteria. As this shift from one set of criteria takes place, individuals also demonstrate a shift from using national institutions as proximate yardsticks for evaluating supra-national regimes to comparing the performance of these institutions.

The recent expansion of the EU has allowed us to test these claims, as we have done here. From the individual-level data, we find that for the new member states of Central and Eastern Europe, dissatisfaction with the representation in the EU is more strongly driven by economic concerns than their Western counterparts. In the multi-level section we also found that although socio-economic affluence and institutional quality are strongly correlated, citizens' attitudes toward the EU respond to institutional quality more acutely such that *both* low and high institutional quality is a strong predictor of high levels of dissatisfaction with the representational quality of the EU. This finding strongly supports our argument that individuals shift from proxy

to contrast logic as the quality of national institutional performance increases. That, however, does not diminish the role of economics entirely but rather underscores the role of economics as it directly impacts individuals particularly in countries in which socio-economic development places economic issues at the forefront of national interests.

## Appendix: Variable description

**Democratic Deficit:** The democratic deficit is the additive combination of the following questions: (q31) “How much confidence do you have that decisions made by the European Union will be in the interest of [country]?” & (q32) “And how much confidence do you have that decisions made by the European Union will be in the interest of people like you?” The response categories are ‘a great deal of confidence’, ‘a fair amount’, ‘not very much’, and ‘no confidence at all’. These responses were recoded to make the output intuitive: 2 Doesn't feel represented -- 10 Feels represented. A middle category – dk – was added as a neutral category. The resulting additive index has an average inter-item covariance of 0.3921 and scale reliability coefficient (*alpha*) of 0.8513.

**Economic Perception:** Economic perceptions are the additive combination of the questions: (q15) “What do you think about the economy? Compared to 12 months ago, do you think that the general economic situation in this country is...” (q16) “And over the next 12 months, how do you think the general economic situation in this country will be?” The response categories are the 1-5 scale from ‘get a lot better’ to ‘get a lot worse’. A middle category – dk – was added as a neutral category. The resulting additive index has an average inter-item covariance of 0.5480 and scale reliability coefficient (*alpha*) of 0.7082.

**Government record favorable or unfavorable:** This is variable (q29) “Let us now come back to [country]. Do you approve or disapprove the government's record to date?” Recoded to reflect: 0 disapprove, 1 DK, and 2 approve.

**Government vote in last election:** (q11) “Which party did you vote for at the [General Election] of [Year of Last General Election]?” Coded to reflect voting for parties in government.

**Most Important Problem:** No Party & Most Important Problem: DK: were dummied from (q02) “Which political party do you think would be best at dealing with <the most important problem>?” If a ‘DK’ or ‘No Party’ answer was given, a 1 was coded, others were 0.

**European Identification:** The European Identification variable is (q23) “Do you ever think of yourself not only as a [country] citizen, but also as a citizen of the European Union?” The response categories are ‘often’, ‘sometimes’, and ‘never’.

**Political Interest:** The political interest variable is (q20) “To what extent would you say you are interested in politics? Very, somewhat, a little, or not at all?” The response categories are ‘very’, ‘somewhat’, ‘a little’, and ‘not at all’. These were recoded to be intuitive.

**Ideological Orientation:** The Left/Right variables are the collapsed version of (q14) “In political matters people talk of “the left” and “the right”. What is your position? Please indicate your views using any number on a 10-point-scale. On this scale, where 1 means ‘left’ and 10 means “right,” which number best describes your position?” The response categories range from 1 (left) – 10 (right). Left/Right 1=1-2; Left/Right 2=3-4; Left/Right 3=5-6; Left/Right 4=7-8; Left/Right 5=9-10.

**Employment:** The Employment status dummies are (d06) “What is your current work situation?” Are you: self-employed; employed; in school; working in the household (included with other); retired; unemployed; other.

**Class:** The class dummies are (d07) “If you were asked to chose one of these five names for your social class, which would you say you belong to - the working class, the lower middle class, the middle class, the upper middle class or the upper class?” The response categories are: ‘working class’, ‘lower middle class’, ‘middle class’, ‘upper middle class’, and ‘upper class’.

**Education:** The education variable is (d02) “How old were you when you stopped full-time education?” Countries were assigned country means.

**Age:** The age variable uses (d04) “What year were you born?” to construct the following dummies: Age 1: Pre-EU (1900-40); Age 2: Montan (1941-50); Age 3: Market (1951-70); Age 4: Polity (1971-90).

### ***Macro-Level Variables***

**Institutional Quality:** Described in the main text.

**Net EU Beneficiary:** BBC website, 2004

**HDI:** 2003 Human Development Index Scores of the UN (UN website).

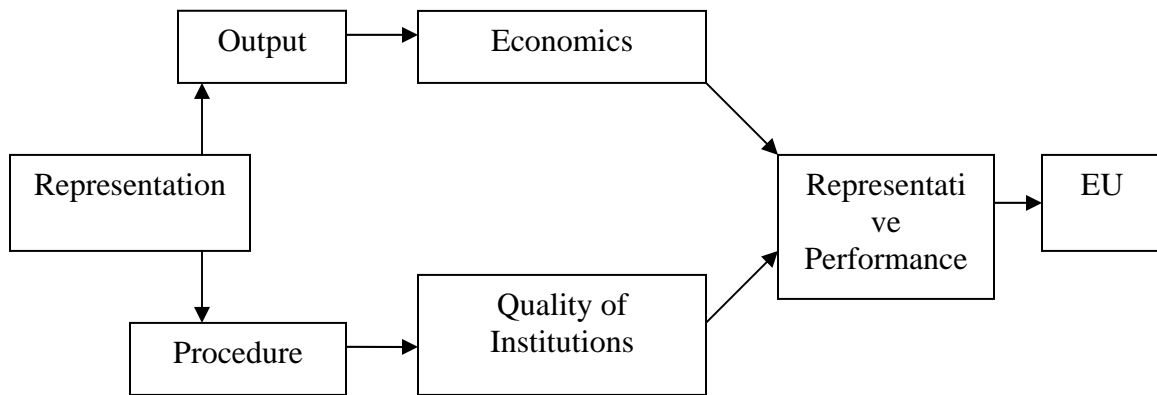
**Country Representation:** Additive index of standardized scores of 1. Country's number of MEPs; 2. Votes in Council.

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**Figure 1: The Conceptual Categories**



**Figure 2 : The Economy, Institutions, and the Democracy Deficit**

Figure 2a: Proxy

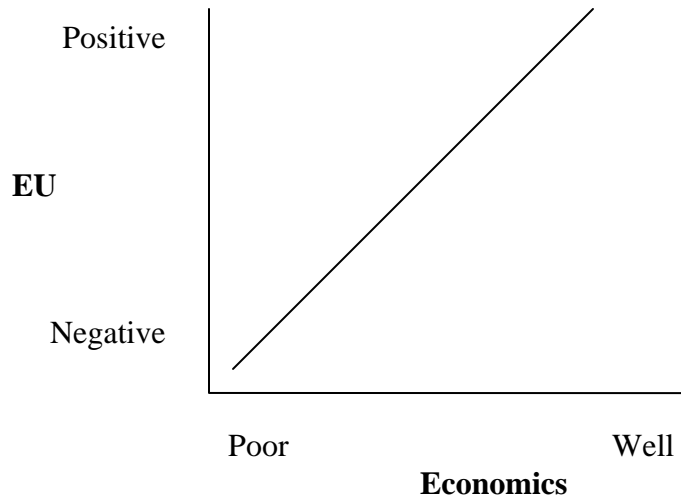


Figure 2b: Proxy and Contrast

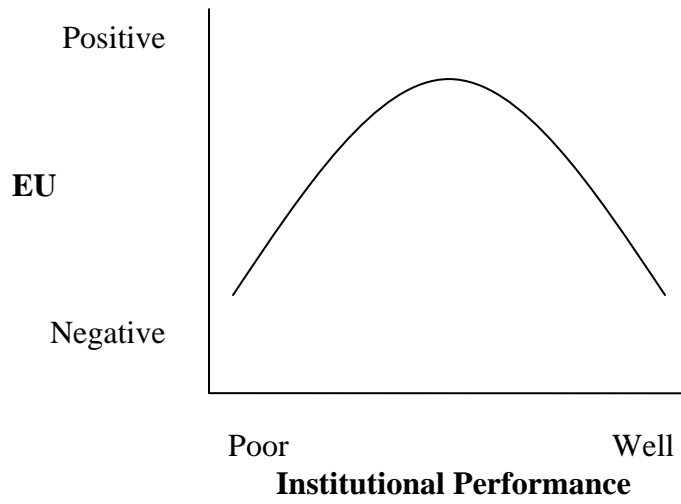
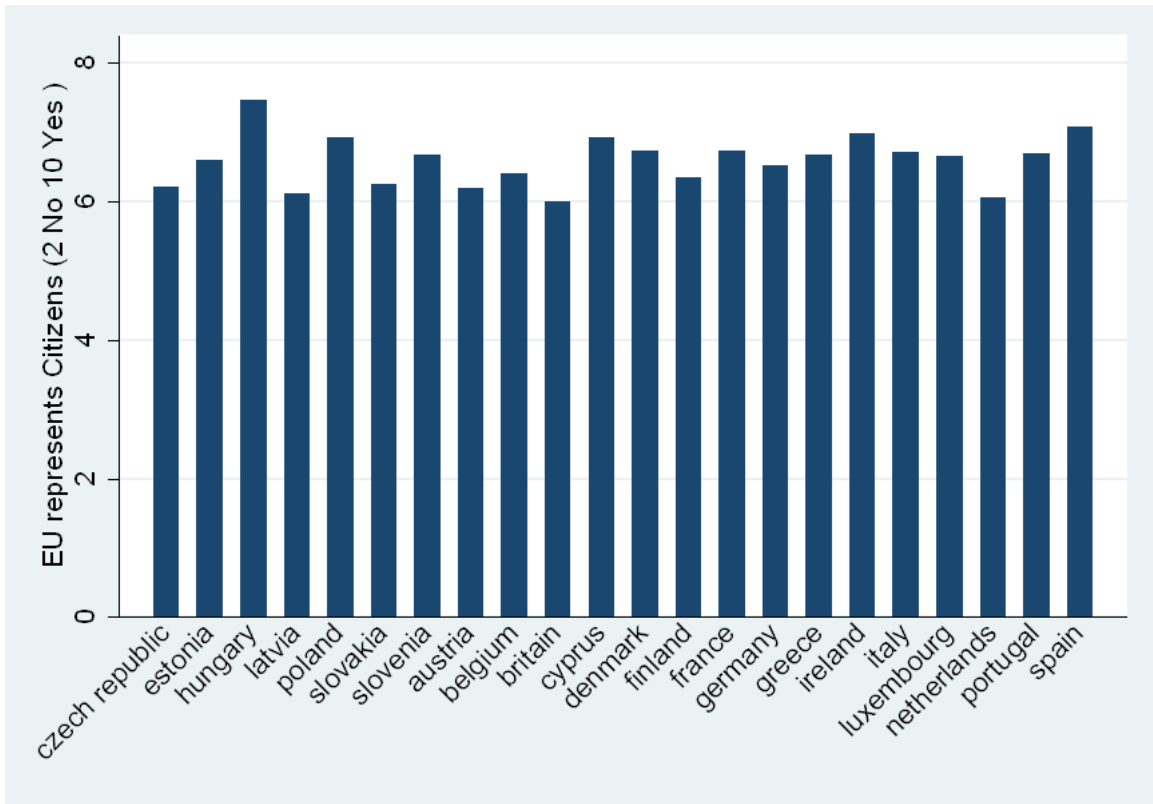
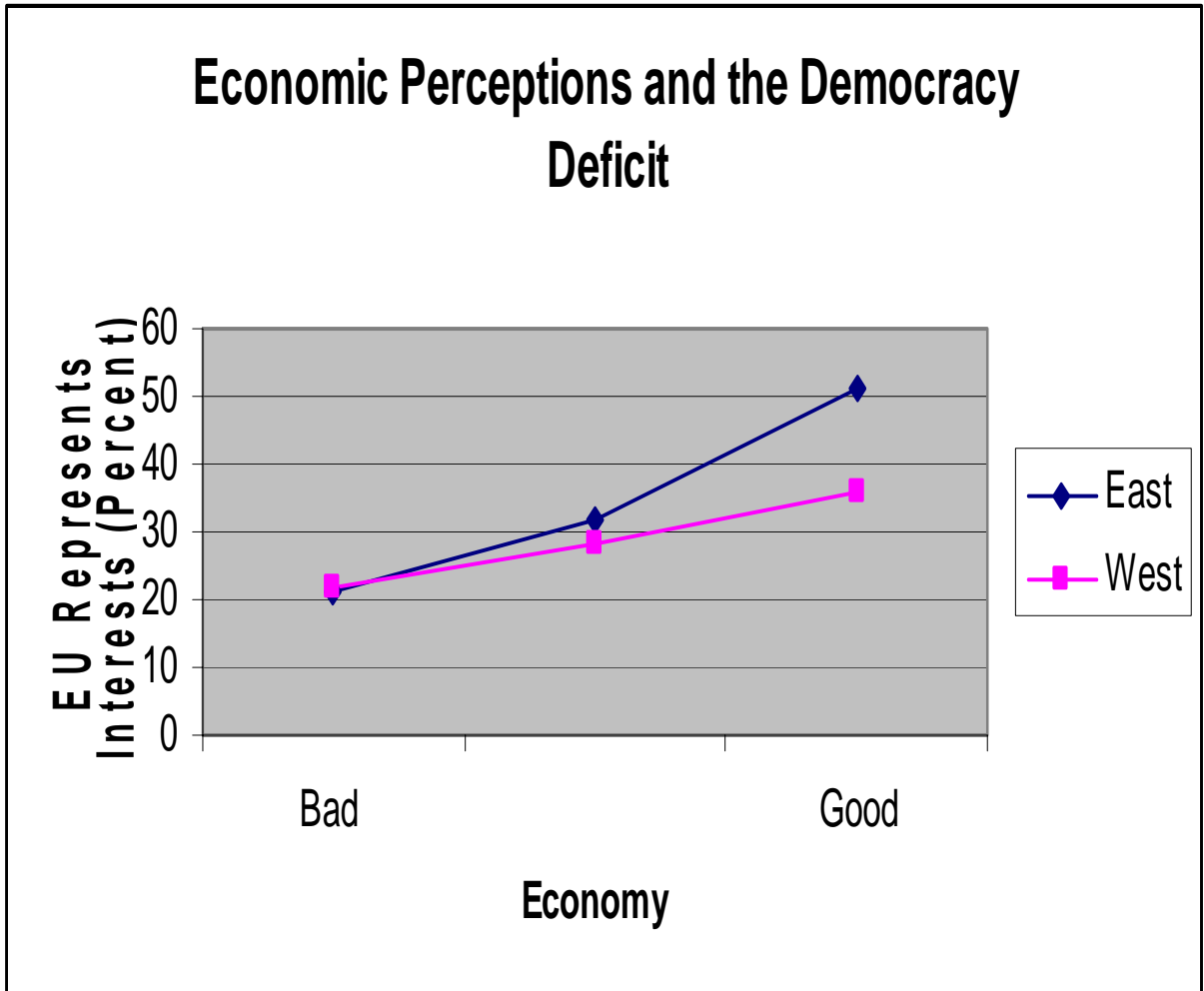


Figure 3 : Perceptions of the Democracy Deficit in Europe



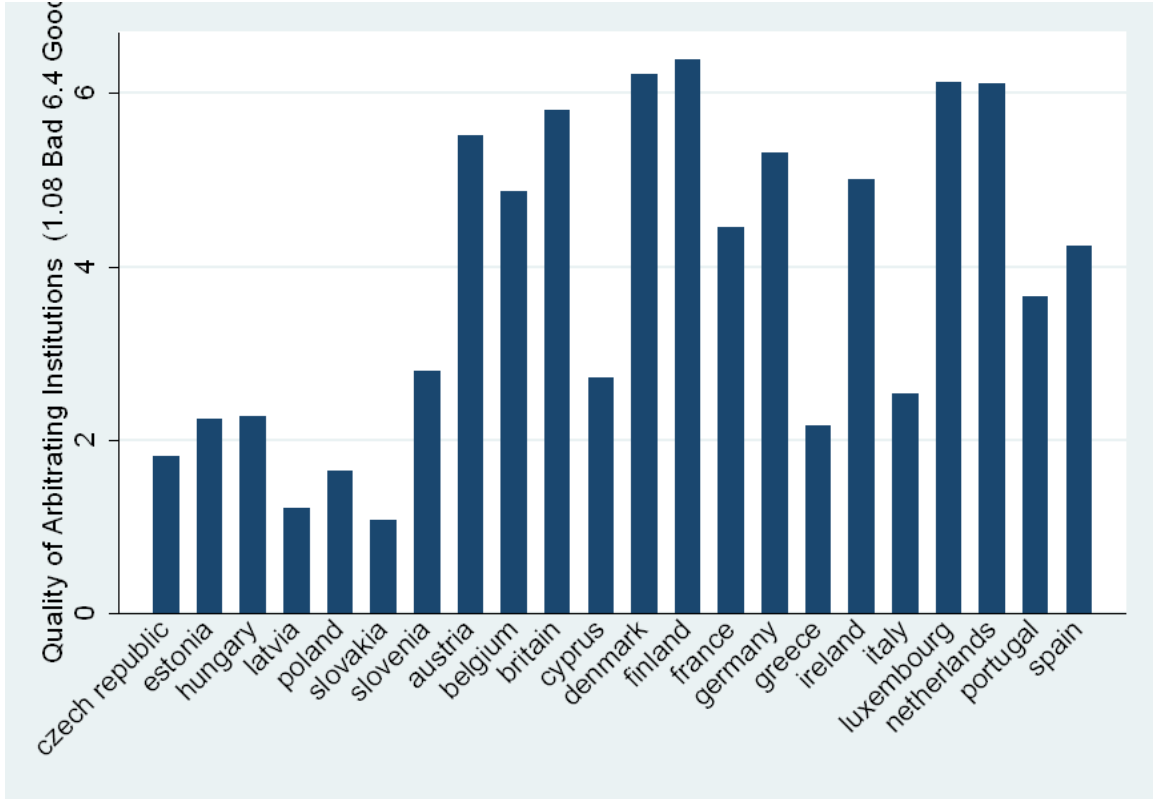
Note: Pearson's correlation coefficient between East-West dummy variable and perceptions of the deficit is  $r=.03$ .

Figure 4: The Economy and the Democracy Deficit



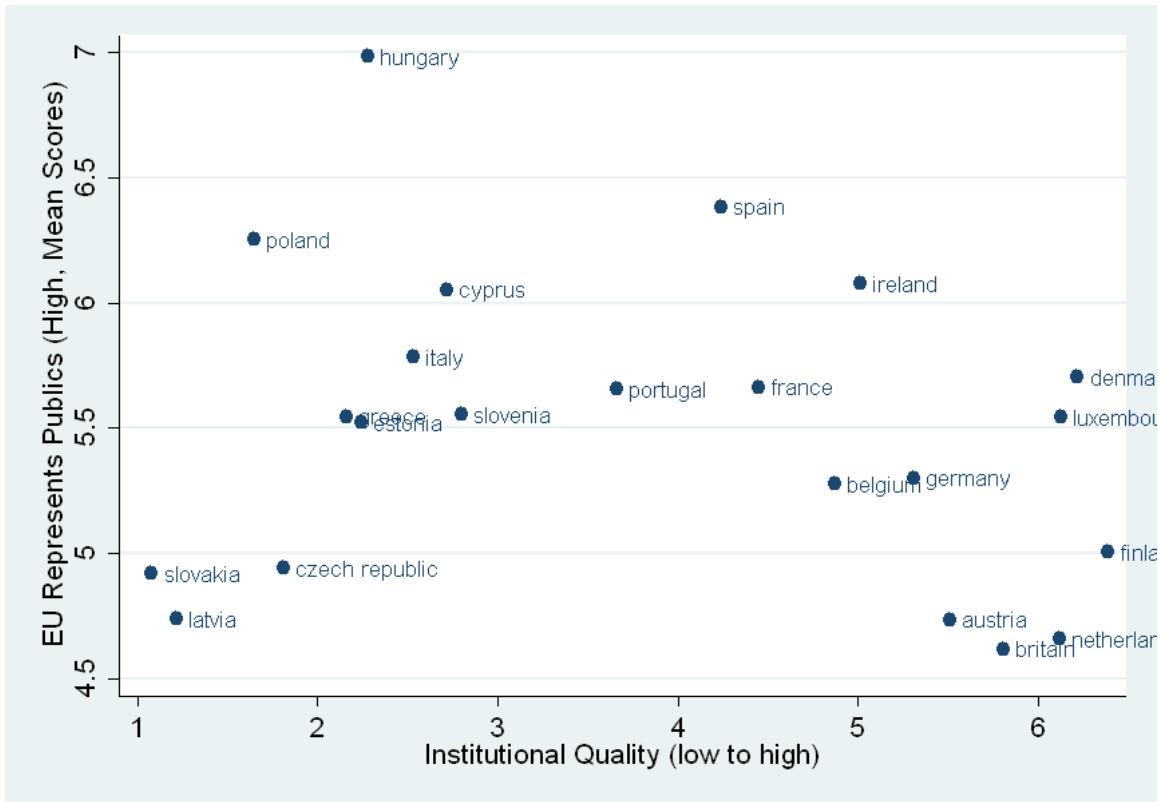
Note: Pearson's correlation coefficient is  $r=.34$  and  $r=.14$  in the East and West, respectively.

Figure 5: The quality of output institutions in Europe

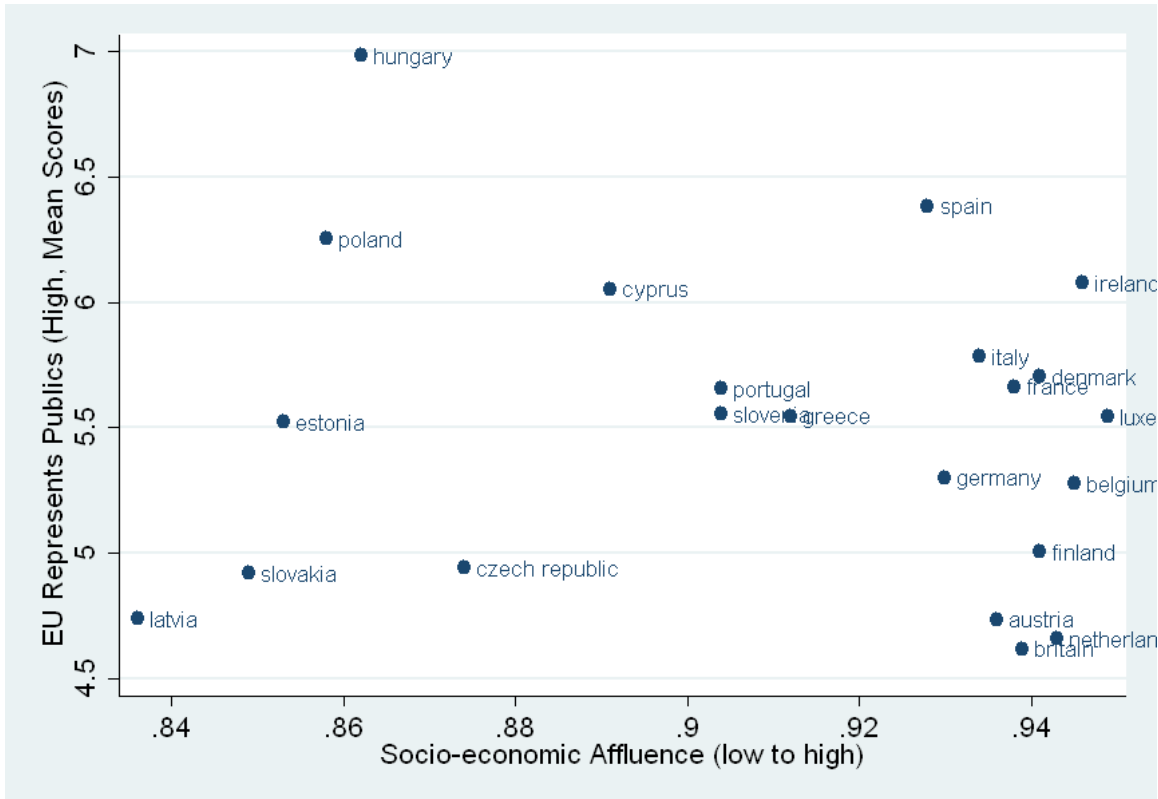


Source: Kaufman at all 2003.

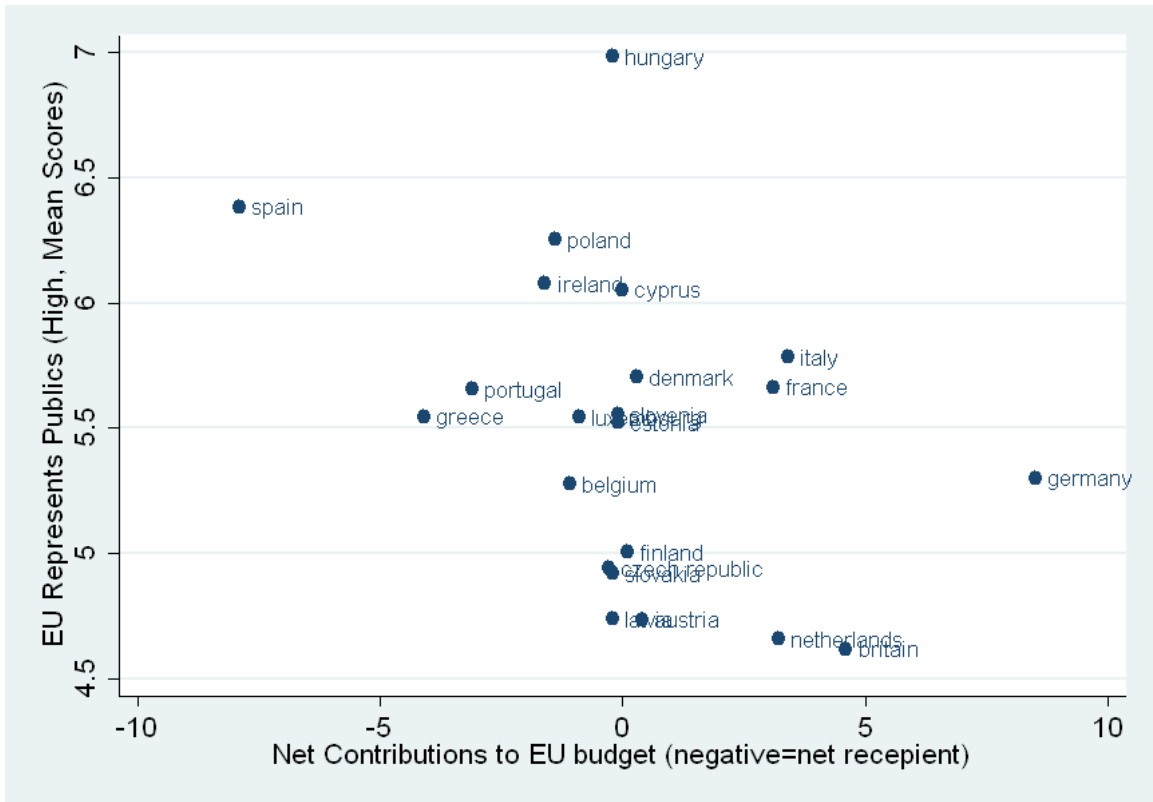
**Figure 6: Institutional Quality and Perceptions of Representation**



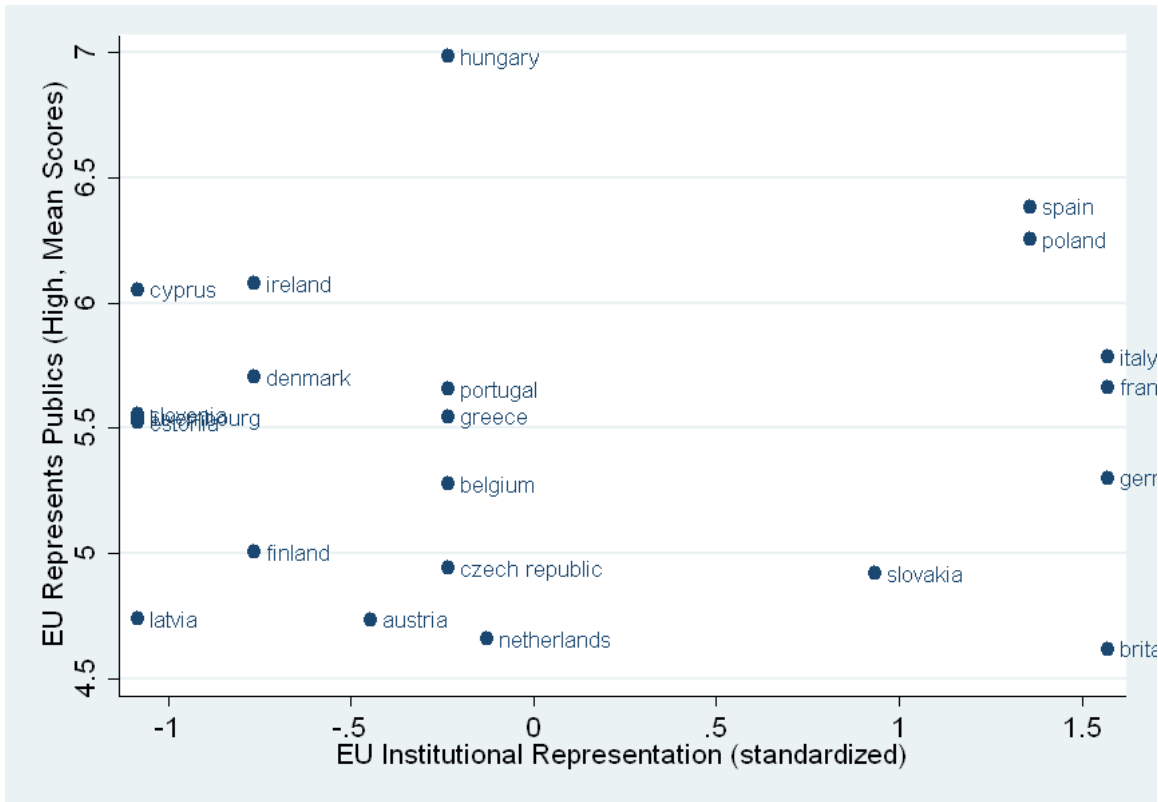
**Figure 7: Socio-economic Development and Perceptions of Representation**



**Figure 8: Net Budget Contributors and Perceptions of Representation**



**Figure 9: Country Voice in EU-Institutions and Perceptions of Representation**



**Table 1: Individual-level Predictors of Perceptions of the Democracy Deficit<sup>6</sup>**

	West	East
<i>Nat'l Economic Perception</i>	0.102 (0.081)**	0.252 (0.197)**
<i>Government record (un)favorable</i>	0.266 (0.120)**	0.268 (0.112)**
<i>Government vote in last election</i>	-0.128 (-0.028)**	-0.032 (-0.007)
<i>Most Important Problem: No Party</i>	-0.402 (-0.072)**	-0.201 (-0.038)**
<i>Most Important Problem: DK</i>	-0.190 (-0.023)**	-0.197 (-0.031)*
<i>Country Benefits from EU</i>	-1.143 (-0.352)**	-1.118 (-0.348)**
<i>Political Interest</i>	0.147 (0.056)**	0.137 (0.050)**
<b>Ideological Orientation</b>		
<i>Left/Right 1</i>	0.158 (0.023)**	-0.056 (-0.008)
<i>Left/Right 2</i>	0.163 (0.031)**	-0.080 (-0.013)
<i>Left/Right 4</i>	-0.073 (-0.014)	0.122 (0.022)
<i>Left/Right 5</i>	0.138 (0.018)*	0.344 (0.051)**
<b>Employment</b>		
<i>Self Employed</i>	0.013 (0.002)	0.044 (0.006)
<i>Unemployed</i>	-0.250 (-0.027)**	0.119 (0.012)
<i>Retired</i>	0.038 (0.006)	0.154 (0.029)
<i>Student</i>	0.125 (0.016)	0.140 (0.013)
<i>Other</i>	0.165 (0.023)**	-0.129 (-0.016)
<b>Self-Reported Class</b>		
<i>Working Class</i>	-0.100 (-0.018)*	-0.061 (-0.012)
<i>Lower Middle Class</i>	-0.112 (-0.018)*	-0.190 (-0.034)**
<i>Upper Class</i>	0.183 (0.030)**	0.228 (0.025)*

<sup>6</sup> OLS estimated beta coefficients (Robust normalized beta coefficients). Significance: \*p<0.05, \*\*p<0.01, \*\*\*p<0.001. Reference categories for dummies: Left/Right – center; Occupation – Employed; Class – Middle class; Age – oldest cohort (see variable description); Countries – Belgium (West), Czech Republic (East).

<i>Other</i>	-0.104 (-0.006)	-0.099 (-0.007)
<b>Socio-Economic Position</b>		
<i>Education</i>	0.003 (0.007)	0.013 (0.024)
<i>Age 2</i>	-0.067 (-0.011)	0.085 (0.014)
<i>Age 3</i>	0.033 (0.007)	0.221 (0.047)*
<i>Age 4</i>	0.181 (0.033)**	0.207 (0.040)
<b>Country Dummies</b>		
<i>Austria</i>	0.040 (0.005)	
<i>Great Britain</i>	0.135 (0.017)	
<i>Cyprus</i>	0.812 (0.066)**	
<i>Denmark</i>	0.557 (0.068)**	
<i>Finland</i>	0.167 (0.018)	
<i>France</i>	0.792 (0.111)**	
<i>Germany</i>	0.393 (0.034)**	
<i>Greece</i>	0.350 (0.025)*	
<i>Ireland</i>	0.671 (0.083)**	
<i>Italy</i>	0.837 (0.098)**	
<i>Luxembourg</i>	-0.165 (-0.022)	
<i>Malta</i>	0.000 (0.000)	
<i>The Netherlands</i>	-0.454 (-0.062)**	
<i>Portugal</i>	0.487 (0.050)**	
<i>Spain</i>	1.196 (0.132)**	
<i>Sweden</i>	0.000 (0.000)	
<i>Estonia</i>		-0.244 (-0.043)*
<i>Hungary</i>		1.227 (0.208)**
<i>Latvia</i>		-0.871 (-0.125)**

<i>Lithuania</i>		0.000 (0.000)
<i>Poland</i>		0.749 (0.101)**
<i>Slovakia</i>		-0.540 (-0.080)**
<i>Slovenia</i>		-0.508 (-0.072)**
<b>Constant</b>	5.543 (2.521)**	5.233 (2.284)**
<i>N</i>	12509	4886
<b>R<sup>2</sup></b>	0.25	0.39

**Table 2: Individual and Contextual Effects on Perceptions of the Democracy Deficit**

	Model 1	Model 2	Model 3	Model 4	Model 5
<i>National-Level Predictors:</i>					
Performance	1.28		0.80	0.75	1.22*
Performance Squared	-0.16*		-0.12*	-0.11*	-0.15*
HDI 2003 scores	-12.29	378.7			-7.57
HDI 2003 scores Squared	-12.85	-214.2			
Net Giving to European Union				-0.06	-0.06
Interaction: Economic Perf. * HDI 2003					-1.40*
<i>Individual-level Predictors:</i>					
Government vote in last election	-0.10**	-0.10**	-0.10**	-0.10**	-0.10**
Government record (un)favorable	0.26***	0.26***	0.26***	0.26***	0.26***
Left/Right 1	0.09	0.09	0.09	0.09	0.09
Left/Right 2	0.09*	0.10	0.10*	0.09*	0.10*
Left/Right 4	-0.02	-0.02	-0.02	-0.02	-0.02
Left/Right 5	0.22***	0.22***	0.22	0.22***	0.22***
Education	-0.01	-0.01	0.01	-0.01	-0.01
Age 2	-0.01	-0.01	-0.01	-0.01	-0.01
Age 3	0.11*	0.11*	0.11*	0.11*	0.11*
Age 4	0.18***	0.19***	0.20***	0.19***	0.19***
Economic Perception <sup>7</sup>	0.15***	0.15***	0.15***	0.15***	1.42*
Self Employed	0.03	0.03	0.03	0.03	0.03
Unemployed	-0.13*	-0.13*	-0.13*	-0.13*	-0.13*
Retired	0.06	0.06	0.06	0.06	0.06
Student	0.12*	0.12*	0.12*	0.12*	0.12*
Other	0.06	0.06	0.06	0.06	0.06
Lower Middle Class	-0.06	-0.06	-0.06	-0.06	-0.06
Middle Class	0.07	0.07	0.07	0.07	0.07
Upper Class	0.26**	0.26***	0.26***	0.26***	0.26***
Other	-0.01	-0.01	-0.01	-0.01	-0.01
EU Integration	-0.14***	-1.14***	-1.14***	-1.14***	-1.14***
Most Important Problem: No Party	-0.34***	-0.34***	-0.34***	-0.34***	-0.34***
Most Important Problem: DK	-0.18***	-0.18***	-0.18***	-0.18***	-0.18***
Political Interest	0.15***	0.15***	0.15***	0.15***	0.15**
<i>Variance of Random Effects:</i>					
Constant	.33***	.33***	.33***	.31***	.31***
Economic Perceptions	.012***	.012***	.012***	.012***	.009*
N=	17667	17669	17669	17668	17666

. \*p<.05, \*\*p<.01, \*\*\*p<.001

Note: Entries are Full Maximum Likelihood estimates of Coefficients (HLM 6.02).

<sup>7</sup> The residual parameter variance for this level-1 coefficient has not been set to zero.