

## **Chapter 8**

### **Crisis Perceptions and Economic Voting Among the Rich and the Poor: The United Kingdom and Germany**

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One aspect of the Great Recession of 2008-2010 that will dominate historical accounts of the crisis will be its dramatic affects on the average citizen in countries affected by these events. Given the unique magnitude of the economic shocks experienced by many economies, this important historical event provides a unique opportunity to study how such economic shocks affect the attitudes and voting behavior of the average citizen. Unlike the last Great Recession, we do have extensive survey data on the attitudes and behavior of average citizens from a variety of countries. This essay leverages extensive survey data collected during this period in order to understand whether individuals, from different economic circumstances and who might have been differentially affected by the Recession, respond similarly or differently to these economic shocks. We believe that the analysis presented in this essay will provide an important contribution to the historical record by helping understand how voters were affected, and responded to, the Great Recession.

The principal puzzle addressed here is how the economic shocks of the Great Recession affected the average citizen's attitudes and political behavior. The literature on how the economy shapes political behavior provides an important foundation for understanding the political ramifications of the Great Recession. In one characterization, economic shocks are shared "events" that are, for the most part, experienced in a rather uniform manner by citizens. Certainly when we examine aggregate-level economic attitudes, on the whole, citizens seem quite astute when it comes to assessing and anticipating macro-economic outcomes (Duch and

Stevenson 2011; MacKuen, Erikson and Stimson 1992). An important contributing factor here is the role of the media in shaping national attitudes about the economy (Duch and Stevenson 2011; Duch, Palmer and Anderson 2000; MacKuen, Erikson and Stimson 1992; Hetherington 1996).

In another, quite different characterization, these macro-economic events are expected to affect groups in the population very differently—for some citizens the shocks have very negative consequences, while for others their effects are relatively moderate. For example, much of the political economy literature on labor markets focuses on how macro-economic “events” affect different occupations quite differently. Some occupations are more at risk than others in economic hard times. Understanding differences in perceived risk associated with one’s employment or occupation may help explain preferences over policies that have redistributive consequences (preferences over marginal tax rates, for example). Implicit in this characterization is the notion of considerable heterogeneity in how different groups perceive economic events; in how these events shape their political preferences; and finally in their impact on vote choices.

Our contention is that these two different perspectives on how the economy shapes political behavior have very different implications for the political legacy of the Great Recession. In one perspective the Great Recession is a homogeneously shared economic experience that is essentially defined and framed by the media. And the political response to these shocks could have been fairly uniform across income groups in society. On the other hand, the economic shocks could have quite different effects on the rich and poor in society, they could have been perceived quite differently by them, and they could have resulted in different political preferences for, and behavior by, the rich and poor. This chapter explores these two distinct portrayals of the economic and political consequences of the recent Great Recession. The macro-economic events of central concern in our analysis are real economic growth,

unemployment, and inflation. We describe how voters responded to the economic crisis of 2008-2010 drawing on data from two panel studies conducted during the 2009 German Federal election and the 2010 U.K. Parliamentary election.

Our empirical analysis addresses the following questions: (1) Is there evidence that the crisis affected poor and rich people differently? (2) Did poor and rich people differ in their preferred policy responses to these macro-economic events? (3) Were perceptions of the national macro-economic events perceived differently across income groups? (4) Did poor and rich people perceive differences in how their personal finances were affected? and (5) Did preferred policy responses or perceptions of economic outcomes (personal or national) weigh more heavily in the vote functions of the poor versus the rich? We evaluate these differences between the rich and the poor by dividing the participants in our studies based on their self-reported income level. Those at the top two quartiles were classified as rich while those at the bottom two quartiles as poor.<sup>1</sup>

### **Two Perspectives on Macro-economic Shocks**

While many of the chronicles of the Great Recession assume that the economic shocks would have important implications for politics, we think it remains unclear precisely how this economic information shapes economic attitudes and behaviour. In order to provide some insights here, we propose building on the classic literature on the economy and voting behavior that treats voters as instrumentally rational actors. Downs (1957) introduced the notion that individuals make vote choices based on their comparison of expected utilities for each of the competing parties. The notion of voters as utility maximizing political “consumer” was a

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<sup>1</sup> The median income in Germany for those classified as Poor is between €18,000 and €24,000 per year; for those classified as rich is between €42,000 and €48,000 per year. The median income in the UK for those classified as Poor is between £20,000 to £24,999 per year; for those classified as rich is between £50,000 to £59,999 per year.

significant deviation from widely accepted explanations for vote choice that borrowed from the social-psychological literature (Berelson, Lazarsfeld and McPhee 1954; Campbell et al. 1960). But it was Kramer's efforts to “test the Downsian rationality hypothesis” by exploring the link between economic outcomes and U.S. election results that inspired early economic voting research (Kramer 1971). Kramer in effect argued for the importance of economic well-being in the voter utility function introduced by Downs. Fair (1978) took this argument a step forward by providing a formal statement of how economic performance enters the voter utility. This was an important theoretical advance because it established a foundation for modeling vote choice from a rational utility maximization perspective that included economic well-being in the utility function.

These models provide the foundation for our effort to understand the political implications of the Great Recession. They suggest that voters should punish incumbents for negative economic shocks. However, a fundamental presumption here is that macro-economic shocks register in a reasonably similar fashion with most voters. It is true that we are in some sense collective spectators of macro-economic events—we watch them unroll on BBC, Fox News and CNN. But the macro-economic events, and government policy responses to them, have distributional consequences. But there will be economic winners and losers – highly-leveraged unemployed homeowners in Spain may respond quite differently than highly-paid German engineers working in Munich. The losers, who are likely to be the poor, may have much different evaluations and reactions to macro-economic events.

First, one might expect heightened attention to economic shocks—or more negative responses—on the part of the poor versus the rich. It is true that the rich and the poor are at least potentially exposed to the same media narrative regarding these macro-economic events, and

hence we might expect homogeneous evaluations. But the poor are typically more negatively affected, which might elicit more negative assessments of macro-economic performance. In particular, certain segments of the labor markets may be exposed to significant shocks linked to declining trade barriers, increased global trade, structural changes in the labor force (in some cases imposed by governmental authorities), and the exporting of jobs to low-wage regimes. Different aspects of individuals' economic attitudes might be affected by these shocks – we focus on three of them: policy preferences; personal economic evaluations and national economic assessments.

*Economic policy preferences.* Many expected the Great Recession to be a catalyst for more aggressive government redistributive policies. The assumption was that certain sectors of the economy and certain types of employees were more exposed than others to the shocks resulting from the Great Recession. For example, with the collapse of the housing market and with the dramatic decline in construction, individuals working in construction-related occupations and industries were, in many countries, exposed to high levels of unemployment risk.

Differential risk exposure was expected to affect voters' preferences for redistribution. Rehm (2012) defines risk exposure in terms of income expectations and suggests that it affects policy and partisan preferences. Rehm (2012) operationalizes risk exposure in terms of level of unemployment in an individual's occupational category. Other scholars have conceptualized risk exposure differently. Examples include factor endowments, trade exposure of the sector in which an individual is employed, the tradeability of sectors (Mayda and Rodrik 2005), foreign direct investment by multinational enterprises (Scheve and Slaughter 2004), job off-shore-ability (Walter 2010) and skill specificity (Iversen and Soskice 2001). What is common to these treatments is the notion that voters acquire information on risk exposure, use this information to

calibrate their personal risk exposure, and make appropriate calculations regarding the extent to which existing policies (in particular, government redistributive measures) insure them against these risks.

To the extent that rich and poor voters respond in a self-interested fashion to economic shocks, the poor will favor redistributive policies that moderate the negative impact of the economic shocks on the less fortunate, while the rich should be less enthusiastic about such policies. As it turns out, the evidence for a relationship between economic status and policy preferences is mixed, at best. The politics of inequality suggests that the redistributive policy preferences of the poor and the rich may not conform to such a simple characterization. Considerable evidence suggests that countries with unequal distributions of income redistribute less than those with more equitable distributions of income (Bradley, Huber, Moller, Nielsen and Stephens 2003; Iversen and Soskice 2009). Explanations for why redistributive policies do not more closely conform to classical theoretical expectations typically focus on institutional and electoral factors that intervene between the voter and policy outcomes (Pontusson and Rueda 2010; Pontusson and Lupu 2011).

Casual observation of the media and political rhetoric associated with macro-economic shocks suggests additional reasons why redistributive policy preferences may not line up neatly along income lines. There is widespread acceptance during crises of “no pain, no gain” theories of the macro-economy—claims that without radical measures (such as reduced government spending) that typically affect the poor in a negative fashion, economic recovery is impossible. Surprisingly, the poor often favor these policies and give considerable weight to them in deciding how to vote. This is consistent with other public opinion evidence suggesting, for example, that poor voters favor policies that make taxes less progressive (Bartels 2005).

Another possibility is simply that the redistributive preferences of poor and rich voters do not differ,

perhaps because voters do not perceive significant income inequalities; however this is typically left unexplored. For instance, Kenworthy and McCall (2008) focus their attention on the changing trends of median voter preferences, while looking at the relationship between redistributive preferences and income inequality. The context of a serious financial shock provides an opportunity to explore whether the redistributive preferences of the poor and rich do in fact diverge in a situation most likely to produce such polarization.

*National economic attitudes.* A major political fallout of the Great Recession was that a number of incumbent governments were defeated in elections during this period – Prime Minister Brown, President Sarkozy and the ruling Spanish Socialist Party. This is not surprising given the extensive literature on economic voting that unambiguously confirms the existence of a robust empirical connection between the economy and vote choice. Although, as Duch and Stevenson (2008) point out, its magnitude can vary significantly cross-nationally and within particular countries over time. And there clearly were incumbents, such as President Obama, who dodged the economic vote bullet.

This chapter is concerned with two empirical foundations for that connection. First, voters are assumed to be attentive to fluctuations in the macro-economy and to have a pretty accurate collective sense of macro-economic conditions and trends.<sup>2</sup> A common theme in this literature is that voters increasingly are exposed, via various media, to considerable information about macro-economic events, which accounts for both the relative accuracy of their evaluations and the homogeneity of those evaluations (Hetherington 1996).

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<sup>2</sup> A classic empirical account of how well voters are able to anticipate macro-economic events is MacKuen, Erikson and Stimson (1992). More recently, Duch and Stevenson (2011) find that price expectations in a sample of European countries anticipate subsequent fluctuations in prices, although with considerable cross-national variation in accuracy.

Second, and likely following from this observation, national aggregate economic outcomes are assumed to play a particularly important role, compared to personal economic circumstances, in voter's utility functions. Classic economic voting models typically focus on the effects of collectively experienced macro-economic events. And there is evidence from the U.S. suggesting that even in the face of the recent economic shocks and the diverging economic fortunes of the rich and poor, these income groups share very similar assessments of macro-economic fluctuations (Hopkins 2011).

But there is an alternative narrative to this classic rational choice characterization of voters responding in a homogeneous fashion to economic shocks. In particular there is evidence that the poor are typically less attentive to the media and that this might result in biased evaluations of the real economy (Bartels 1996; Krause 1997; Duch, Palmer and Anderson 2000) or in a more moderate economic vote (Gomez and Wilson 2001; Singer 2011).

*Personal economic attitudes.* The rich and the poor might have quite similar evaluations of aggregate macro-economic outcomes but quite different assessments of how their personal finances are faring. Voters who are more negatively affected by local economic conditions or who belong to segments of the economy that experience more negative economic shocks do seem to register more negative evaluations of the economy (Ansolabehere et al. 2011).

The Great Recession is one in which the personal economic circumstances of many voters were subject to significant shocks but it was also, in each country, a national economic event that played out very prominently in the traditional media and, increasingly, in social networks. Hence this offers a unique opportunity to evaluate how these two dimensions of economic evaluations evolve over the course of an economic shock – assessments of personal finances and evaluations of the national economy.



*Economic attitudes and policy preferences.* Are the politics of the Great Recession simply based on valence issues? Are voters simply punishing the incumbent for what they perceive as poor economic outcomes? Given the magnitude of the economic shocks and their differential impact on less affluent segments of society, we would expect this to have an effect on the public's policy preferences. In particular, perceived economic shocks should affect preferences for redistribution such as redistributive taxation. Given that the poor are likely to be disproportionately affected, they should be the most supportive of redistributive policies.

The assumption here is that economic shocks result in support for policies that have significant redistributive consequences. However, empirical support for the conjecture that self-interest conditions support for these policy responses is mixed. For example, Scheve and Slaughter (2001) and Hays et al. (2005) have found that support for policy responses to trade shocks is tied to economic self-interest. However, Bechtel et al. (2012), examining German public support for international financial bailouts in the aftermath of the recent Euro-crisis, concluded that support is not related to conventional measures of economic self-interest, but rather with measures of other-regardingness and cosmopolitanism.

*Economic attitudes in the vote utility function.* Ultimately, we are interested in economic attitudes—and how they vary between the rich and the poor—because they shape vote choices, and hence can affect policy responses to economic shocks such as the recent financial crisis. Again, there is a debate in the literature regarding the relative importance of economic attitudes for the voting decisions of the rich and the poor. Of particular concern is which economic perceptions shape the vote choice of the rich and the poor. In the case of the U.S. electorate, Bartels (2008) demonstrates that by favoring national economic evaluations over personal financial outcomes in their vote decision, the rich and the poor both effectively reward

incumbents who make the rich better off. In a sense, he suggests that Republican presidents get widespread support of low-income voters despite implementing macro-economic policies that favor the rich because low-income voters vote sociotropically. (The argument is a little more complicated, but that is the bare-bones version). In a similar vein, Gomez and Wilson (2006) have argued that higher political sophistication (which correlates with income and education) prompts citizens to vote their own pocketbooks.

*Redistributive policy preferences in the vote utility function.* Redistributive policies typically take center stage during serious macro-economic shocks. Again, which policies enter into the vote utility function of the rich and poor and the relative weight accorded different policies may have implications for how these different voters fare in the aftermath of the crisis. In the context of a severe economic crisis, the poor may accord greater weight to redistributive policies in their vote choice than is the case for the rich. But given the considerable evidence that the poor in fact exhibit redistributive preferences at odds with their self-interest, it would not be surprising if the poor and rich allocated similar importance to redistributive policy preferences in their vote decision.

We assume, although it bears demonstrating, that in this particular crisis macro-economic shocks had a more negative impact on the poor than on the rich. We would expect the poor and the rich to differ in their preferred policy responses to these macro-economic events—particularly to the extent that the policy responses have redistributive consequences. And to the extent this is the case, self-interested poor voters are likely to be more negative in their evaluations of these shocks. We would expect to see economic evaluations enter into the vote utility function of the poor in a fashion that does not undermine their economic self-interest—they should not, for example, give less weight than the rich to these shocks.

### The Economic Crisis

We begin our empirical analysis by characterizing changes in objective economic conditions in the two countries included in our study, Germany and the U.K. Real disposable income (RDI) declined from 2008 through 2009 in both countries, and one might expect the magnitude of those declines to be greater for people in the lower levels of the income distribution. Figure 1 shows the evolution of net median income for the lowest and highest income quartiles in both Germany and the U.K.<sup>3</sup> In Germany the weekly income of the highest quartile dropped from its pre-crisis levels, while in the U.K. the income of this group actually increased. In both countries however, the income of the lowest quartile experienced little or no change in either direction.

[Figure 1]

Similarly, Figure 2 shows how unemployment rates and inflation evolved over the course of the crisis.<sup>4</sup> In terms of unemployment (Figure 2.a), Germany barely felt the effects of the financial crisis. The decline in unemployment that occurred from 2005 to 2008 stopped midway through 2008; however, instead of climbing back up to 2005 levels, unemployment held steady. In fact, Germany experienced remarkably low levels of unemployment throughout the crisis, levels that had not been seen in decades. In contrast, unemployment in the U.K. had been relatively low and constant from 2005 to 2008, five percentage points lower than in Germany; however, after the first quarter of 2008 it quickly climbed from about 5% to 8%. The different nature of the economic crisis in the two countries can also be seen with regards to levels of

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<sup>3</sup> The data are from the German Socio Economic Panel and the U.K. Labour Workforce Survey.

<sup>4</sup> The data are from the OECD Consumer Price Index (MEI) dataset.

inflation (Figure 2.b). Before the crisis, the levels of inflation in these two countries were similar; however, starting in 2008 prices in the U.K. increased at a faster pace than those in Germany.

[Figure 2]

### **National Subjective Measures**

Clearly, both the U.K. and Germany experienced economic shocks of a significant magnitude in the aftermath of the recent financial crisis. We now explore how this crisis was perceived by citizens, what effects it had on their policy preferences, and how it affected voters' choices. Our analysis is based on data from two panel surveys—one carried out in the U.K. from 2008 to 2010 and the other carried out in Germany in 2009.

The 2008-2010 British Cooperative Campaign Project (BCCAP) was a six-wave panel study of 10,000 respondents. The survey waves were conducted by the internet survey firm Polimetrix YouGov in December of 2008, May and October of 2009, and January, May, and June of 2010. The 2009 German Cooperative Campaign Project (DeCCAP) was a four-wave panel study of 6,000 respondents, likewise conducted by Polimetrix YouGov in June, August, September, and October of 2009. The surveys were conducted online and were approximately 20 minutes long; every attempt was made to retain all respondents throughout all the waves of each panel.<sup>5</sup>

Waves 2 to 6 of the BCCAP survey included questions measuring perceptions of the economy, changes in consumption habits, and policy preferences. Similar questions were included in the four waves of the DeCCAP. Regarding the national economy, respondents were asked:

1. Would you say that OVER THE PAST YEAR the nation's economy has ...

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<sup>5</sup> A more detailed description of these surveys and an explanation of subject recruitment and panel representativeness are available at <http://ccap.nuff.ox.ac.uk/>.

2. What about the next 12 months? Do you expect the economy, in the country as a whole, to ...

3. Would you say that OVER THE PAST YEAR, inflation has ...

4. Would you say that OVER THE PAST YEAR, the level of unemployment in the country has ...

National economic evaluations in both countries were remarkably negative, but improved rapidly over the course of the study. In December 2008—at the peak of the financial crisis and ensuing recession—essentially the entire sample thought things were getting worse; 75 percent of the U.K. respondents answered “much worse”. This persisted until the beginning of 2010, when the balance of sentiment about the U.K. economy shifted from negative to positive. Given the dramatic shock to the global economy, the negative assessments in both countries in early 2009 are unsurprising. However, the rapid rate of improvement in national retrospective economic evaluations in both countries over the relatively brief periods covered by our panel studies is more surprising, certainly by comparison with the rather modest changes in actual macro-economic indicators over these periods.

Figure 3 presents the evolution of the “worse” and “much worse” national economic evaluations for both Germany and the U.K. by income group. With respect to these national economic evaluations, the poor and rich exhibit very similar patterns. In the U.K., for instance, in December 2008, 97% of both the low- and high-income respondents had “worse” or “much worse” retrospective evaluations. By April 2010, the corresponding figures were 58% and 49%, respectively. The high-income respondents were somewhat less negative, but not dramatically so. In the case of prospective economic evaluations, the proportion of high-income respondents with “worse/much worse” evaluations went from 80% to 25%, while the proportion of low-

income respondents with “worse/much worse” evaluations dropped from 80% to 39%. Hence, both the rich and poor became increasingly less pessimistic and guardedly more optimistic over the 16 months of the panel survey.

[Figure 3]

For the most part, respondents who thought the economy was performing poorly in the first panel wave in December 2008 either remained pessimistic in subsequent waves or changed to perceiving the economy as being the “same.” However, respondents were generally much less pessimistic in their assessments of the future than in their assessments of the previous 12 months. Finally, and most importantly for our purposes, Figure 3 shows that the improvements in national perceptions over the course of our panel study were roughly parallel across income levels. Likewise for Germany, retrospective and prospective evaluations for the low- and high-income respondents were very similar, although with a less dramatic drop.

Additional questions in the surveys provide some insight into what specific macro-economic concerns were driving these general economic evaluations. Recall from Figure 2 that unemployment was declining or stable in Germany but rising in the U.K., while both countries were experiencing rising rates of inflation. Figure 4 presents British and German retrospective assessments specifically of unemployment and inflation over the preceding year. Negative evaluations of the employment situation resemble the levels we saw for retrospective national evaluations—over 80 percent of U.K. respondents and almost 80 percent of German respondents reported “worse” or “much worse” perceptions (see figures 4.a and 4.c). We would not expect the Germans to be as pessimistic as the British, given that unemployment was declining prior to 2009 and remained stable in 2009, compared to quite significant rises in unemployment in the U.K. after the financial crisis. Again, we suspect that this high level of employment pessimism in

Germany is a result of media stories concerning threats to employment resulting from the global economic shock. Finally, once again, there is no evidence here that the rich and poor had different subjective evaluations—both groups were extremely pessimistic about the employment situation.

[Figure 4]

As we would expect, given relatively low levels of inflation in both countries, Figure 4.b and 4.d indicate that assessments of inflation were much less negative than was the case for unemployment. The British respondents over the course of the two-year panel exhibited rising levels of concern with price increases—a concern that ultimately proved prescient on their part. But of particular concern here are the differences between the rich and poor respondents—the poor were significantly more likely to have negative retrospective evaluations of inflation.

We began this chapter by sketching two different visions of how citizens experience macro-economic events such as the recent financial crisis. In one, economic experience is collective and heavily shaped by mediated representations of economic outcomes. In the other, citizens are sensitive to how economic shocks affect their particular occupational or socio-economic niche—hence we would expect quite different evaluations on the part of the rich and poor. Our analysis of subjective evaluations of the national economy indicates that the former is by far the more accurate characterization of how attitudes about the economy are shaped during financial crises. While there were some indications of differences between the rich and poor—particularly with respect to inflation—they were generally relatively minor.

### **Crisis in Personal Finances?**

Macro-economic events have real implications for household and personal finances. And it is a reasonable conjecture that the poor are affected differently than the rich. One would anticipate, or at least we do, that shocks to personal finances are not something that is experienced collectively or shaped by the media. Our expectation is that these economic shocks are likely to generate much more significant differences in how the poor and the rich evaluate their own financial situations.

We begin with a measure of respondents' own finances based on responses to a series of questions about their personal economic circumstances. The battery of questions included respondents' assessment of whether it is a good time to make major purchases (such as furniture, kitchen appliances, and televisions), changes in oil and housing prices, and respondents' assessments of their ability to make their monthly payments or their need to make consumer behavior changes to achieve this goal. Table 1 shows the differences in how the poor and the rich in both Germany and the U.K. felt the financial crisis. It is interesting to note that in both countries there are significant differences in most categories between the responses of the poor and the rich. Specifically, we see differences in how the economic crisis affected citizens, in the concern respondents expressed regarding their ability to get a loan or pay for their house, and in their personal assessments of how the economy had affected them.

[Table 1]

Based on the responses to this battery of questions, we created a measure of how much each respondent's own economic circumstances were affected by the economic crisis.<sup>6</sup> Figure 5 shows the distribution of scores for the summary measure of Personal Economic Circumstances for

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<sup>6</sup> A detailed description of the questions and the creation of the summary measure are presented in the Appendix.



respondents at different income levels for the April 2009 wave in the U.K. and the June 2009 wave in Germany. Positive values indicate a better personal economic situation, and negative values indicate a worse personal economic situation. Note that the distribution of responses for the rich is skewed towards the positive direction and the opposite is the case for the poor. As expected, the poor have a more negative assessment of their personal financial situation. This is particularly noticeable if we look at the mean score (marked as an x in the figure) for respondents in each category. Both in Germany and the U.K. the means are different, with the rich being on average more positive and the poor more negative.

[Figure 5]

We also measured respondents' retrospective and prospective evaluations of their personal finances more generally. Respondents in both the U.K. and Germany were much more positive about their own personal financial situations than they were about national economic conditions. Roughly 40 percent of British and German respondents in each panel wave had negative prospective evaluations of personal finances; and about 50 percent in each group reported negative retrospective evaluations.

Figure 6 presents the evolution of the percentage of respondents who reported "worse" or "much worse" retrospective and prospective evaluations of personal finances, broken down by income level. In both cases there are significant income differences. The differences between retrospective and prospective evaluations are significantly greater in the U.K. sample. First, almost three-fourths of the low-income respondents in the December 2008 wave reported that their personal financial situation had gotten "worse" or "much worse". This compares to just under a half of the high-income respondents. And we see similar, although somewhat more modest, income differences in December 2008 for prospective assessment of personal finances.

Over the course of a relatively short period of time—eighteen months—these income differences changed quite significantly. Between December of 2008 and April of 2010, U.K. retrospective evaluations of personal finances in general became less negative. Amongst the lowest income quartile we actually see a slight improvement in their conditions—an increase of almost 4% in the proportion of respondents who saw their retrospective personal finances as getting “better” or “much better,” as opposed to a *decrease* of almost 3% for the highest income quartile.

[Figure 6]

With regards to prospective evaluations, Figure 6 shows a 15% decrease in the percentage of respondents who see their retrospective personal finances as getting “worse/much worse” (as opposed to a decrease in 6% for the highest income quartile). The net effect of these shifts is to make the low-income group look more similar to the high-income group in terms of retrospective evaluations of their personal finances. The prospective personal financial evaluations of both the high- and low-income groups become somewhat more positive (or significantly less negative) between December of 2008 and April of 2010.

Thus, Figure 6 suggests that the poor perceived their personal finances to have been much more negatively affected than the rich by the economic shocks of 2008. And even though we see an improvement over the course of the subsequent 16 months in the economic evaluations of the poor, they remain significantly more negative about their personal financial situation than is the case for the rich.

Our expectation was that there would be much more heterogeneity in citizens’ perceptions of how their own financial situations were affected by the financial crisis than in their perceptions of how their national economies were affected. This expectation is born out in the analysis. The poor were significantly more pessimistic about their personal finances than the rich

and, in the U.K., this difference became more evident in the later waves of the panel survey.<sup>7</sup>

This breach between the evaluations of poor and rich presumably reflects the fact that the disposable income of the rich held up better than that of the poor over the course of the economic crisis, especially in the U.K., where the rich saw their incomes increase while the income of the poor remained steady (before inflation) after the 2008 crisis.

### **Preferred Policy Responses**

Most governmental responses to the financial crisis have implied a reduction or moderation of redistributive programs. These initiatives have negative effects on the income of the poor. From the perspective of the self-interested voter, then, we might expect to see poor/rich differences emerge with respect to government spending and taxation policies. We test this expectation using two sets of questions administered in the British BCCAP survey that measure redistributive policy preferences.

The BCCAP survey included a series of questions concerning government spending in the context of the economic crisis. In particular, the survey asked whether it is better to increase taxes to pay for increased health spending or not to increase taxes and as a consequence not increase health spending.<sup>8</sup> We are particularly interested in whether these preferences varied with respondents' perceptions of the national economic situation and with their own income levels.

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<sup>7</sup> This result is consistent with Hopkins's (2011) finding that poor respondents in the U.S. ANES survey data were consistently more pessimistic than rich respondents about their personal financial situations.

<sup>8</sup> The specific question asked was: "Suppose the government had to choose between the three options below. Which do you think it should choose? (1) Reduce taxes and spend less on health, education and social benefits; (2) Keep taxes and spending on these services at the same level as now; (3) Increase taxes and spend more on health, education and social benefits; (4) Don't know."

Using data from the fifth wave of the BCCAP survey, we compare those who said they preferred an increase in spending and taxes to those who said they preferred a decrease in spending and taxes.

For respondents at the lowest and highest income quartiles, Figure 7 compares the percentages favoring an increase in taxes (and spending) with those favoring a decrease in taxes (and spending). Clearly there are strong differences between the rich and poor categories. However, these differences were relatively unaffected by perceptions of how the national economy had performed. Among poor respondents, regardless of whether they perceived the national economy positively or negatively, 28% preferred an increase in taxes and spending while 18% preferred a reduction. The preference orderings were reversed for respondents in the highest income quartile, who were more likely to prefer lower taxes and lower social spending; but these preferences, too, were relatively insensitive to perceptions of national economic performance: 30% of rich respondents who perceived the national economy positively and 28% of those who perceived the national economy negatively preferred a reduction in taxes and spending, while 18% of the first group and 20% of the second group preferred an increase in taxes and spending.

[Figure 7]

In the battery of questions related specifically to tax preference respondents were asked whether they think they pay too much in taxes, pay the right amount, or pay too little in taxes. In addition, they were asked similar questions about the taxes paid by the rich and by the poor.<sup>9</sup>

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<sup>9</sup> (1) “Do you feel you are asked to pay more than you should in income taxes, about the right amount, or less than you should?” (2) “What about rich people? Do you feel rich people are asked to pay more than they should in income taxes, about the right amount, or less than they should?” (3) “What about poor

Figure 8 presents the taxation results for these questions. There is considerable agreement on the part of the rich and poor regarding inequities in the tax system. Not surprisingly, most of the respondents believe that their tax burden is too high (more than they should). On average, across all four waves 46% of poor respondents thought they were paying too much in taxes, while 12% thought they were paying too much. Similarly, 39% of rich respondents thought they were paying too much, while 10% thought they were paying too little. It is interesting to note that the poor and rich respondents agreed that, overall, the rich are paying less taxes than they should (49% and 43%) and the poor are paying more taxes than they should (57% and 43%), regardless of their own economic situation. It may be the case—although this would require much more careful investigation—that there is rough agreement amongst all income levels in the U.K. (and elsewhere) as to what is an appropriate overall level of redistributive taxation.

[Figure 8]

### **The Economic Vote?**

There is little evidence that the poor in some sense have misaligned subjective assessments of the economic shocks in the post-2008 period. And in the case of their personal finances, there is strong evidence to suggest that they reacted more negatively to the economic shocks than was the case for the more affluent segments of the population. Ultimately of course what matters politically is how these economic attitudes shape vote choice. In the highly stylized political economy models described earlier, poor voters who were more negatively affected by the crisis will make vote choices that have consequences for redistribution that in some sense compensate

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people? Do you feel poor people are asked to pay more than you should in income taxes, about the right amount, or less than they should?"

them for the fall-out from these negative shocks. And subject to the income profile of the median voter, this redistribution may or may not take place. As pointed out earlier, the self-interested nature of the economic vote can depend on which economic evaluations enter into the vote utility function. In particular, given the results reported above, poor voters could undermine their economic vote if it was entirely based on national economic evaluations rather than personal financial circumstances. A poor economic vote that gave insignificant weight to personal financial circumstances could undermine the financial interests of the poor.

Over the course of this two-year period we have the opportunity to assess the extent to which the economy shapes vote preferences—and in particular the relative importance of evaluations of personal financial conditions compared to evaluations of the performance of the national economy. Again our interest here is in characterizing how different segments of the population respond, politically, to the shocks associated with this economic crisis. And our principal concern is whether the nature of these responses is consistent with what we typically consider to be in the financial self-interest of socio-economic segments of the population. As we pointed out earlier one can imagine political responses that are likely to exaggerate or moderate economic inequalities resulting from this economic crisis.

Using the data from the pre-election waves of both the BCCAP (waves 2 thru 5) and DeCCAP (waves 1 thru 3) surveys we estimated the economic vote for the party of the Prime Minister (Labour in the U.K. and CDU/CSU in Germany). Of particular interest were the differences in the effect of the economic vote between the rich and the poor. We use two different measures to obtain the effect of the economic vote: retrospective subjective assessments of the national economy; and retrospective subjective assessments of the personal economy. Both of these variables are five-scale items that range from 1 (Much Better) to 5 (Much Worse).

We also include our measure of Personal Economic Circumstances to see whether or not it influences the vote choices of the rich or the poor differently. This variable takes on values from  $-1.5$  to  $2$ , with more positive values signaling a better personal economic situation and more negative values signaling a worse economic situation. In the model we control for respondents' Left-Right ideological self-identification (0-Left to 10-Right), education level (in quartiles), satisfaction with democracy (1 to 4 scale), union membership (1 yes, 0 no), and age.<sup>10</sup>

We estimate separate economic voting models for rich and poor respondents.<sup>11</sup> Table 2 reports the results for the logistic model of U.K. vote choice (Labour versus other parties). Of particular concern here is whether the poor are employing economic evaluations differently than the rich in making their vote decision. We do see a difference. Both rich and poor are employing national retrospective evaluations in their vote choice decision, and the coefficient sizes suggest they are giving these evaluations relatively similar importance; but there is some evidence that the rich are more likely to give importance to their personal financial situation. In two waves the personal economic evaluation is statistically significant in the model for rich respondents, but it is significant in only one of the models for poor respondents.

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<sup>10</sup> (1) "If there were a General Election tomorrow, which party would you vote for?" (2) "In politics, people sometimes talk about parties and politicians as being on the left or right. Using the 0 to 10 scale on this card, where the end marked 0 means left and the end marked 10 means right, where would you place yourself on this scale?" (3) "On the whole, are you very satisfied, fairly satisfied, a little dissatisfied, or very dissatisfied with the way that democracy works in this country?" (4) "Are you now a member of a trade union or staff association?"

<sup>11</sup> While we specifically refer to the poor as the lowest income quartile and the rich as the highest for analytical purposes we used the two lower income quartiles for the poor model and the two highest quartiles for the rich model. The results are no different to the models using only the lowest and highest income quartiles, and thus we decided to report these models as they include all available observations in the dataset.

[Table 2]

Given that the incumbent coalition in the 2009 German Federal election consisted of the country's two largest parties, our expectation is that the economic vote for the PM Party would be weak (Duch and Stevenson 2008). And as Table 3 indicates, this is essentially the case. Overall, the coefficients on both the national and personal economic evaluation variables are not statistically significant.

[Table 3]

Based on this model of the economic vote, Figure 9.a presents the probability of voting for the incumbent Labour Party for those who have a better or worse evaluation of the national economy, both rich and poor. Results are presented for each of the four waves used in the analysis. Retrospective economic evaluations get worse as we move from the top to the bottom row, as we would expect—average probabilities of voting Labour decline quite significantly. By moving across the columns we can get a sense of whether the economic vote varies by income group—whether the poor are less, or more, likely to exercise an economic vote than the rich. There is no evidence here that the probabilities vary by income group. Figure 9.b repeats the same analysis for retrospective personal evaluations. Here we see considerably less difference as we move down the rows—retrospective personal finances seem to matter less for vote choice. Differences across income groups are not obvious, either. Figures 10.a and 10.b replicate the analysis for Germany and again find no income group differences.

[Figures 9 and 10]

On balance there is little heterogeneity in the economic vote estimated during this period of financial crisis and economic shock. Generally, evaluations of the national economy weigh most



heavily in the vote utility functions of both the rich and poor. Assessments of personal financial conditions are reasonably important for the richer members of the electorate but they get little weight in the vote decisions exercised by poor voters. Since poorer voters, in both Germany and the U.K., have much more negative assessments of personal finances than is the case for richer voters, underweighting of personal evaluations in their vote choice decision might moderate the re-distributional signal of the poor vote (here we are simply treating this as the magnitude of the economic vote). Although in this particular financial crisis the macro-economic shocks were such that it's not clear that focusing on personal versus national economic outcomes would be of much consequence for the policy signal of the poor (or rich) economic vote. That is not to say that the poor and rich do not vary on the specific policy responses to these economic shocks—a theme we address in the next section.

### **A Redistributive Policy Vote?**

The final step in the analysis is to assess the effect that redistributive policy preferences had on the vote function. Our measure of redistributive preferences is the question asking U.K. respondents whether they prefer increases in taxes and health spending versus decreases in both taxes and health spending. This is the one policy item available that exhibits considerable heterogeneity in preferences: the rich prefer less taxes and spending while the poor favor more taxes and more spending on health services. The tax and health policy variable consists of the mean answer to the question across the three waves in which it is asked. High values indicate support for taxation and spending on health services. The correlation between the mean and each of the wave values is extremely high (0.8) and as such it provides a good measure of the long-

term preference of respondents and allows us to incorporate this item in vote choice models for Waves 2 through 4.

Results of this U.K. analysis are reported in Table 4. Generally, those who favor more taxation and more spending on health services have a higher probability of voting for the Labour incumbent. And this is a reasonably robust result given the controls we include here, such as left-right self-identification. Our interest here is whether the rich and poor differ in terms of the weight they accord re-distributional preferences in their vote decision. If anything these results suggest that the poor give somewhat more weight to re-distributional preferences than the rich. For poor respondents, the health-policy preference variable is consistently significant across all waves—and its effect (not shown here) is typically larger than for rich respondents. And note that in two of the waves the coefficient for the rich is not statistically significant. Hence, on balance, there is certainly no evidence here that the poor under-weight re-distributional preferences in their vote decision—indeed, there is some evidence that these play a more important role than is the case for rich voters. In fact, for the poor, going from less taxes and less health spending to more taxes and more spending increases the probability of voting for Labour by 0.2 in April 2009 and by 0.1 in all the other three waves. That is, the poor are 10% more likely to vote for Labour if they prefer more redistribution. With regards to the rich, however, the difference is about 0.05, which means that the electoral impact of preferences for redistribution is twice as large for the poor as for the rich.

[Table 4]

## Conclusion

There is widespread agreement that macro-economic events such as the recession that resulted from the 2008 financial crisis can have important political ramifications. This essay is an attempt to identify how these economic shocks affect voter attitudes and in turn shape electoral outcomes. We sketched out two different visions of how citizens experience macro-economic events such as the recent financial crisis. One perspective suggests these macro-economic events are collective experiences and as such economic attitudes will be heavily shaped by media representations of the macro-economy. A second perspective suggests that these events affect groups in the population differently (occupational groups, for example); as such citizens will differ in how they experience the crisis; and as a result their evaluations will vary depending on the nature of their exposure. In this essay we focus on whether the rich and poor perceived this economic crisis quite differently and whether this in turn had implications for their policy preferences and voting behavior.

The analysis is based on panel studies conducted in the U.K. (BCCAP) and Germany (DeCCAP). Our analysis of subjective evaluations of the national economy suggest that voter attitudes were strongly affected by the economic shocks, but we found very small differences in the evaluations of the national economy by the rich and the poor. This suggests that rich and poor respondents' attitudes regarding macro-economic circumstances were similar—perhaps not unexpectedly, since they were exposed to the same mediated representations of macro-economic events.

While voters are dependent on mediated representations of macro-economic events in order to form attitudes about macro-economic performance, their personal finances are by definition not a collective experience. Hence, our expectation was that rich and poor respondents' perceptions of their personal finances in the aftermath of the financial crisis would differ much

more than their national economic evaluations. We found that the poor were significantly more pessimistic about their personal finances than the rich; in the U.K., this difference became more evident in the later waves of the panel survey. This difference in poor and rich evaluations may reflect the fact that the disposable income of the rich was less affected by the economic crisis. This is particularly true of the U.K., where the rich saw their disposable income increase while the real disposable income of the poor remained stagnant.

Having looked at how the crisis was perceived at both the national and personal levels, we set out to understand its implications. We were particularly interested in the extent to which economic evaluations shaped vote choices. In terms of the economic vote, the rich and poor responded very similarly to the macro-economic shocks: they had similar evaluations of macro-economic performance and they weighed those evaluations similarly in their vote choices. However, there is some evidence that the poor were less likely to take their own personal finances into consideration when casting an economic vote. This difference would likely have important political consequences, since the poor clearly had much more negative assessments than the rich of their personal finances.

There is no evidence that the economic vote of the rich and poor would favor redistributive responses to the economic shocks generated by the financial crisis. But government responses to these macro-economic shocks are not simply reactions to the economic vote. Poor voters can hold redistributive preferences that are quite distinct from those of the rich. We found that the poor do prefer more redistributive policies, favoring higher taxes together with higher social spending, while the rich favor lower taxes and lower social spending. Our model of the relationship between these redistributive preferences and vote choice suggests that these policy preferences of the poor should have political consequences: first, those preferring redistributive

measures are more likely to vote for the center-left Labour Party; and second there is some evidence that these redistributive policy concerns weigh more heavily in the vote utility function of the poor compared to the rich.

Our evidence suggests that in the aftermath of the Great Recession the economic vote of the rich and the poor was quite similar. Hence there is little to suggest from these two cases that the valence component of Great Recession politics differed for the rich and poor. There is evidence though that the redistributive preferences of the rich and poor differed. Moreover these redistributive preferences seemed to have played some non-trivial role in the vote decision of the British voter during the General Elections that followed the 2008 financial crisis.

## Appendix

The data employed in our analyses are from the German CCAP (DeCCAP) and British CCAP (BCCAP) surveys. Information on the recruitment of participants, the resulting samples, and their characteristics are available at <http://ccap.nuff.ox.ac.uk>. These Internet panel surveys included a series of questions regarding respondents' own economic situations. This appendix explains how we used responses to those questions to construct a summary measure of Personal Economic Circumstances for each respondent.

The following questions were asked of British respondents in BCCAP waves 2, 3, 4, and 5, and of German respondents in all four DeCCAP waves. (To avoid any post-electoral effect, we only use the pre-election waves—waves 2 through 5 in the U.K. and waves 1 through 3 in Germany.)

How concerned are you about being able to pay your housing costs (e.g. mortgage or rent payments)? (1) Very concerned; (2) Somewhat concerned; (3) Not very concerned; (4) Not at all concerned; (5) Don't know.

Thinking about the money you owe on credit cards and loans (NOT including your mortgage), would you say you ... (1) Owe a lot more than you can afford; (2) Owe a little more; (3) Owe about what you can afford; (4) Owe a little less; (5) Owe much less than you can afford; (6) Not applicable—I don't have any credit cards or loans; (7) Don't know.

Which, if any, of the following changes have you made to your spending? (*Multiple choice*)  
 (1) Delayed or cancelled plans to buy a new home or make major home improvements;  
 (2) Delayed or cancelled plans to buy a new car; (3) Delayed or cancelled plans to make a major purchase for your household, such as a computer or appliance; (4) Cut back on planned spending for going on holiday; (5) Adjusted your plans for retirement; (6) Changed the way your money is saved or invested; (7) Eaten out at restaurants less often; (8) None of these.

How much have you been affected personally by the downturn in the economy? (1) Very affected; (2) Somewhat affected; (3) Not very affected; (4) Not at all affected; (5) Don't know.

About the big things people buy for their homes--such as furniture, kitchen appliances, televisions, and things like that. Generally speaking, do you think now is a good or a bad time for people to buy major household items? (1) Good time to buy; (2) Bad time to buy; (3) Neither good nor bad time to buy; (4) Don't know.

Generally, would you say that energy prices in this country are ... (1) Rising a lot; (2) Rising somewhat; (3) Staying about the same; (4) Falling somewhat; (5) Falling a lot; (6) Don't know.

We used responses to these questions to create a summary measure of Personal Economic Circumstances. The summary measure is based on the first factor retained from a factor analysis including all the respondents in each country in each wave who answered all the questions (and who did not answer “don’t know”). This summary measure of Personal Economic Circumstances is consistently a good mixture of the various indicators we used to measure different aspects of respondents’ economic situations.

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**Table 1: Economic Circumstances of Rich and Poor Respondents in Germany and U.K.**

	<b>Germany</b>		<b>U.K.</b>	
	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>
Made more than four changes in consumption	32%	20%	14%	15%
Bad time to make big purchases	49%	22%	35%	23%
Petrol prices are higher	97%	97%	91%	85%
Worried over ability to get loans	55%	26%	50%	28%
Concerned about ability to pay for housing	72%	39%	62%	36%
Affected by the economy	64%	43%	71%	49%

**Table 2: Logistic Regression Analysis of Votes for the Incumbent (Labour) Party, U.K.**

	<b>April 2009</b>		<b>September 2009</b>		<b>January 2010</b>		<b>April 2010</b>	
	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>
Personal Economic Circumstances	0.113 (0.136)	-0.064 (0.134)	0.265 (0.153)	-0.153 (0.156)	0.092 (0.139)	-0.198 (0.14)	-0.093 (0.101)	0.052 (0.102)
Retrospective National	-0.439** * (0.137)	-0.931** * (0.145)	-0.514** * (0.114)	-0.517** * (0.11)	-0.690** * (0.107)	-0.525** * (0.1)	-0.711** * (0.075)	-0.701** * (0.075)
Retrospective Personal	-0.05 (0.124)	-0.114 (0.121)	-0.033 (0.149)	-0.337* (0.161)	-0.096 (0.148)	-0.292* (0.14)	-0.318** * (0.101)	-0.12 (0.101)
Left-Right Self. ID	-0.414** * (0.051)	-0.414** * (0.047)	-0.472** * (0.061)	-0.479** * (0.057)	-0.524** * (0.056)	-0.576** * (0.054)	-0.397** * (0.038)	-0.522** * (0.037)
Education	-0.219* (0.111)	-0.321** * (0.11)	-0.096 (0.131)	-0.05 (0.136)	-0.299* (0.124)	-0.293* (0.118)	-0.269** * (0.086)	-0.226** * (0.087)
Satisfaction w/ Democracy	-0.961** * (0.118)	-0.921** * (0.113)	-1.015** * (0.141)	-0.940** * (0.136)	-0.875** * (0.125)	-0.790** * (0.12)	-0.721** * (0.087)	-0.698** * (0.087)
Union Member	0.372 (0.212)	0.351 (0.189)	0.511* (0.238)	0.068 (0.217)	0.418 (0.222)	0.581*** (0.195)	0.464*** (0.159)	0.527*** (0.141)
Age	-0.008 (0.007)	0.003 (0.007)	-0.002 (0.008)	0.006 (0.009)	-0.004 (0.008)	0.007 (0.008)	0.001 (0.005)	0.007 (0.005)
Constant	6.523*** (0.876)	8.430*** (0.937)	5.892*** (0.915)	6.281*** (0.904)	7.222*** (0.833)	6.745*** (0.802)	6.359*** (0.574)	5.380*** (0.547)
N	813	922	719	818	802	918	1752	2098
Log likelihood	-395.863	-418.727	-290.283	-313.506	-324.059	-382.056	-675.266	-722.856

**Table 3: Logistic Regression Analysis of Votes for the Incumbent (CDU/CSU) Party, Germany**

	<b>June 2009</b>		<b>August 2009</b>		<b>September 2009</b>	
	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>
Personal Economic Circumstances	0.068 (0.139)	0.014 (0.118)	-0.129 (0.197)	0.278 (0.172)	0.404 (0.286)	-0.088 (0.238)
Retrospective National	-0.106 (0.117)	-0.313*** (0.111)	-0.229 (0.172)	-0.075 (0.146)	-0.078 (0.247)	-0.585* (0.232)
Retrospective Personal	-0.074 (0.126)	0.082 (0.122)	0.028 (0.201)	0.152 (0.2)	-0.016 (0.265)	-0.205 (0.289)
Left-Right Self. ID	-0.679*** (0.122)	-0.801*** (0.13)	-0.783*** (0.173)	-0.710*** (0.157)	-0.856*** (0.241)	-0.646*** (0.225)
Education	0.176*** (0.042)	0.062 (0.042)	0.215*** (0.061)	0.125* (0.057)	0.119 (0.087)	0.061 (0.084)
Satisfaction w/ Democracy	-0.255** (0.099)	-0.093 (0.085)	0.041 (0.143)	-0.169 (0.121)	0.18 (0.208)	-0.13 (0.17)
Union Member	-0.042 (0.068)	-0.072 (0.059)	-0.142 (0.106)	-0.045 (0.085)	-0.079 (0.146)	-0.119 (0.118)
Age	-0.011 (0.007)	-0.013 (0.007)	-0.015 (0.011)	0.006 (0.01)	0.001 (0.015)	-0.004 (0.013)
Constant	2.042* (0.806)	3.153*** (0.737)	2.184 (1.125)	0.75 (0.966)	1.347 (1.611)	4.630*** (1.53)
N	617	681	300	330	151	183
Log likelihood	-367.187	-417.327	-168.47	-202.802	-84.725	-105.719

**Table 4: Logistic Regression Analysis of Votes for the Incumbent (Labour) Party, U.K.**

	<b>April 2009</b>		<b>September 2009</b>		<b>January 2010</b>		<b>April 2010</b>	
	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>	<i>Poor</i>	<i>Rich</i>
Personal Economic Circumstances	0.196 (0.153)	-0.052 (0.15)	0.238 (0.155)	-0.11 (0.159)	0.096 (0.14)	-0.198 (0.14)	-0.087 (0.102)	0.038 (0.103)
Retrospective National	- 0.515*** (0.149)	- 0.929*** (0.162)	- 0.498*** (0.115)	- 0.532*** (0.113)	- 0.668*** (0.108)	- 0.511*** (0.1)	- 0.682*** (0.075)	- 0.676*** (0.075)
Retrospective Personal	0.025 (0.14)	-0.092 (0.134)	-0.064 (0.151)	-0.297 (0.164)	-0.09 (0.148)	-0.277* (0.14)	0.310*** (0.103)	-0.099 (0.101)
Tax & Health Policy	0.694*** (0.195)	0.336 (0.185)	0.546* (0.217)	0.410* (0.204)	0.438* (0.205)	0.189 (0.181)	0.291* (0.127)	0.259* (0.122)
Left-Right Self. ID	- 0.361*** (0.058)	- 0.410*** (0.054)	- 0.425*** (0.062)	- 0.448*** (0.06)	- 0.485*** (0.058)	- 0.563*** (0.056)	- 0.372*** (0.039)	- 0.493*** (0.039)
Education	-0.204 (0.124)	0.353*** (0.122)	-0.119 (0.132)	-0.021 (0.138)	-0.280* (0.124)	-0.290* (0.118)	0.252*** (0.087)	-0.234** (0.087)
Satisfaction w/ Democracy	- 1.000*** (0.132)	- 0.815*** (0.124)	- 0.970*** (0.141)	- 0.935*** (0.139)	- 0.873*** (0.125)	- 0.779*** (0.12)	- 0.724*** (0.088)	- 0.700*** (0.087)
Union Member	0.39 (0.234)	0.432* (0.207)	0.515* (0.238)	0.033 (0.22)	0.438* (0.223)	0.584*** (0.195)	0.467*** (0.16)	0.507*** (0.142)
Age	-0.004 (0.008)	-0.001 (0.008)	-0.004 (0.008)	0.006 (0.009)	-0.006 (0.008)	0.006 (0.008)	0 (0.005)	0.005 (0.005)
Constant	4.628*** (1.072)	7.577*** (1.159)	4.574*** (1.037)	5.111*** (1.067)	6.029*** (0.967)	6.217*** (0.921)	5.517*** (0.673)	4.683*** (0.635)
N	703	797	712	809	797	911	1702	2042
Log likelihood	-326.903	-345.38	-286.067	-304.682	-320.683	-379.196	-660.098	-711.703

**Table A1: Factor Analysis of Personal Economic Circumstances: DeCCAP**

	<b>June 2009</b>	<b>August 2009</b>	<b>Sept 2009</b>
Number of Obs.	1915	1715	1002
Retained factors	2	2	2
Number of parameters	11	11	11
$X^2(15)$	1524.7	1550.33	1707.43
Factor1	1.27122	1.3545	1.36709
Factor2	0.04348	0.02233	0.03031
Factor3	-0.02151	-0.0224	-0.0269
Factor4	-0.05012	-0.07399	-0.06663
Factor5	-0.1421	-0.13238	-0.11417
Factor6	-0.20517	-0.18784	-0.20397

	<b>June 2009</b>	<b>August 2009</b>	<b>Sept 2009</b>
<b>Factor 1</b>			
Paying House	0.6325	0.6098	0.6660
Affected by Crisis	0.5688	0.6188	0.5858
Loans difficulty	0.4221	0.4345	0.4523
# Changes	0.5049	0.5436	0.5171
Big Items	-0.2436	-0.2423	-0.2084
Energy Prices	-0.2351	-0.2382	-0.2546
<b>Uniqueness</b>			
Paying House	0.5999	0.628	0.5564
Affected by Crisis	0.6764	0.6167	0.6523
Loans difficulty	0.8153	0.8108	0.7952
# Changes	0.7399	0.7033	0.7301
Big Items	0.9248	0.935	0.9470
Energy Prices	0.9289	0.9294	0.9214

**Table A2: Factor Analysis of Personal Economic Circumstances: BCCAP**

	<b>April 2009</b>	<b>Sept 2009</b>	<b>Jan 2010</b>	<b>April 2010</b>
Number of Observations	2237	2008	2222	4725
Retained factors	1	2	2	3
Number of parameters	6	11	11	15
$X^2(15)$	1524.7	1550.33	1707.43	3258.71
Factor1	1.40161	1.49847	1.48526	1.40912
Factor2	-0.00564	0.01108	0.08917	0.01625
Factor3	-0.01765	-0.00636	-0.04615	0.00933
Factor4	-0.04	-0.04632	-0.06833	-0.05703
Factor5	-0.12757	-0.11055	-0.13164	-0.14616
Factor6	-0.20034	-0.2209	-0.20677	-0.20517

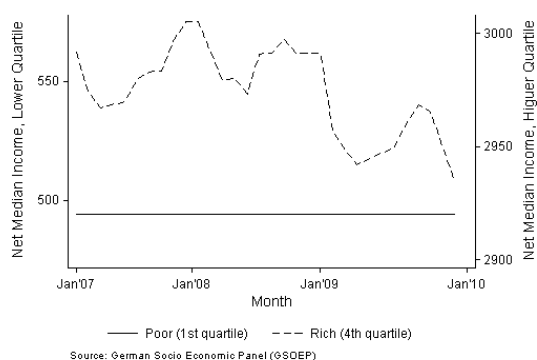
  

	<b>April 2009</b>	<b>Sept 2009</b>	<b>Jan 2010</b>	<b>April 2010</b>
<b>Factor 1</b>				
Paying House	0.6479	0.6643	0.6664	0.6040
Affected by Crisis	0.5906	0.6137	0.6155	0.5775
Loans difficulty	0.5123	0.5185	0.4990	0.5026
# Changes	0.5232	0.5539	0.5677	0.5921
Big Items	-0.2233	-0.2461	-0.1931	-0.2374
Energy Prices	-0.2168	-0.2105	-0.232	-0.2264
<b>Uniqueness</b>				
Paying House	0.5802	0.5587	0.5524	0.6334
Affected by Crisis	0.6512	0.621	0.6206	0.6638
Loans difficulty	0.7376	0.7291	0.7454	0.7421
# Changes	0.7263	0.6919	0.6701	0.6474
Big Items	0.9501	0.9348	0.9306	0.9377
Energy Prices	0.9530	0.9549	0.9065	0.9409

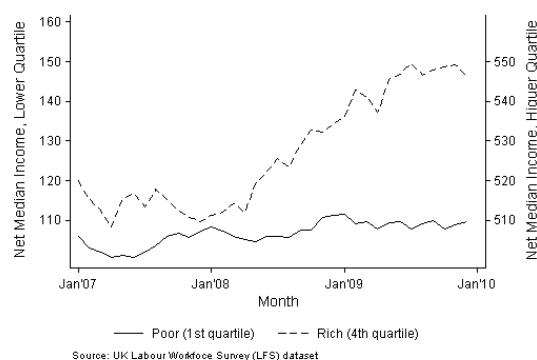


**Figure 1: Evolution of Smoothed Net Median Income in Germany and U.K., 2007-2009**

1. Germany

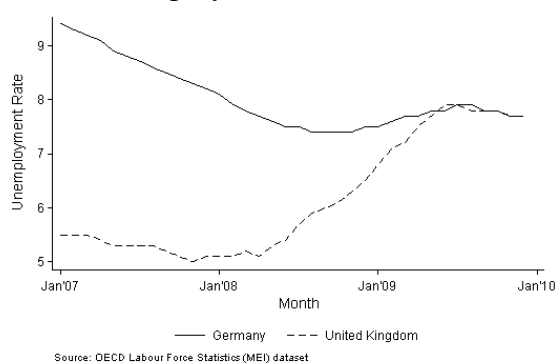


2. U.K.

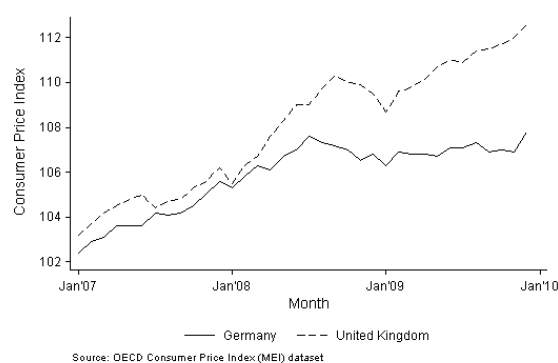


**Figure 2: Evolution of Unemployment and Inflation Rates in Germany and U.K., 2007-2009**

1. Unemployment

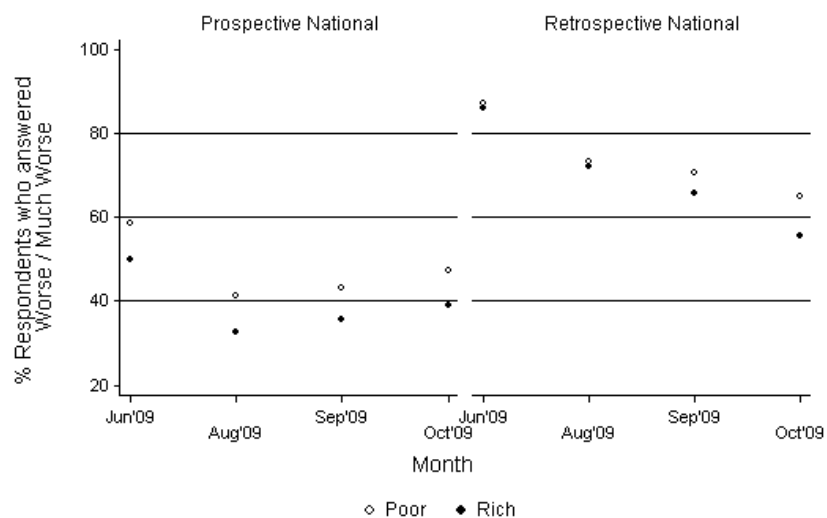


2. Inflation

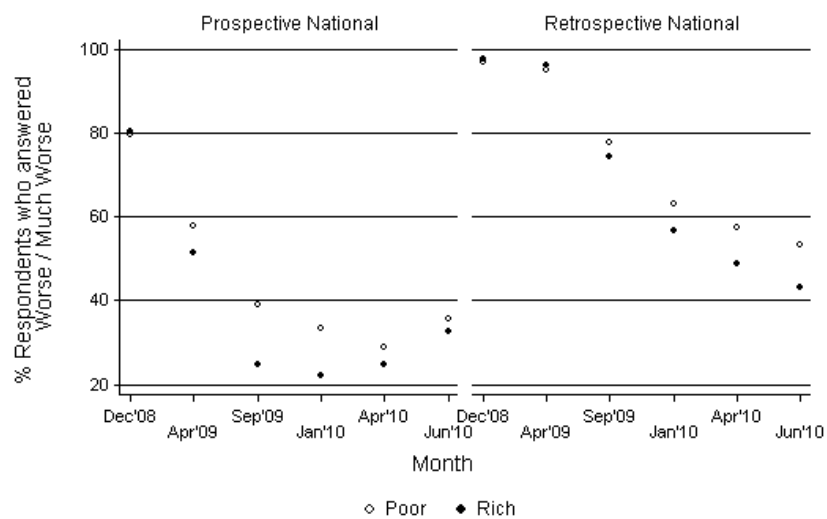


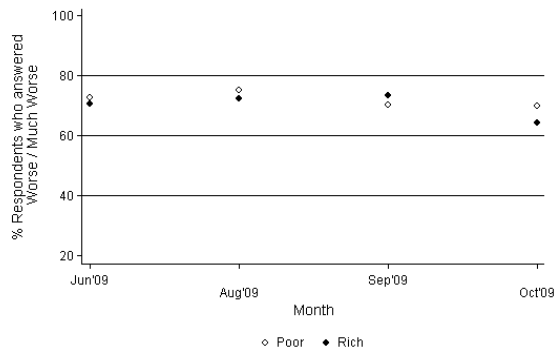
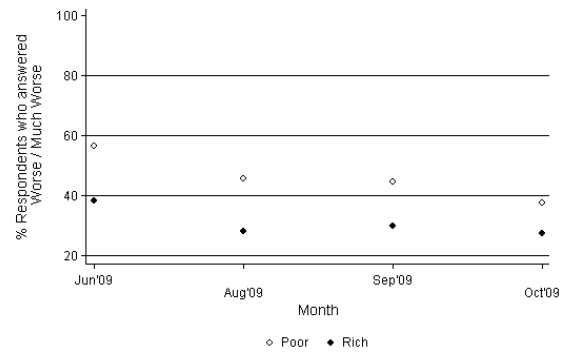
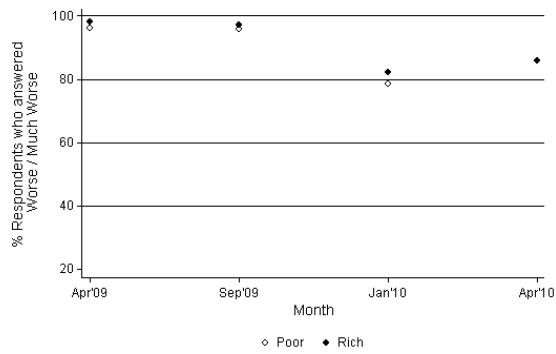
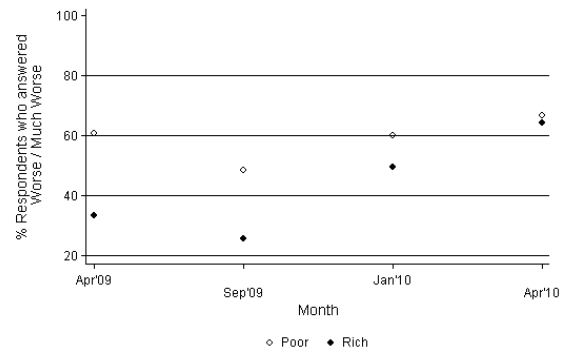
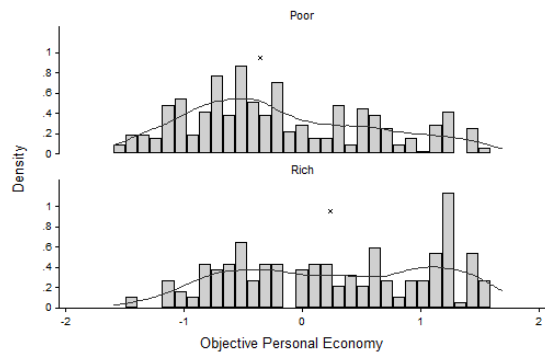
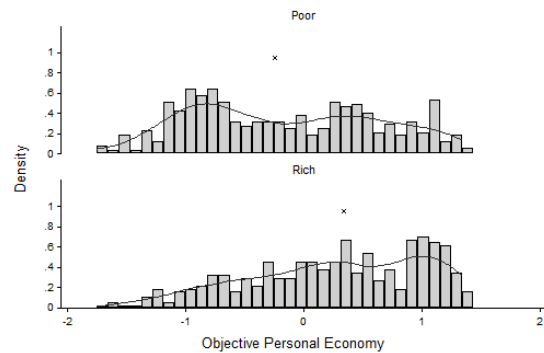
**Figure 3: “Worse”/“Much Worse” Perceptions of National Economic Conditions**

1. Germany



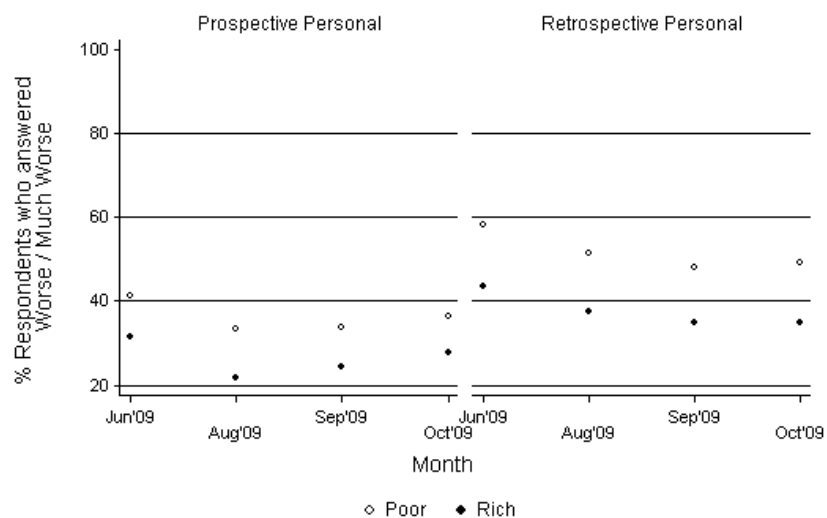
2. U.K.



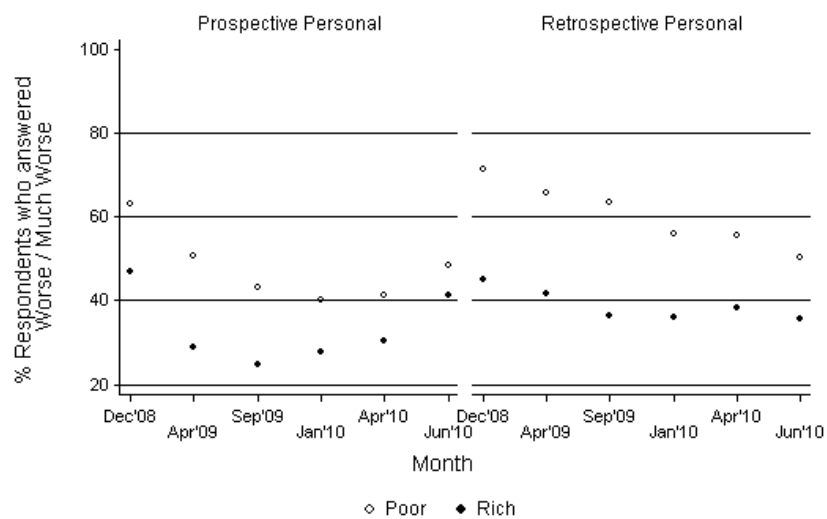
**Figure 4: “Worse”/“Much Worse” Perceptions of Unemployment and Inflation****1. Germany – Unemployment****2. Germany – Inflation****3. U.K. – Unemployment****4. U.K. – Inflation****Figure 5: Distributions of Summary Scores for Personal Economic Circumstances****1. Germany****2. U.K.**

**Figure 6: “Worse”/“Much Worse” Perceptions of Personal Financial Situations**

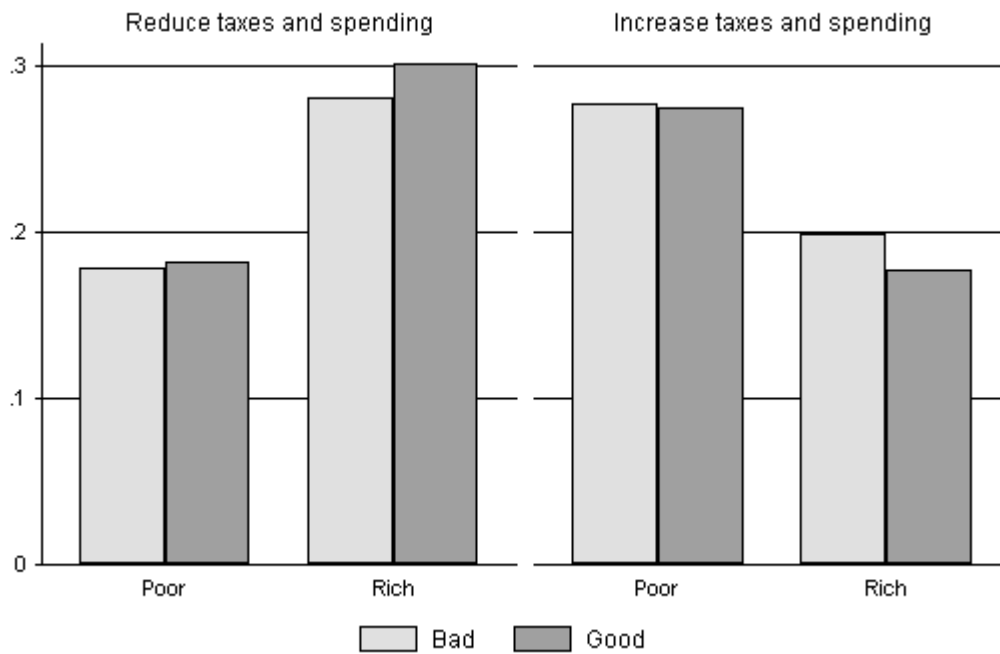
## 1. Germany



## 2. U.K.



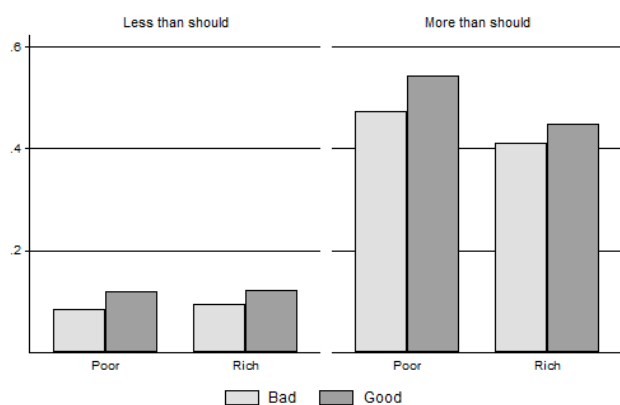
**Figure 7: Tax Increases versus Health Spending, U.K.<sup>12</sup>**



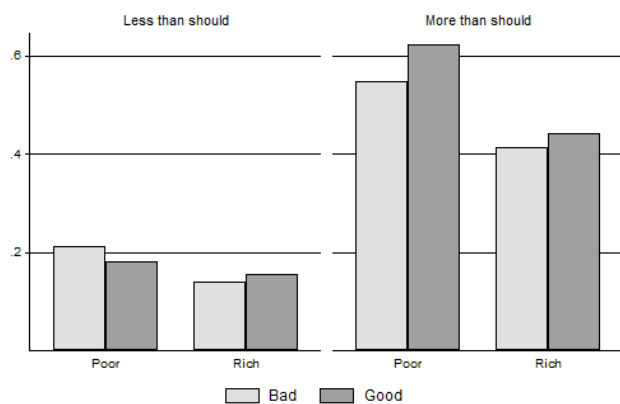
<sup>12</sup> For the purposes of this figure, and given the stability in responses across waves, we used the answers provided in Wave 5 given that this wave has a larger number of respondents compared to waves 3 and 4 where this question was also fielded.

**Figure 8: Redistributive Tax Preferences, U.K.**<sup>13</sup>

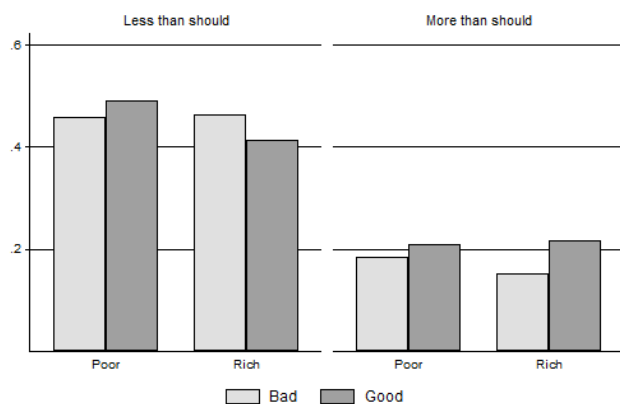
1. You Pay



2. Poor Pay



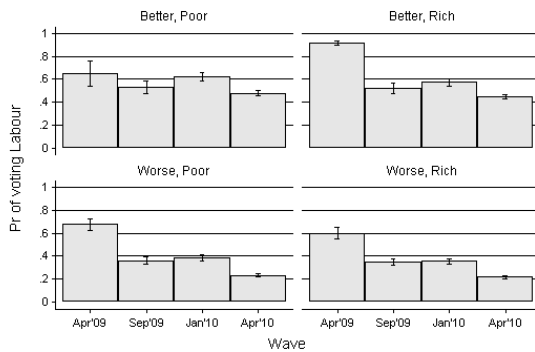
3. Rich Pay



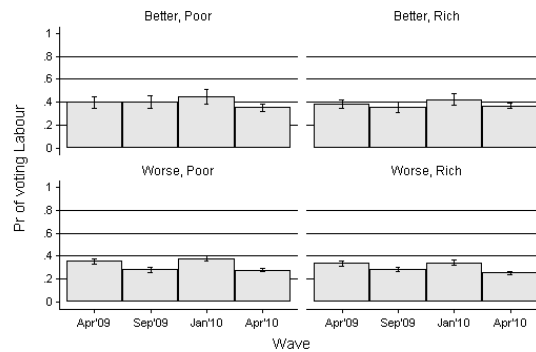
<sup>13</sup> For the purposes of this figures, and given the stability in responses across waves, we used the answers provided in Wave 1 given that this wave has a larger number of respondents.

**Figure 9: Predicted Probability of Voting for Prime Minister's Party (Labour), U.K.**<sup>14</sup>

1. Retrospective National

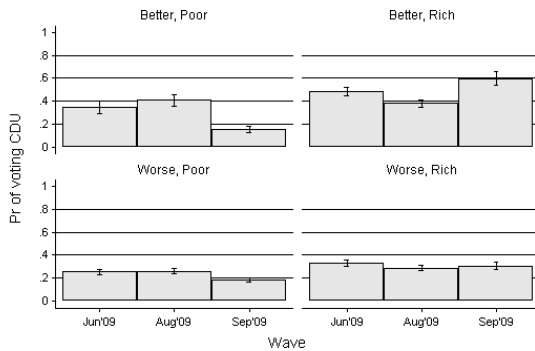


2. Retrospective Personal

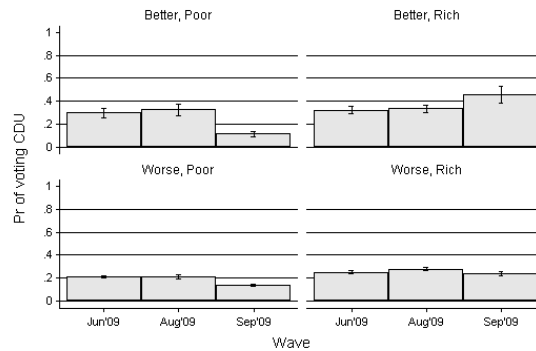


**Figure 10: Predicted Probability of Voting for Prime Minister's Party (CDU/CSU), Germany**<sup>15</sup>

1. Retrospective National

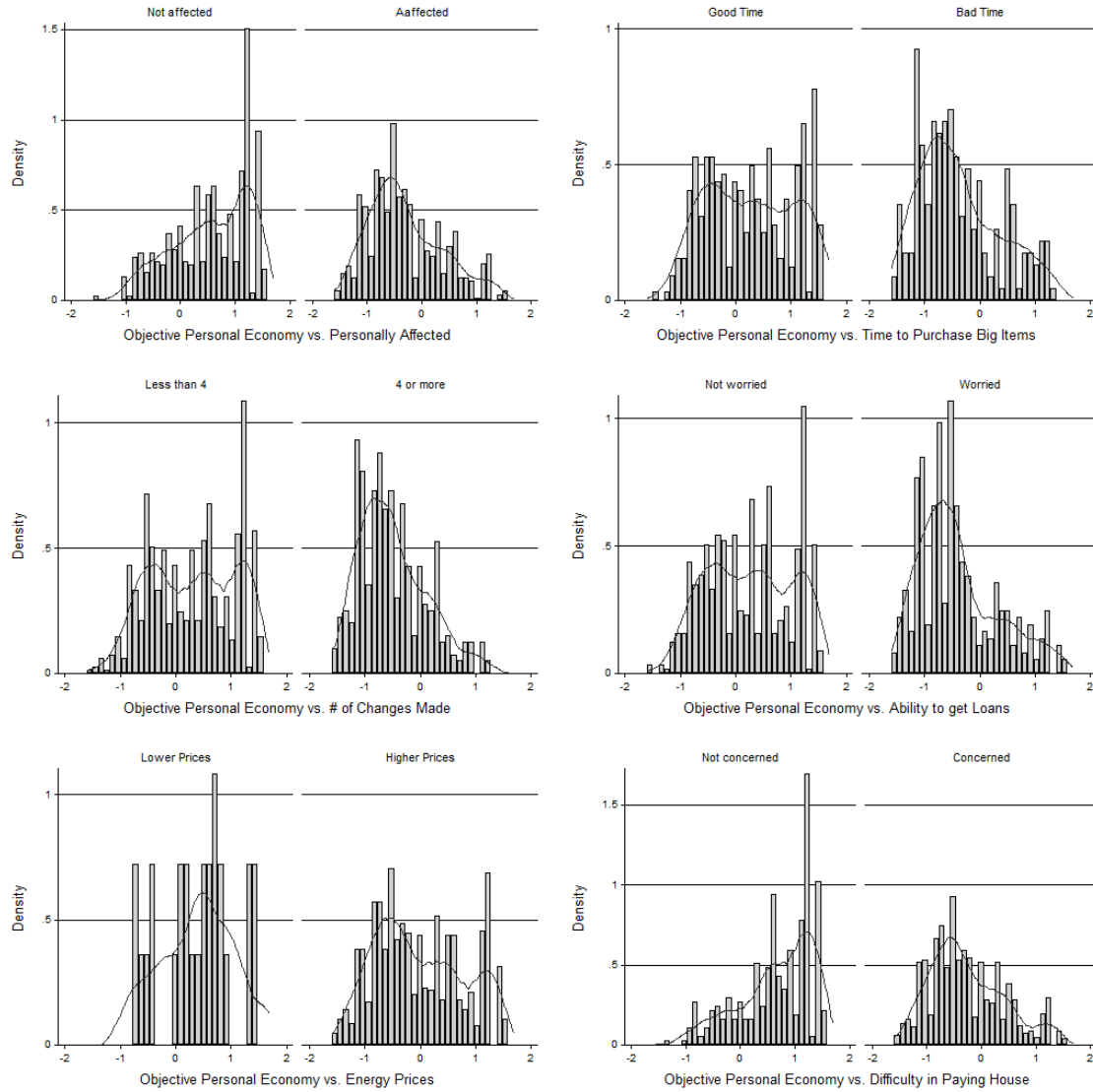


2. Retrospective Personal



<sup>14</sup> These estimates come from a multinomial logit model that considers vote for each party. The results are similar to those of the logistic model.

<sup>15</sup> These estimates come from a multinomial logit model that considers vote for each party. The results are similar to those of the logistic model.

**Figure A1: Distributions of Components of Personal Economic Circumstances: DeCCAP**



**Figure A2: Distributions of Components of Personal Economic Circumstances: BCCAP**