Local Economies, Local Wealth, and Economic Perceptions

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Abstract

Recent research in political economy has demonstrated that local economic conditions have a striking impact on the evaluation of the incumbent, social policy preferences, and support for anti-establishment movements. Whether voters can correctly perceive their district's economic reality and the origins of these perceptions, however, have not received much attention from scholars. This article develops a theoretical argument linking the local economy and household affluence to perceptions. We theoretically argue and empirically demonstrate that, in evaluating the local economy, richer and economically more secure individuals see the world through rose-colored glasses, often misperceiving actual local economic conditions. Drawing upon data from the British Election Survey and local authority level economic indicators, we show that negative subjective perceptions strongly predict support for Brexit, disapproval of the government, and demand for redistribution.

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1 Introduction

Do local economic conditions matter for citizens' political preferences and behavior? There is an emerging consensus among scholars that the local economy is a highly influential force for political decision-making: what happens nearby impacts individuals' actions at the ballot box. Recent work has shown that local unemployment levels, income disparities, economic shocks, and changes in housing prices affect support for the incumbent (Larsen et al., 2019), executive popularity (Lewis-Beck, 1980), demand for redistribution (Sands and de Kadt, 2019), and support for anti-establishment movements such as Brexit (Ansell and Adler, 2019; Carreras, Irepoglu Carreras and Bowler, 2019).

Most of these studies assume a direct translation between local economic 'facts on the ground' and the preferences and behavior of voters who live in particular localities. However, we know from generations of scholarship that citizens vary systematically in their perceptions of the same national-level economic reality. Individual-level studies of economic voting have produced only mixed evidence that macro-economic performance affects individuals' political decisions uniformly and homogeneously (Duch, 2001; Kramer, 1983). Scholars of political behavior argue that this disconnect arises because voters vary dramatically in how they perceive national economic performance (Duch, Palmer and Anderson, 2000), the level of inequality (Bartels, 2005), and the level of unemployment (Caplan, 2011).

Are perceptions of the local economy similarly suspect? Despite the wave of recent scholarship claiming a strong connection between local economic conditions and political behavior, we know remarkably little about how citizens form their assessments of the local economy. This raises a series of crucial questions. Do people correctly perceive their district's social and economic reality? If they do not, why? Are there broader political implications of local (mis)perceptions? What are the effects of subjective assessments of local economic conditions on political preferences?

In this paper, we argue that subjective perceptions of local economic conditions vary substantially depending not only on geographical variation but also on individuals' material welfare and incentives to understand their local surroundings. This, in turn, has striking implications for how local economic factors connect to broader political preferences.

We develop a theory that connects the local economy and households' economic characteristics to subjective perceptions and, ultimately, to political decisions. We argue that people's reliance on informational shortcuts and social mechanisms create (mis)perceptions of the local economy. What people perceive about their local economy depends on their material incentives to notice it. People materially insulated from adverse local economic shocks

are less likely to notice them. Homeowners who benefit from rising house prices view the local economy through that lens. Thus, the effect of local economic conditions on subjective perceptions depends on an individual's income, wealth, and unemployment risk. The more affluent may see their local environment through "rose-colored glasses", failing to recognize that inequality is rising, the economy is declining, or unemployment is growing, if they are shielded from these forces. In contrast, those who are more vulnerable to adverse local economic shocks are often better able to see and assess local economic realities objectively.

These subjective assessments should matter for political preferences. Political economists have developed an extensive literature claiming that economic contexts affect attitude formation: from inequality, to economic growth, to unemployment. However, political opinion formation depends on whether people actually perceive these contexts. Most studies expect that 'on the ground' reality measured in official statistics frames attitudes and behavior; we argue, by contrast, that subjective perceptions are the main drivers of political preferences.

Our empirical analysis focuses on determinants of individual perceptions of local inequality, economic performance, and unemployment using the British Election Survey. We compare perceptions of individuals with different levels of income, wealth, and job security with objective realities using local authority level data on income inequality, wealth inequality, economic change, and unemployment levels. We find that the relationship between the objective economic realities and citizens' subjective perceptions depends on their material incentive to connect the two. We show that affluence, homeownership, and low unemployment risk typically reduce the negative impact of local economic hardship on subjective evaluations of local realities.

We then turn to examine the effects of perceptions on political attitudes. Here we examine the joint effect of local conditions and individual perceptions on three political attitudes: support for Brexit, demand for government intervention in equalizing incomes, and government approval. We find strong evidence that subjective perceptions of the local economy are much more important in shaping political attitudes than are objective indicators of the state of the local economy.

We conclude by noting that the importance of subjective perceptions for political economy research. Misperceptions may make it difficult for citizens to hold politicians accountable and responsible. And if citizens fail to actually perceive rising economic inequality or unemployment it becomes ever harder to form sustainable political coalitions around policies to combat these trends.

2 The Local Economy, Affluence, and Rose-Colored Glasses

How does the economy affect citizens' political attitudes and behavior? A longstanding debate in politics investigates whether national socio-economic conditions affect voters' preferences and behavior (Duch and Stevenson, 2008; Key, 1966). Scholars have consistently found that national economic indicators are among the best predictors of elections and policy preferences (Fiorina, 1981). Although the magnitude and the nature of this effect vary, in general, robust economic growth, and low unemployment levels increase the re-election chances of the incumbent and executive popularity.

Scholars have recently turned their focus from the national to the local level, arguing that local data may more accurately reflect people's lived economic experience and hence, especially in standard political economy models, drive their support for particular policies or politicians. Sometimes this local data reflects changes to the local labor market, perhaps by driven trade shocks (Colantone and Stanig, 2017), other times by changes in local housing markets (Ansell and Adler, 2019; Larsen et al., 2019). Why might local conditions matter more than national conditions that ought to dominate media and national election campaigns?

The first reason is material: the direct pocket-book effects of the local economy (Healy and Lenz, 2017; Rogers, 2014). Even if the national economy is thriving with high growth rates, declining inequality, and unemployment levels, individuals who live in districts experiencing rising unemployment, growing inequality, trade shocks caused by exposure to globalism, and housing crises, are more likely to experience economic distress themselves.

If a major manufacturing town losses its factories, in aggregate this loss may have limited impact on the national economy. However, the local effects of factory closures will be different. Not only will workers who immediately lose their jobs suffer from negative consequences, the whole town will do too. The neighborhood businesses that catered to the workers will also shut down; neighborhoods with closed stores and abandoned houses will experience a steep decline in property prices. Under this scenario, even if the national economy is thriving on average, the rational self-interested residents of the district will have an unfavorable view of the incumbent government and its economic policies; in other words, their political behavior will be shaped by "communotropic preferences" (Rogers, 2014).

The second reason is informational. Recent work in economic voting literature has shown that local realities have an indirect and informational effect on the evaluations of the national economy. Scholars have demonstrated that perceptions and assessment of national economic conditions are, to a large extent, the product of citizen exposure to local economic

context (Books and Prysby, 1999; Reeves and Gimpel, 2012). There is a tradition in political psychology, beginning with Downs (1957), that views the voters' quest for perfect political information as irrational because the low return from data does not justify their cost in time and other resources.

In the absence of factual information, citizens rely on informational shortcuts to make mental calculations about economic indicators. One such mechanism is the availability heuristic, a "pervasive mental shortcut whereby the perceived likelihood of any given event is tied to the ease with which its occurrence can be brought to mind" (Tversky and Kahneman, 1974). Local conditions create this "availability" that the uninformed voter strives for; closed shops that one sees every day on her daily commute or daily interactions with the unemployed neighbors will convey the message that economic conditions are deteriorating, contributing to a negative evaluation of the overall national economy.

Although scholars devoted much attention to the local economy's effect on political behavior, few have questioned if voters can objectively see the local economic circumstances. Most studies assume that individuals can and do correctly identify problems and measure indicators in their residential settings. The rationale underlying this assumption is that local economic realities are easier to see, understand, and engage with for most citizens.

Are local realities as easy and straight-forward to see as scholars believe them to be? There is little empirical evidence that citizens do make accurate evaluations of their local economies. Furthermore, if the local economy is too complex to be correctly understood, what kind of informational shortcuts do citizens use? In this paper, we relax the assumption that local conditions are perceived homogeneously and objectively by every resident. We argue that subjective judgments of local economic conditions may vary widely across individuals in the same locality, with important political implications.

We built our theory on two fundamental mechanisms: visibility and homophily. First, in the absence of factual and statistical information, people rely on their experiences and local networks to statistically estimate local economic realities: a declining local economy will manifest itself by visual and frequent cues. Closing shops, dilapidated houses, a stark increase in the homeless population will generate, and successfully communicate, the message that the regional economy is backsliding. At the same time, interactions with friends, family, neighbors, and colleagues will also be informative: as unemployment levels rise within a district, a person will be more likely to hear about their acquaintances being laid off. Exposure to others who are experiencing financial difficulties raises the probability of a negative assessment of the local economy. Also, the flow of such information will be frequent and

salient, creating a dominant and long-lasting impression.

Second, the frequency and the salience of these experiences are not homogenous among individuals: who you are matters for what you experience and with whom you talk to about politics, economy, and personal financial hardship. In particular, the degree to which an individual receives information on local economic hardship is determined by that individual's household-level income, wealth, and economic risk. Building on the extensive literature that shows that individuals usually disseminate information in homophilic networks, we argue that those with the same level of income, economic risk, and wealth tend to interact more with others who are like themselves (McPherson, Smith-Lovin and Cook, 2001). Homophily, in other words, "the principle that contact between similar people occurs at a higher rate than among dissimilar people", limits the amount and type of information that the factual realities disseminate within different clusters of citizens. Individuals with similar incomes generally live in clusters, even within small districts. Economists show that there exists an equilibrium where the affluent are concentrated all together, far from the middle and low-income population (Guerrieri, Hartley and Hurst, 2013). Furthermore, many localities are segregated between homeowners and renters (Hoff and Sen, 2005).

Changes in local labor and housing markets produce different sentiments in different types of communities, both through direct personal experiences and the information disseminated in close-knit social networks. Take, for example, house price booms. Residents who own expensive houses view increasing housing prices as good news. In contrast, for renters, this increase means a more substantial burden of housing costs on their household's budget (Ansell and Adler, 2019). Thus, in the event of steep house-price increases, those who reside in renter and owner communities have different reactions, causing the dissemination of distinct types of information about the state of the local economy.

Shocks to the labor market also cause the dissemination of distinct types of information for those in different socio-economic groups. Homeownership and higher incomes make households financially more secure, decreasing the effect of a local economic crisis on households and their networks' daily experiences. A homeowner community with high-incomes is less affected by the local misfortunes compared to those who less more vulnerable to adverse financial and labor market shocks. High-income citizens may also be more likely to commute by car than those with low-income, limiting their contact with a representative sample of the local population. Thus, these individuals in their privileged communities are less likely to see obvious cues that signal that the local economy is in bad shape.

Thus, individuals see and evaluate local conditions through their own material experi-

ences. Both the incentives of individuals to acquire information about their local community and the nature of the networks in which they typically garner information depends on their material circumstances. Homeowners use house prices as a proxy for the local economy, those at risk of unemployment perceive more strongly actual changes in local unemployment, low-income people feel the adverse effects of rising inequality more sharply than high-income people.

The empirical implications of these claims are twofold. First, we expect a positive correspondence between actual local economic indicators and subjective perceptions of the local economy. Second, we expect that the degree to which citizens form their perceptions in response to actual local economic indicators depends on their material incentive to do so. In particular, we expect that individuals with higher material security are likely to view the world through 'rose-colored glasses'. Individuals with higher income, wealth or employment security, are less responsive to changes in local inequality, local economic fortunes, and local unemployment since the negative effects of these economic shocks are less likely to impact the well-off and secure. Such individuals may, however, notice local economic factors that disproportionately benefit them, particularly rising house prices, should they be homeowners. The first part of our empirical analysis tests these claims.

What are the political implications, if any, of subjective perceptions of the local economy? When making predictions about the consequences of voting for a particular political candidate or supporting a social policy, people typically rely on their subjective estimations of economic parameters rather than the statistical realities. If you believe that the economy is performing well, there is no need to punish the incumbent, independent of what the statistical yearbooks say. Similarly, if you think that inequality or unemployment is low, you will not demand higher welfare spending. Our interest is in whether perceptions of the local economy drive these broader political preferences (which may pertain to national-level policies or politicians).

In the second part of the empirical analysis, we exploit the across-individual variation in subjective perceptions and objective local realities to analyze the effects of these perceptions' on political decisions, as well as policy preferences. We expect that when making political decisions, an individual draws on subjective perceptions more than local realities when appraising a set of policies or candidates. We conjecture that those individuals with negative subjective evaluations of the local economy - regardless of the actual state of the local economy - were more likely to support populist causes, demand redistributive policies, and less likely to approve of the job the government is doing.

It is worth briefly discussing alternative perspectives about how people form perceptions of the economy. Scholars of political behavior have long argued that the way voters understand economic data is affected by their ideological inclinations, perhaps driven by a top-down political persuasion of elites through media outlets (Zaller, 1992). While elite-priming through media outlets powerfully affects subjective assessments of the national economy, we argue this effect is less pronounced in local contexts because of the recent trend in the nationalization of politics and the shift of media outlets toward coverage of national politics at the expense of local politics (Martin and McCrain, 2019). Moreover, it is hard to experience the national economy through daily interactions because of its abstract and complex nature. However, local conditions -which are simpler and more visible- can be more easily assessed by individuals. Thus, in this paper, we take a "bottom-up" approach. In local and informal contexts, first-hand personal experiences are at least as compelling as elite influence.

3 Perceptions of the Local Economy

In this section, we examine how individual-level characteristics combined with objective conditions to shape subjective perceptions of the local economy. As we noted above, there is a growing literature that argues that the nature of the local economy structures political behavior. Such work, however, presupposes a mechanism that is rarely tested - that people perceive their local economic environment somewhat accurately. If perceptions are off-base, or if their accuracy is dependent on other (often unmodeled) individual characteristics, this mechanism is questionable.

To examine what determines perceptions of local communities, we use a unique study that permits us to analyze how individuals form perceptions about their local communities: the third wave of the British Elections Study(BES), conducted in October 2014. Respondents were provided with a randomly zoomed view of Google Maps, centered on their home address, asked to zoom to their preferred level, and to draw a polygon defining their local community. The module asked respondents a wide array of questions about this community from economic to political and demographic - we limit our analysis to the former given the critical role of local economic factors in recent scholarship.[1]

Ideally, we would be able to map the precise polygon that the individual drew to the underlying demographics of that chosen shape. In its absence, we interpret the exercise of

[1]The only other work we are aware of using this module is McKay (2019), who examines perceptions of political representation at the community level.

drawing one's community as a framing effect that forces individuals to think locally rather than nationally and provides an excellent depiction of the subjective 'mind-map' of the community. Individuals also provided information about how they chose to define their local community, which we make use of in our analyses (Tables A4-A6).

In our analysis, we wish to compare this subjective 'mind-map' to the objective realities. We do so by consistently using data at the local authority level of analysis. Local authorities are the main region of local governance for British voters: they include smaller metropolitan areas, divisions of counties, and London boroughs. Local authorities have, on average, 100,000 voters, and there are 318 included in England and Wales in our British Election Survey sample (we do not include Scotland or Northern Ireland because of missing data).

The chances that people drew the exact boundaries of their local authority are minimal. However, much of our data are only reliably available at the local authority level and while some economic or demographic characteristics are probably meaningful at lower levels of geographic analysis, if we are interested in how people think about the *distribution* of their community economically, politically, or demographically, then a unit the size of a local authority is most meaningful. We are also able to match respondents in the BES to their local authority, meaning we can match respondents to relevant local economic data from a variety of official sources.[2]

As our dependent variables, we draw a series of subjective perceptions about the economy from the BES: inequality, economic performance, and unemployment. We then match government data on each of these three economic areas to the local authority in which the respondent lives. Table A1 presents descriptive statistics on the perception measures and on local authority economic da ta.

We begin with perceptions of local inequality - the BES asks respondents whether, in their local community, differences in income are very small through to very large, along a seven-point scale. On average, respondents tend to think local inequality is quite high - the median response is 5 out of 7, and the mean is 4.79, with a standard deviation of 1.4.

Next, we examine economic change in the locality - this is a five-point scale ranging from 'got a lot worse' to 'got a lot better'. The median response is a more equivocal 3 out of 5 ('stayed the same'), with a slightly more pessimistic mean of 2.63 and a standard deviation of 0.82. We follow this with a final set of economic perceptions - perceptions of local and national unemployment. Here, respondents can provide numbers between zero and

[2]Most political data in the United Kingdom is collected at the parliamentary constituency level, which rarely matches local authorities exactly. However, local authorities were the only level of analysis where Brexit voting data was collected universally.

one hundred. The median perceived level of local unemployment was 10 percent, with a mean of 16.3 percent and a standard deviation of 17.75 percent. For perceptions of national unemployment, numbers are similar - again, a median of ten percent and a mean of 18.3 percent and a standard deviation of 19 percent. Since British unemployment in 2014 was relatively low - around 5.8 percent - these numbers are over-pessimistic.

To examine our 'rose-colored glasses' theory, we need measures of individual material comfort. We use three key measures: income, wealth, and job security. As our measure of income, we use self-reported household income, which is defined on a fifteen-point scale from under £5,000 to over £150,000. As our measure of wealth, we use a dummy indicator for whether the respondent is a homeowner (Ansell, 2014). As our measure of job security, we use subjective perceptions of a respondent's own risk of unemployment, coded from 1 (very unlikely) to 5 (very likely). To see whether these individual-level material variables change the *elasticity* of the connection between objective local economic data and subjective perceptions, we interact these variables with various economic statistics taken at the local authority level, which we discuss below.

In our analysis, we also include the respondent's age; education (a six-point scale from none to postgraduate); a dummy for whether they are white British, a dummy for whether they are female, and an 11 point scale of partisanship, increasing in identifying with the political right. All of our estimations use linear models with sample weights and clustered standard errors by the local authority. Results are incredibly similar if ordered logit models are used (for inequality and economic performance where the range of responses is more limited than for unemployment).

3.1 Perceptions of Local Inequality

We begin by examining how well people's subjective perceptions of inequality in their local community match up with data from the Office of National Statistics' (ONS) estimates of local pay inequality. We use several different measures derived from gross weekly pay for each local authority to construct various pay inequality indices. We complement this with data on 'multiple deprivation' taken from the Department for Communities and Local Government and data on median house prices in the local authority taken from the Land Registry. Each measure picks up distinct aspects of inequality that might shape subjective perceptions. Pay inequality captures differences across the local labor market-measures of deprivation capture the welfare of the worse off. Finally, house prices reflect the relative differences in wealth between owners and renters.

Inequality perceptions are arrayed on a seven-point scale from very small differences in income in the local community to very large. Clearly, not only are answers to this question subjective estimates, but they are also not directly attached to any particular measure of inequality. While we would not expect respondents to have accurate indices of actual inequality such as the 80:20 ratio in their heads when answering this question we should also be aware that the dependent variable cannot be construed as an inequality measure directly - it is more useful directionally than in its absolute score.

Table 1 presents a series of models using several different measures of measured local inequality as predictors of subjective perceptions of the local community, with each model employing a distinct measure. Models 1 through 3 all use measures drawn from the ONS gross weekly pay data for each local authority in 2014. This data includes estimates of the mean gross weekly pay in each local authority along with estimates for each decile.[3]

We calculate four separate measures. First, we use the mean to median income ratio - this is the most commonly used measure in formal models of inequality (Meltzer and Richard, 1981; Persson and Tabellini, 2002), and has the benefit for us of including information about top incomes, which is less accurate for measures of income at particular high percentiles. Second, we use the 80:20 gross income ratio, another commonly used measure that captures spread across the bulk of the income distribution, though it excludes the most well-off and the poorest. Third, we examine skew in the income distribution as in Lupu and Pontusson (2011): we define this as the 80:50 ratio divided by the 50:20 ratio - this measure gets larger when the higher part of the income distribution is more dispersed than the lower part.

The results in Models 1 and 2 indicate that both the mean/median and 80:20 ratio measures of inequality do correlate positively with subjective perceptions of local inequality. The skew measure in Model 3 appears, by contrast, to be unrelated to perceptions of inequality. Substantively, the estimated relationship between the broader measures of inequality (mean/median and 80:20) and subjective perceptions is similar and fairly small in magnitude. A two standard deviation shift in the mean/median ratio amounts to a quarter-point shift in inequality perceptions. For the 80:20 ratio, the effect is slightly smaller (a fifth-point shift). Comparing to the coefficients for other predictors, this effect is relatively large though - larger in magnitude than the negative effect attributed to being a homeowner or being white British or the positive effect of a two standard deviation increase in education. The message is that there is indeed a relationship between objective inequality and subjective perceptions, but while statistically significant, it is substantively small.

[3]Data for the 90th percentile is both incomplete and subject to higher measurement error where available.

However, people don't *see* the mean/median or 80:20 income ratios. People might be more likely to form opinions about local inequality either by looking 'downwards' at noticeable poverty or 'upwards' at visible displays of wealth, chief among them expensive housing. For poverty we use several 'indices of multiple deprivation' which look at the average score of multiple deprivation across all wards in a local authority. The total index, in Model 4, combines scores on 39 separate indicators of deprivation. The indices used in models 5 through 7 are components of that total index for income, employment, and health. In all cases higher numbers reflect greater deprivation. We see the opposite of what one might expect - in areas with greater visible deprivation, subjective perceptions of income inequality are actually *lower*. Moreover, the substantive size of the effect is very small, a two standard deviation increase in the total IMD score is associated with just a 0.07 change in perceptions of inequality. Poverty measures are not an effective way of picking up subjective perceptions of inequality.

What about at the other end of the distribution? In Model 8 we use a measure for (logged) median house prices in each local authority taken from the UK Land Registry. The UK's homeownership rate is around two-thirds meaning such a measure is already picking up relatively wealthy people. Moreover, the long housing boom in the UK means that house prices are many multiples of average income higher than in the early 1990s. The housing affordability problems this has created alongside the windfall in visible wealth for many homeowners may make citizens more aware of inequality in general. Housing is a form of wealth - rather than income - inequality but since higher income households tend to live in more expensive housing, house prices may be used as a (highly visible) heuristic for overall inequality by the public.

In Model 8, we see a strong positive correlation between house prices and perceptions of inequality. A two standard deviation change in house prices is associated with an increase in perceptions of 0.43 points, twice as large as the finding for the mean/median and 80:2 pay ratios. That house prices appear more strongly related to inequality perceptions suggests that the visibility of inequality may be more important than its actual level.[4]

[4]Table A2 controls for the level of median gross weekly income in each local authority. Pay inequality and house prices still predict perceptions of inequality. Median pay is strongly positively correlated with perceptions of inequality, except when the house price measure is included, suggesting that both measures of affluence are important predictors of perceptions but housing has the more pronounced relationship.

Table 1: Perceptions of Local Inequality

	(1) Mean/Median	(2) 80/20	(3) Skew	(4) IMD	(5) Inc. Dep	(6) Emp. Dep.	(7) Health Dep.	(8) House Prices
Inequality Measure	1.874***	0.256***	-0.656	-0.011***	-1.870***	-3.265***	-0.205***	0.480***
	(0.425)	(0.071)	(0.422)	(0.004)	(0.643)	(0.785)	(0.053)	(0.061)
Household Income	0.001	0.002	0.003	-0.000	-0.000	-0.002	-0.003	-0.006
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Homeowner	-0.178**	-0.181**	-0.181**	-0.191**	-0.194**	-0.176**	-0.177**	-0.114
	(0.074)	(0.075)	(0.076)	(0.081)	(0.081)	(0.079)	(0.080)	(0.074)
Age	0.003	0.003	0.004	0.003	0.003	0.002	0.002	0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Education	0.086***	0.086***	0.089***	0.097***	0.097***	0.093***	0.094***	0.078***
	(0.024)	(0.024)	(0.024)	(0.026)	(0.026)	(0.025)	(0.025)	(0.023)
White British	-0.197*	-0.228**	-0.225**	-0.243**	-0.254**	-0.218**	-0.213**	-0.080
	(0.104)	(0.102)	(0.101)	(0.104)	(0.105)	(0.105)	(0.105)	(0.101)
Female	0.029	0.033	0.036	0.038	0.038	0.037	0.036	0.023
	(0.058)	(0.058)	(0.058)	(0.063)	(0.063)	(0.063)	(0.063)	(0.057)
Partisanship	-0.016	-0.019	-0.018	-0.020	-0.021	-0.022*	-0.022*	-0.019
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)	(0.013)	(0.013)	(0.012)
_cons	2.471***	3.855***	5.220***	4.987***	5.041***	5.152***	4.770***	2.140***
	(0.549)	(0.297)	(0.434)	(0.275)	(0.283)	(0.277)	(0.243)	(0.396)
N	4379	4345	4345	3468	3468	3468	3468	4379

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

So far we have examined *direct* effects of local economic conditions on perceptions of inequality. But do these contexts matter differently across people depending on their existing material circumstances? In the previous section we argued that material comfort may shelter people from having to worry about inequality. Table 2 examines whether the inequality context differs for respondents with varying levels of income or among those who do or do not own houses.

Table 2: Perceptions of Local Inequality

	(1)	(2)	(3)	(4)	(5)	(6)
Household Income	0.001	-0.006	-0.006	0.354**	-0.006	0.268*
	(0.009)	(0.009)	(0.009)	(0.142)	(0.009)	(0.139)
Homeowner	-0.178**	-0.114	-0.117	-0.182**	2.186***	2.015***
	(0.074)	(0.074)	(0.074)	(0.074)	(0.738)	(0.723)
Age	0.003	0.003	0.003	0.003	0.003	0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Education	0.086***	0.078***	0.077***	0.084***	0.078***	0.077***
	(0.024)	(0.023)	(0.023)	(0.024)	(0.023)	(0.023)
White British	-0.197*	-0.080	-0.085	-0.187*	-0.061	-0.056
	(0.104)	(0.101)	(0.100)	(0.105)	(0.102)	(0.103)
Female	0.029	0.023	0.022	0.031	0.028	0.030
	(0.058)	(0.057)	(0.058)	(0.058)	(0.057)	(0.057)
Partisanship	-0.016	-0.019	-0.019	-0.017	-0.018	-0.018
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
Local Pay Inequality	1.874***		0.630	4.036***	0.605	2.302**
	(0.425)		(0.444)	(1.075)	(0.432)	(1.013)
Median House Price		0.480***	0.430***		0.703***	0.677***
		(0.061)	(0.072)		(0.113)	(0.112)
Local Inequality X Income				-0.298**		-0.231**
				(0.119)		(0.117)
House Price X Homeowner					-0.437***	-0.406***
					(0.141)	(0.138)
_cons	2.471***	2.140***	1.672***	-0.100	0.211	-1.669
	(0.549)	(0.396)	(0.507)	(1.272)	(0.681)	(1.219)
N	4379	4379	4379	4379	4379	4379

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Models 1 and 2 simply repeat Models 1 and 8 respectively of Table 1 for purposes of

comparison. Model 3 includes both local pay inequality and house prices as direct effects, demonstrating that the latter appears to be a much better predictor of inequality perceptions than the former, suggesting that the visibility of inequality is crucial to perception formation.

Model 4 introduces an interaction between the mean/median income ratio and household income. Here we see a negative interaction effect: the positive effect of local inequality on inequality perceptions is reduced among richer people. Model 5 introduces an interaction between homeownership and the median house price level. Here, we see a similar pattern - homeowners draw a weaker connection between local house prices and local perceptions of inequality than do non-owners. Finally, Model 6 examines both interactions at the same time. We see that both patterns to appear simultaneously - richer people are less likely to respond to local pay inequality and homeowners are less likely to respond to local house prices in their perceptions of inequality.

Figures 1 and 2, drawn from Models 4 and 5, provide graphical representations of these patterns. The left graph in Figure 1 shows the marginal effect of local mean/median pay inequality on inequality perceptions at various levels of household income. The relationship is sizable for individuals with low family income - a two standard deviation increase in pay inequality is associated with a 0.65 point increase in perceived inequality for the lowest paid households. By contrast, for households with incomes over £50,000 there is no predicted relationship between local pay inequality and perceptions at all.

A similar story can be told for the right graph in Figure 1. The predicted relationship between median house prices and inequality perceptions for homeowners and non-homeowners reveal that the predicted impact of a doubling of house prices would be an increase of 0.75 percent points in perceived inequality for non-owners but just 0.25 percent points for homeowners.

Figure 2 demonstrates predicted perceptions of inequality for these groups of differing income and homeownership across local contexts, based on Model 6. Again we see similar patterns - the effect of local inequality on inequality perceptions is reduced among high-income individuals and homeowners.

These results indicate that the connection between the 'facts on the ground' about local inequality and people's perceptions is conditional on their level of material comfort. Wealthier people appear much less responsive to actual local differences in inequality than do poorer people or renters. These findings cast doubt over the standard mechanisms connecting inequality to preferences Meltzer and Richard (1981). If only the poor recognize local inequality then our models of preference and policy formation may need to be reconsidered.

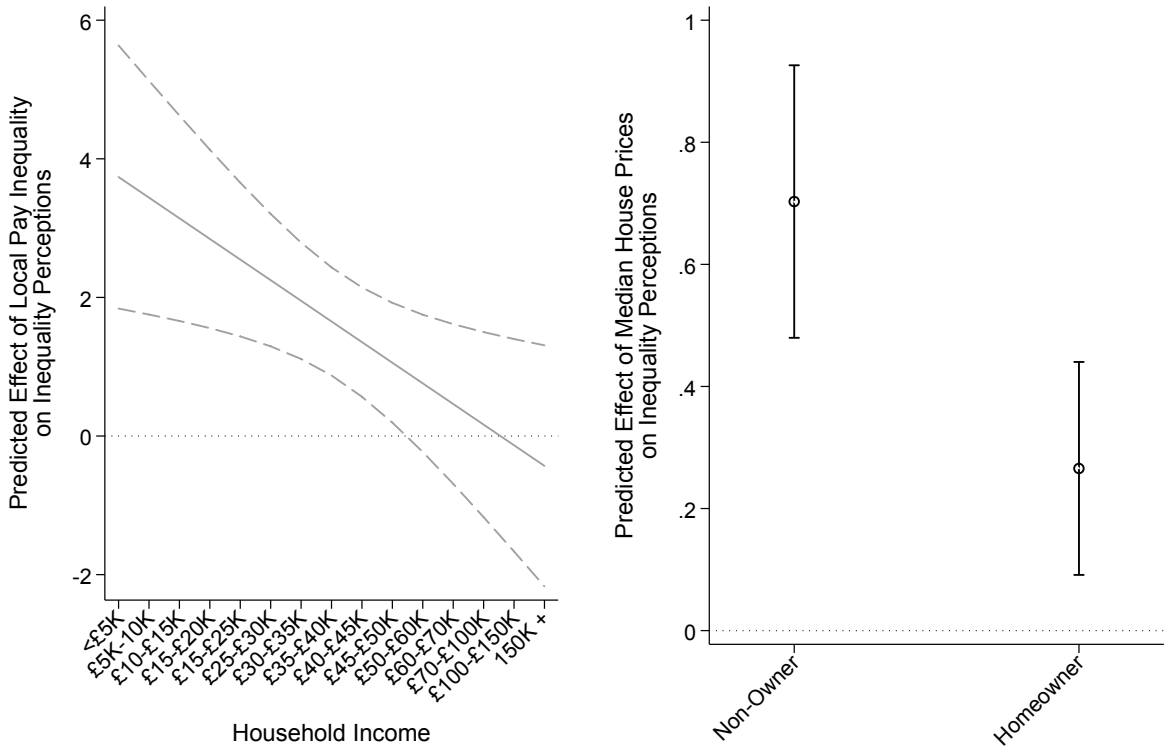

Figure 1: Marginal Effects of Local Economic Conditions on Perceptions of Local Inequality (Models 4 and 5)

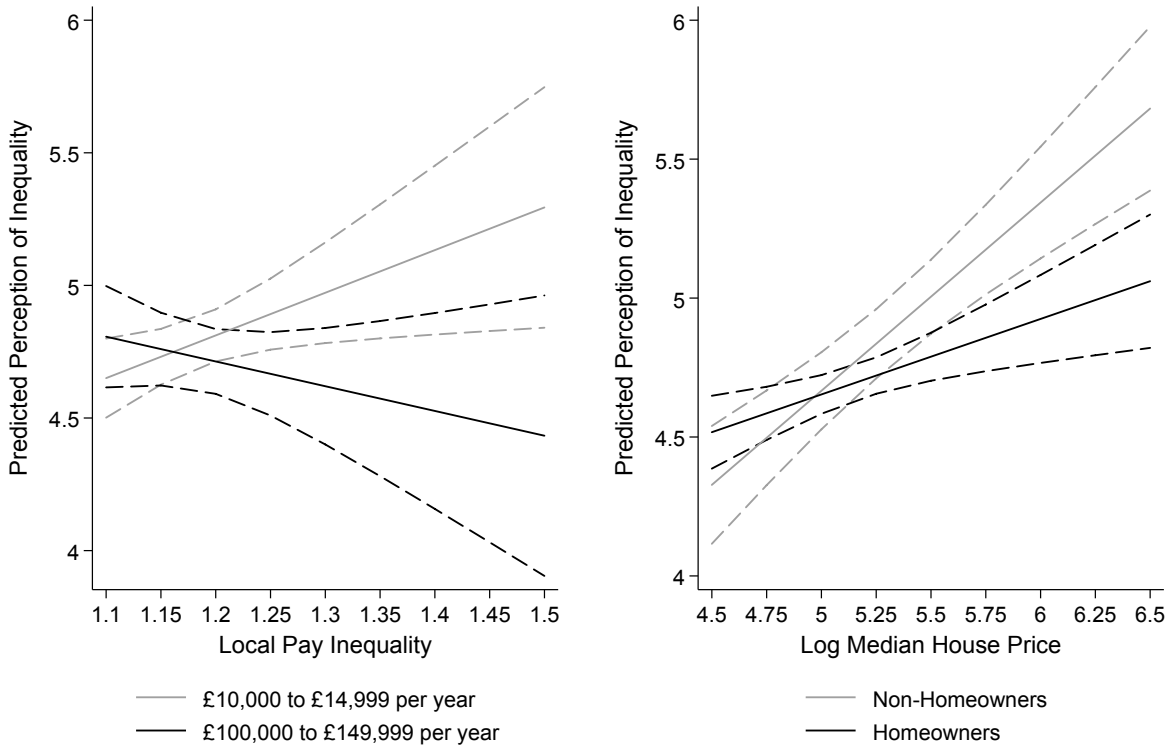

Figure 2: Predicted Effects of Local Economic Conditions on Perceptions of Local Inequality (Model 6)

3.2 Perceptions of Local Economic Performance

We now turn to perceptions about recent economic performance - an essential component of most economic voting models. Recall that this is a five-point scale asking for views about whether the economy in their local community has 'got a lot worse' through 'got a lot better.' To examine how closely perceptions about local economic change map onto objective local economic outcomes, we use the change in weekly pay over the period 1997 to 2014 and house price growth between 1996 and 2014 as measures of medium-term economic success. Our measures of pay/employment and house prices reflect developments over that period in the labor and asset markets, respectively.[5]

Models 1 and 2 of Table 3 examine the relationship between local changes in weekly pay on perceptions of economic change and here we find no statistically significant relationship]either directly or mediated by income. However, Models 3 through 5 show a strong connection between local house price changes and economic perceptions. This effect is entirely driven by homeowners rather than renters. Figure 3 displays this distinction - there is no effect of house price changes on renters' perceptions of local economic performance but for homeowners moving from house prices nominally doubling between 1996 and 2014 to quadrupling increases their perception by around half a standard deviation. Homeowners are the people for whom the differential rise in house prices is most visible - hence their perceptions are most elastic.

The other key insight to draw from Table 3 is that individual-level characteristics strongly predict perceptions of local economic change *regardless* of actual facts on the ground. Higher-income, younger and more educated people think the local economy has been doing better. We also seem some evidence of partisan bias, as right-wing voters tend to think the economy has performed better - unsurprising since the incumbent government was a center-right Conservative-Liberal coalition.

3.3 Perceptions of Local and National Unemployment

We now turn to perceptions of unemployment. Here the perception is a figure given between zero and one hundred as an estimate of the local or national unemployment rate. Table 4

[5]In Table A3 we also examine both disposable household income over the period 1997 to 2014 and shorter-term periods (2005-2014 and 2010-2014) for income and house prices to see if more recent economic developments are driving subjective perceptions. Changes in household income are unrelated to subjective perceptions of economic change whereas both short and long term house prices are positively connected to perceptions

Table 3: Household Characteristics and Perceptions of Local Economic Change

	(1)	(2)	(3)	(4)	(5)
Household Income	0.036***	0.022	0.035***	0.035***	0.023
	(0.005)	(0.024)	(0.006)	(0.006)	(0.024)
Homeowner	0.029	0.029	0.045	-0.237**	-0.234*
	(0.041)	(0.041)	(0.042)	(0.120)	(0.120)
Age	-0.005***	-0.005***	-0.005***	-0.005***	-0.005***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Education	0.054***	0.054***	0.051***	0.051***	0.051***
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
White British	0.065	0.065	0.104	0.097	0.098
	(0.097)	(0.097)	(0.091)	(0.093)	(0.093)
Female	-0.022	-0.022	-0.024	-0.026	-0.026
	(0.033)	(0.033)	(0.033)	(0.034)	(0.034)
Partisanship	0.075***	0.075***	0.075***	0.075***	0.075***
	(0.007)	(0.007)	(0.008)	(0.008)	(0.008)
Weekly Pay 1997-2014	0.111	-0.051	0.071	0.067	-0.059
	(0.151)	(0.312)	(0.152)	(0.151)	(0.314)
Pay Change X Income		0.024			0.019
		(0.037)			(0.038)
House Price 1996-2014			0.061**	-0.004	-0.003
			(0.028)	(0.038)	(0.038)
HP Change X Homeowner				0.109**	0.107**
				(0.050)	(0.050)
_cons	2.051***	2.148***	1.903***	2.085***	2.159***
	(0.154)	(0.253)	(0.150)	(0.185)	(0.270)
N	4654	4654	4654	4654	4654

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

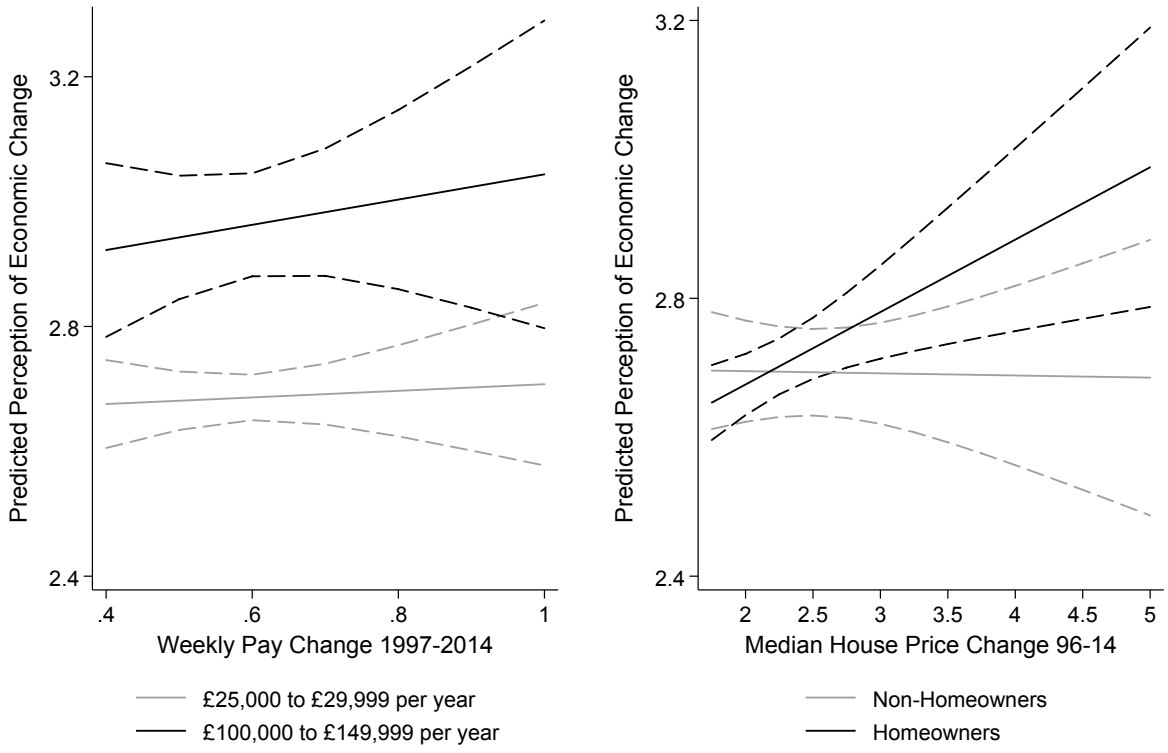

Figure 3: Effects of Local Economic Conditions on Perceptions of Local Economic Change

examines the determinants of these perceptions, with Models 1 through 4 focusing on local unemployment perceptions and Models 5 through 8 on national unemployment perceptions. We include in these models subjective perceptions of a respondent's own risk of unemployment, coded from 1 (very unlikely) to 5 (very likely). The median response is 2, and the mean is 2.27. As the objective measure of local conditions, we use the 2014 unemployment rate in each local authority.

Models 1,2, 5, and 6 show the effect of individual-level characteristics on unemployment perceptions. People with higher household incomes or education, less risk perceived risk of job loss, or who are older, male, homeowners, or white British are less likely to think local or national unemployment is high.

Models 3 and 7 introduce local unemployment levels, and we see that while they are a strong predictor of perceptions of local unemployment, they appear unrelated to perceptions of national unemployment. This is encouraging for the view that people do take seriously the geographic level at which they are being asked their perceptions. Moreover, in Model 3, we see an almost one to one correspondence - a one-point increase in actual local unemployment is associated with roughly a one-point increase in perceived local unemployment.

Models 4 and 8 interact subjective unemployment risk with local unemployment. We see in Model 4 that perception of local unemployment depends on also subjective evaluations of the *personal* risk of unemployment. Figure 4 shows predicted local and national unemployment perceptions for people who think unemployment is personally very likely or unlikely at different levels of actual local unemployment. In the left-hand figure, for people who think the risk of being made unemployed is very unlikely, a five percent shift in local unemployment is associated with a perceived increase in local unemployment of only around two percent. By contrast, for people who think they are very likely to become unemployed, that same shift in local unemployment is associated with a fifteen point shift in perceived unemployment. The key insight here is that the *elasticity* of perceptions about local unemployment with respect to its actual level is rising in subjective beliefs about risk. People who are less materially exposed to unemployment are less responsive to changes in its actual level.

The figure on the right, drawn from Model 8, examines the same pattern but with respect to national unemployment. As noted above, there is no statistically significant relationship between local unemployment and national unemployment perceptions for either group.

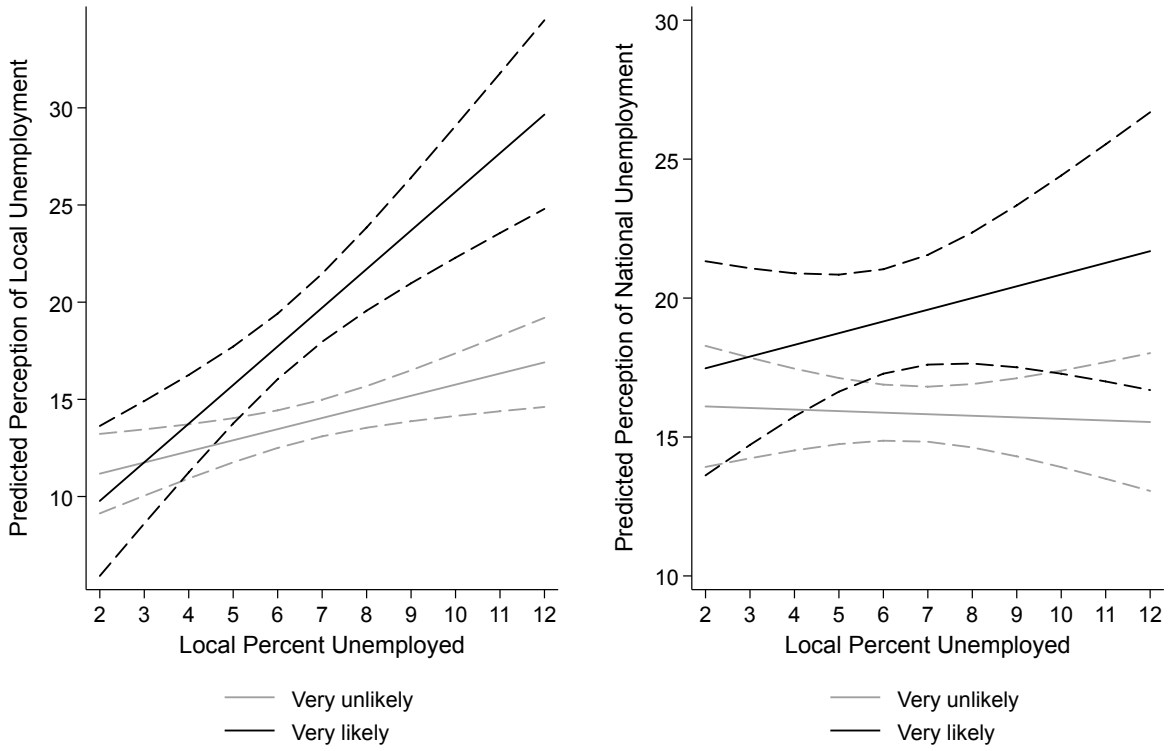

Figure 4: Effects of Local Economic Conditions on Perceptions of Local and National Unemployment

Table 4: Perceptions of Local and National Unemployment

	(1) Local	(2) Local	(3) Local	(4) Local	(5) National	(6) National	(7) National	(8) National
Household Income	-0.760***	-0.763***	-0.718***	-0.719***	-0.447***	-0.427***	-0.423***	-0.424***
	(0.090)	(0.099)	(0.096)	(0.096)	(0.110)	(0.105)	(0.106)	(0.105)
Homeowner	-2.720***	-1.782**	-1.733*	-1.721*	-2.541***	-2.106**	-2.101**	-2.097**
	(0.803)	(0.894)	(0.883)	(0.881)	(0.920)	(0.903)	(0.904)	(0.904)
Unemployment Risk	1.069***	1.226***	1.211***	-1.059	0.657**	0.871***	0.870***	0.104
	(0.265)	(0.293)	(0.290)	(0.821)	(0.289)	(0.317)	(0.316)	(0.875)
Age	-0.102***	-0.103***	-0.091***	-0.092***	-0.111***	-0.107***	-0.106***	-0.106***
	(0.023)	(0.026)	(0.026)	(0.025)	(0.025)	(0.026)	(0.027)	(0.027)
Education	-1.866***	-1.731***	-1.654***	-1.650***	-2.872***	-2.500***	-2.493***	-2.491***
	(0.246)	(0.260)	(0.260)	(0.259)	(0.295)	(0.326)	(0.327)	(0.326)
White British	-4.026***	-5.269***	-4.696***	-4.520***	-3.325*	-2.469*	-2.415*	-2.356*
	(1.160)	(1.226)	(1.203)	(1.202)	(1.724)	(1.265)	(1.252)	(1.246)
Female	5.731***	5.076***	5.084***	5.143***	8.192***	7.528***	7.529***	7.549***
	(0.676)	(0.672)	(0.667)	(0.662)	(0.662)	(0.704)	(0.705)	(0.705)
Partisanship		0.002	0.042	0.034		0.405***	0.409***	0.406***
		(0.136)	(0.135)	(0.134)		(0.131)	(0.132)	(0.132)
Local Unemployment			1.021***	0.219			0.095	-0.176
			(0.177)	(0.280)			(0.162)	(0.316)
Risk X Local Unemp				0.354***				0.119
				(0.119)				(0.129)
_cons	26.358***	26.588***	18.258***	23.174***	26.331***	21.404***	20.626***	22.285***
	(2.553)	(2.797)	(3.345)	(3.634)	(2.856)	(2.864)	(3.351)	(3.878)
N	5634	4779	4779	4779	5634	4779	4779	4779

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

We have argued that material incentives structure how people perceive their local economies. But perhaps other ways they gather information might matter. In Model 1 of Tables A4 through A9 we use a measure of how much attention people pay to politics, which might condition how much information people have about their local economies. However, for inequality and economic performance we find no effect of political attention, either directly or interacted with local economic data on subjective perceptions. For unemployment perceptions there is a negative effect of political attention in general but it is unrelated to actual local unemployment. Importantly, including political attention and its interaction with the relevant economic context has no impact on our key results about individual material incentives structuring how people connect local economic 'facts on the ground' to their perceptions.

The remaining models in Tables A4 through A9 include questions about the respondent's local community. Model 2 asks how many people they know in their community, Model 3 how long they have been resident, Model 4 whether they work in their community, and Models 5 through 7 whether they thought about (a) their workplace, (b) their family and friends, or (c) their neighborhood, when they were defining their local community. In all cases, there is minimal direct or interactive (on local economic conditions) effect of these variables on economic perceptions. Including these variables does not substantially affect our key results.

In sum, three key conclusions emerge. First, there is generally some correspondence, albeit weak, between most local economic indicators and subjective perceptions. Second, this correspondence seems strongest for more visible forms of economic fortune or distress - in particular for house prices and unemployment levels, rather than pay indicators. Third, the relationship between local economic indicators and subjective perceptions are strongly conditioned by individual material incentives to pay attention to the local economy. Homeowners are most responsive to local house price changes, poorer citizens to local inequality, and individuals at risk of unemployment to local unemployment levels. We now investigate whether subjective perceptions of the local economy impact, above and beyond actual economic indicators, political preferences.

4 Perceptions and Political Preferences

In this section, we examine whether subjective perceptions and objective realities affect political preferences. We choose three dependent variables drawn from the BES. First, we

look at the self-reported intention to vote to remain in a future referendum on European Union membership - recall that this survey was given in 2014, after David Cameron had announced his intention to include a referendum in his election manifesto for the following year but before the official legislation for a referendum. Second, we look at preferences over redistribution, examining a question about whether the government should take action to reduce income inequality. Finally we examine whether respondents approve of the UK government. These three questions allow us to address similar questions to recent work showing a connection between local economic indicators and Brexit (Carreras, Irepoglu Carreras and Bowler, 2019), local inequality and redistribution (Newman, Johnston and Lown, 2015) and economic voting (Larsen et al., 2019). The question arises as to whether objective local conditions or subjective perceptions of them matter more for preference formation.

Table 4 presents models using different objective local economic indicators, subjective perceptions, and individual-level characteristics (household income, homeownership, whether the respondent is White British, gender, partisanship, views on immigration) to determine what drives preferences. All of our estimations use logit (Brexit) or linear (redistribution and approval) models with sample weights and clustered standard errors by the local authority. We examine the relationship between subjective economic perceptions, objective economic indicators and our outcome variables, using in turn measures of economic performance, inequality, and unemployment, as above.

First, we examine the determinants of support for Brexit; we code supporting Remain as one and Leave as zero. Model 1 begins with our objective and subjective measures of economic change. We find that the objective measure - income change at the local level since 1997 - has little impact on the probability of supporting staying in the EU. However, subjective perceptions of local economic performance are strongly associated with intending to vote Remain significantly. Keeping all other variables constant, a respondent who argues that the local economy is "doing a lot better" is 15 percent more likely to vote Remain compared to an individual who expresses the locality is "doing a lot worse".

Model 2 investigates the relationship between subjective and objective levels of local inequality in terms of support for Brexit. We see that perceiving high local inequality increases the intention to vote Remain, statistically significant at the 10 percent level, whereas the objective measure of local pay inequality has no relationship. This is a somewhat surprising result, at least according to some accounts of the Brexit vote, since people who thought local inequality was higher were more supportive of Remain, not Leave, albeit at borderline levels of statistical significance.

Turning to the effects of perceived and objective levels of local unemployment on Brexit, Model 3 shows that both subjective and objective levels of local employment increase the probability of a Leave vote. All in all, Models 1 to 3 show that perceptions are important determinants of support for Brexit and in all cases are at least as important as objective local indicators. This suggests that even if voting Leave was a *cri de coeur* of the 'Left Behind' regions this was strongly mediated by subjective understanding of how the local community had fared. Model 1 suggests that changes in actual incomes were unrelated to Brexit support - what mattered was how people felt the local economy had changed, not the actual governmental statistics.[6].

We now turn to attitudes over redistribution. The BES ask respondents the following question: "Some people feel that government should make much greater efforts to make people's incomes more equal. Other people feel that government should be much less concerned about how equal people's incomes are. Where would you place yourself on this scale?" The responses are recorded on a 11-point scale, and we code this such that the lowest level is "Government should be less concerned about equal incomes" and the highest level is"Government should try to make incomes equal". Models 4 to 6 presents the results.

Subjective perceptions of the local economy seem to matter much more than objective government indicators. Positive assessments of the local economy decrease demand for redistribution, whereas perceptions of high local inequality and high local unemployment increase the demand for government action. In Models 4 and 6, objective facts do not affect support for inequality reducing policies. Intriguingly, in Model 5 we see a counterintuitive finding - although subjective perceptions of inequality are positively associated with support for redistribution (as the Meltzer-Richard model anticipates), there is a strong negative correlation between real levels of income inequality at the local level and support for redistribution.

Finally, in Models 7 to 9, we examine the determinants of government approval - this is a five point scale ranging from "Strongly approve" to "Strongly disapprove". The results show that subjective positive views of the local economy increase approval of the government, whereas increases in subjective assessments of local inequality and unemployment decreases support for the government. Across three models, we do not observe a statistically meaningful relationship between the objective state of the local economy - be it economic performance, inequality, or unemployment - and approval for the UK government. Government approval is driven by subjective perceptions of the local economy, not its reality.

[6]Table A10 shows that these results are robust to controlling for the *actual* Brexit vote in the respondent's local authority in the Referendum in 2016

Figure 5 shows predicted probabilities of supporting Brexit, predicted support for redistribution, and predicted government approval at different levels of (a)subjective perceptions and (b)corresponding objective economic indicators, with results drawn from Table 5. For each model, we compare the difference between the 10th and 90th percentiles of subjective perceptions to the 10th and 90th percentiles of the respective economic indicator. These figures give a good sense of the substantive magnitude of subjective perceptions versus objective indicators, with the former always larger in size than the latter.

Overall, these results strongly support the claim that subjective perceptions are most decisive in terms of structuring political preferences. The relative weakness of objective economic indicators problematizes the reliance on such data in much recent political economy scholarship.

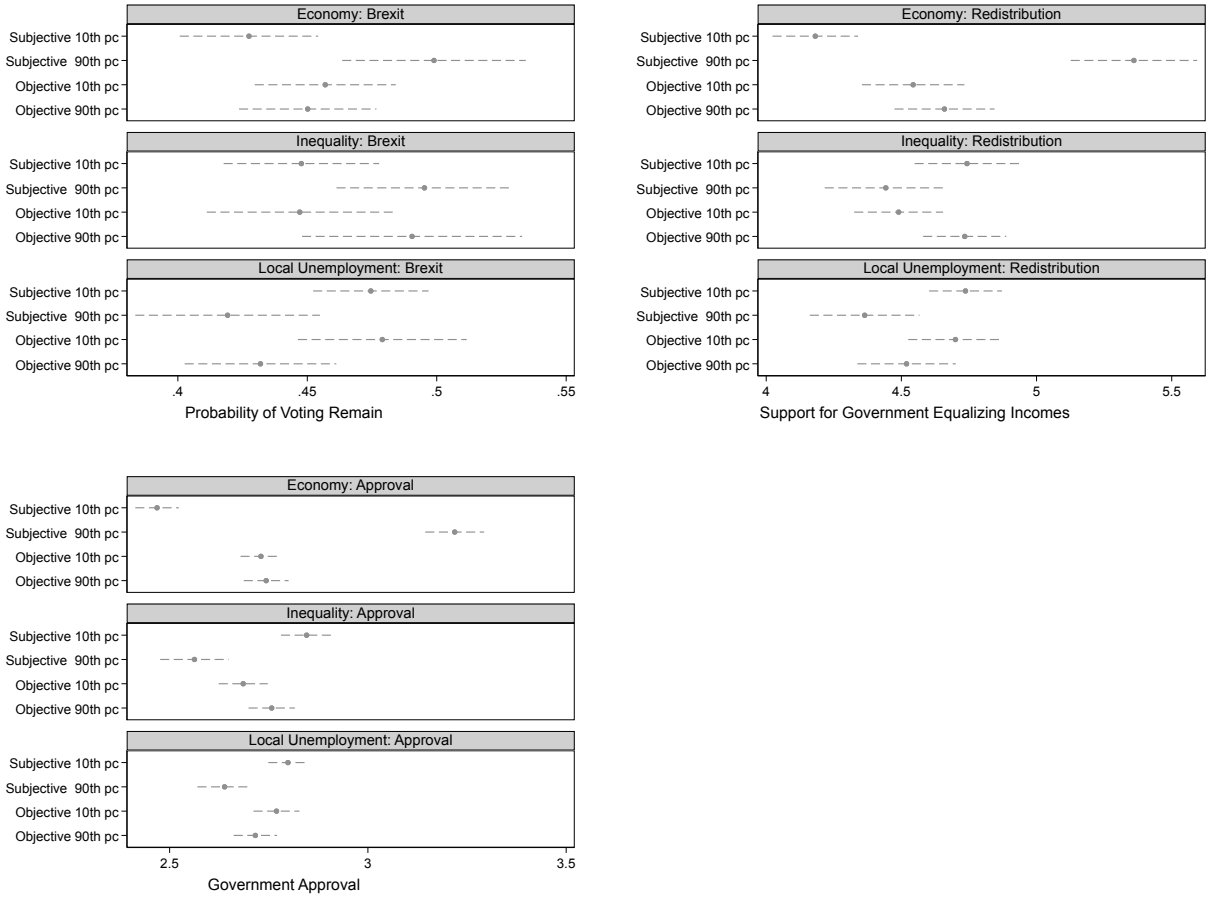

Figure 5: Political Attitudes and Subjective Perceptions versus Objective Indicators

Table 5: Subjective Perceptions, Objective Indicators and Political Preferences

	(1) Remain	(2) Remain	(3) Remain	(4) Redistribution	(5) Redistribution	(6) Redistribution	(7) Approval	(8) Approval	(9) Approval
Subjective - Economy	0.196***			-0.589***			0.375***		
	(0.071)			(0.082)			(0.027)		
Weekly Pay 1997-2014	-0.132			-0.398			0.046		
	(0.398)			(0.534)			(0.141)		
Subjective Inequality		0.064*			0.075*			-0.071***	
		(0.035)			(0.044)			(0.016)	
Local Pay Inequality		1.723			-1.794**			0.530	
		(1.388)			(0.818)			(0.346)	
Subjective Local Unemp.			-0.008**			0.010***			-0.004***
			(0.003)			(0.003)			(0.001)
Local Unemployment			-0.049*			0.034			-0.010
			(0.027)			(0.028)			(0.009)
Age	0.006	0.004	0.003	0.006	0.013**	0.013***	-0.007***	-0.008***	-0.009***
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)	(0.002)	(0.002)	(0.002)
Education	0.198***	0.201***	0.187***	-0.089*	-0.055	-0.074	-0.019	-0.004	-0.011
	(0.040)	(0.042)	(0.038)	(0.045)	(0.050)	(0.045)	(0.015)	(0.016)	(0.015)
White British	-0.414*	-0.297	-0.443**	-0.131	-0.117	0.090	0.053	0.065	0.044
	(0.246)	(0.241)	(0.225)	(0.297)	(0.296)	(0.286)	(0.075)	(0.079)	(0.075)
Female	-0.313***	-0.286***	-0.227**	0.091	0.012	0.009	-0.001	-0.007	0.010
	(0.095)	(0.097)	(0.090)	(0.109)	(0.122)	(0.113)	(0.041)	(0.043)	(0.040)
Partisanship	-0.318***	-0.300***	-0.308***	-0.559***	-0.610***	-0.604***	0.233***	0.267***	0.264***
	(0.025)	(0.025)	(0.023)	(0.025)	(0.025)	(0.023)	(0.009)	(0.010)	(0.009)
Immigration Increasing	-0.789***	-0.765***	-0.756***	-0.076	0.011	-0.016	-0.097***	-0.154***	-0.146***
	(0.062)	(0.064)	(0.060)	(0.064)	(0.070)	(0.067)	(0.021)	(0.023)	(0.021)
Household Income	0.051***	0.055***	0.049***	-0.131***	-0.159***	-0.144***	0.021***	0.033***	0.030***
	(0.015)	(0.016)	(0.014)	(0.018)	(0.019)	(0.018)	(0.005)	(0.006)	(0.006)
Homeowner	-0.142	-0.111	-0.124	-0.446***	-0.458***	-0.519***	0.082*	0.092*	0.096*
	(0.127)	(0.137)	(0.129)	(0.156)	(0.166)	(0.155)	(0.049)	(0.053)	(0.050)
Constant	3.799***	1.649	4.563***	11.560***	11.230***	9.034***	1.016***	1.771***	2.226***
	(0.570)	(1.574)	(0.532)	(0.570)	(1.087)	(0.523)	(0.178)	(0.447)	(0.171)
N	4517	4243	4964	4306	4068	4707	4484	4211	4924

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

5 Conclusion

The last decade has seen a flurry of important works in politics connecting local economic conditions to political preferences and outcomes. Nevertheless, political economists have had very little to say about if citizens are capable of objectively perceive local economic conditions and, if not, whether these perceptions affect political behavior in any meaningful way. This article has presented a novel theory that addresses this analytical and empirical gap. We argued that people's perceptions of the local economy depend on their material incentives to accurately assess it. More affluent and more secure individuals only notice the parts of the local economy that benefit them - chiefly house prices. They appear to ignore economic factors that chiefly threaten the poor: high local inequality, economic distress, and unemployment. Furthermore, we posited that these perceptions matter significantly for electoral behavior and policy preferences.

We tested these predictions using the British Election Study and local economic data from the British local authorities. First, we examined the effects of local economic conditions and individual-level characteristics on the perceptions of the local realities, finding strong evidence that more affluent, homeowner, and securely employed individuals are less likely to perceive local economic distress correctly. Second, we found that individuals who more negatively assessed local conditions were more likely to indicate an intention to vote "Leave" in the upcoming referendum on the UK's membership to the EU, support redistribution, and reduced approval for the UK government. These results suggest that individual-level characteristics shape how citizens see political and economic facts, and in turn, how these perceptions translate into policy choices.

The strong relationship between perceptions and political preferences indicates that the origins of subjective assessments should be taken seriously. As we have shown, using perceptions may be more useful than on the ground facts in explaining political outcomes. While the objective local economic reality may well shape perceptions overall, particularly the origins of economically disadvantaged groups' perceptions, scholars should consider whether some citizens - particularly the wealthy, viewing the world through 'rose-colored glasses' - simply do not see others' economic distress. Developing political coalitions across the income divide over contentious issues such as inequality is made much harder when 'there's none so blind as them that won't see.'

practice

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