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**İÇİNDEKİLER**

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# PROCEDURES MATTER IN POLITICAL ECONOMY

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## ABSTRACT

*This paper argues that participatory decision-making in politics is a source of procedural utility. The right to directly participate in the democratic process gives citizens the feeling that their preferences are seriously taken into account in the political process. Foreigners, who are excluded from political decision-making, cannot gain such procedural utility. The results of our empirical analysis support this notion of procedural utility. Citizens, as well as foreigners, living in jurisdictions with more extended political participation rights, enjoy higher levels of subjective well-being. The positive effect on reported satisfaction with life is, however, smaller for foreigners, reflecting their exclusion from procedural utility. The positive effect of participation rights is three times larger for citizens than it is for foreigners, i.e. a major part of the welfare gain from the favorable political process is due to procedural utility.*

## I. Concepts of Utility

### A. Utility in Public Choice

Public Choice is clearly *outcome* oriented (see e.g. Mueller 1989, Mueller 1997, Frey 1978). Political processes are evaluated according to how well they are able to produce specific outputs, in particular material well-being, such as income, the state of employment and inflation. The outcome orientation of Public Choice (as well as of economics in general<sup>1</sup>) can

be illustrated by three core areas in Public Choice:

#### (i) Social Choice Theory

The problem of whether, and how, individual preferences can be aggregated to a social welfare or social decision function (championed by Arrow 1951, Black 1958, Sen 1970) considers the utility derived from the outcome. The *process* by which this outcome is reached has no value as such. Often, one of the explicit conditions imposed for aggregation is that it does not matter which procedure is used. For instance, when there is a decision to be made between alternatives A, B, and C, the outcome should be independent of the sequence with which the alternatives are evaluated in comparisons two by two.

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<sup>1</sup> Modern economics follows the tradition of utility analysis shaped by Bentham (1789), focussing on experienced pleasures and pains, and decision utility considering choices between feasible alternatives (see Kahneman et al. 1997). Both relate solely to outcomes. A case in point is Neumann-Morgenstern utility used in game theory, which solely takes outcomes into account (see Sen 1995, Le Menestrel 2001).

(ii) *Theory of Government Behavior*

In the model of perfect political or spatial competition (established by Schumpeter 1950, Downs 1957), the equilibrium policy outcome is the preference of the median voter, who compares alternative political programs according to the utility provided by their respective outcomes. The political process serves as a mechanism to produce such outcomes and is not attributed any value as such.

In the more general politico-economic models of government behavior, the voters give their vote to that party which is expected to produce the best economic outcomes. In the vote maximizing theories of political business cycles (championed by Nordhaus 1975, see Frey 1997b for a collection), the voters evaluate the rate of unemployment and the rate of inflation expected to be produced by the party in power. The econometrically estimated vote and popularity functions (for a survey, see Nannestad and Paldam 1994) in addition normally also consider the rate of growth of disposable personal income as a determinant of voters' political decisions.

(iii) *Vote Participation Theory*

A voter compares the benefits of casting his or her vote to the cost of participating in voting (Downs 1957). As the probability of deciding the vote outcome is normally very small, the benefits of voting are also very small, and therefore it is in most cases not worth the trouble to vote. The standard theory thus predicts very low

voting participation<sup>2</sup>. This prediction obviously flies in the face of the empirical observation of substantial vote participation even in countries in which voting is voluntary.

There are further areas in Public Choice like, for example, the political economy of federalism and taxation in which main considerations are based on outcomes.

But *procedural* aspects play some role even in standard Public Choice theory. Most importantly, the economic theory of vote participation has been amended to be able to account for the high vote participation observed. Voters have been attributed a utility of participating in the voting process. This may lift the benefits over the cost of voting, thus providing a "rational" explanation as to why people participate in politics (Riker and Ordeshook 1973). Such an "explanation" is essentially empty and eschews empirical testing as long as no convincing independent reasons are brought forward as to what this participation utility actually consists of. In any case, it is logically incompatible with a rational choice approach based on outcome utility.

More recently, attempts have been made to provide an explanation of vote participation based on different utility elements. In particular, the voters have been assumed to derive utility from politically expressing their views, quite irrespective of the effect on the vote outcome. This theory of expressive voting (Brennan and Lo-

<sup>2</sup> The many variations of this basic vote participation calculus have been unable to come to any substantially different conclusion; see e.g. Aldrich (1997).

masky 1993) draws on procedural utility, but has not been formulated in these terms.

### **B. Utility in Constitutional Economics**

Constitutional economics analyzes which rules or institutions lead to what outcomes. Individuals behind the veil of uncertainty choose those rules which lead to future outcomes that they like the best. This approach (established by Buchanan and Tullock 1962, see the surveys by Mueller 1996, Cooter 2000, Frey 1983) indeed looks at processes. It accepts the fact that once the basic institutions in society have been determined, there is very little possibility of influencing current policy. Therefore, outcomes can only be indirectly determined by choosing the appropriate institutions. But this institutional choice is purely *instrumental*; its only goal is to select the best possible outcomes in the current politico-economic process. In the standard model of constitutional choice, the process *as such* does not provide the individuals with any utility.

Though some elements of procedural aspects can be identified in both Public Choice and Constitutional Economics, their basic approach is clearly outcome oriented. Interest in the utility provided to citizens by the political process itself is muted and has been little discussed. This disinterest in Political Economy (as well as in general economics) is in strong contrast with research in other social sciences.

*Political philosophers* have long argued that procedural utility is derived from the democratic process.

Special emphasis has been put on individuals' possibilities to participate in the political process (e.g. Pateman 1970, Barber 1984, Morell 1999). With regard to direct democracy, Cronin (1989) notes, for example, that "giving the citizen more of a role in governmental processes might lessen alienation and apathy" (p. 11). Moreover, the political discussion induced by initiatives and referenda generates a common understanding for different political opinions and positions. This strengthens the social contract based on consensus and motivates people to act beyond narrow self-interest (Bohnet and Frey 1994). Participation possibilities are thus considered an important source of perceived procedural fairness shaping individual behavior. It has, for example, been shown that with more extensive democratic participation rights, people have higher tax morale and evade taxes less (Frey 1997a).

*Social psychologists* (in particular Lind and Tyler 1988, Tyler and Blader 2000) have for a long time undertaken extensive research on "procedural fairness". People have been shown to be at least as concerned with procedural justice as with the outcomes of these procedures. Procedures should not only be evaluated by the results they yield but by the relational information they convey, such as assessments of impartiality, the extent to which individuals perceive themselves to be treated with respect, and the trustworthiness of authorities.

*Political scientists* have also taken the proposition seriously that political participation provides utility to the citizens. Lane (1988: 179-185,

2000, chapter 13), for example, calls such utility the procedural goods of democracy. They contain dignity goods such as self-respect, feeling of personal control or understanding, and public resonance. Democracy can moreover provide utility if it offers relief from procedural pain (e.g. fear, embarrassment or humiliation) or if it directly generates intrinsic pleasure, for example by facing and meeting a challenge or by being able to express one's point of view.

This paper argues that procedural utility is of great importance for Political Economy. It demonstrates that it is possible to differentiate between outcome and process utility and to estimate its size by econometric methods.

Section II discusses the utility derived from participatory democracy by looking at the rights to participate in political decision-making. These rights differ fundamentally between two types of persons: citizens are allowed to participate in democratic decision-making while foreigners are not. This allows us to derive an empirically testable proposition. Section III presents the econometric estimates to test the proposition. The final section offers concluding comments.

## **II. Political Participation as Procedural Utility**

A large literature in the social sciences, especially in psychology, political science and sociology, attributes a positive value to participation, as it enhances individuals' perception of self-determination. Participation can thereby be considered as a characteristic of an institution, for which

people can have preferences that go beyond the outcome of a participatory decision-making mechanism.

In the following analysis, we study procedural utility from participation as a characteristic of a state of being, i.e. living and acting within democratic institutions that grant participation *rights*. People may gain procedural utility from the belief that the political sphere takes their wishes seriously into account in a fair political process. Moreover, they may feel less alienation and apathy towards the political institutions installed. However, this procedural utility has rarely been included in economic theory and empirical research.<sup>3</sup> Some scholars simply deny the specific existence of process utility beyond expected utility (e.g. Hammond 1996). In empirical research, the lack of evidence may be explained by the difficulty in disentangling outcome from process utility.

In order to differentiate procedural utility from outcome utility, an identifying criterion is needed. In the following analysis of the effect of participation rights on utility, we employ the status of citizenship as an identifying criterion. The status of being a national fundamentally differs from that of a foreigner by offering the possibility of voting. In many other ways, the law demands equal treatment. For example, nationals and

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<sup>3</sup> Procedural utility has a long tradition and refers to the concept of Aristotelian eudaimonic well-being. In research done by social psychologists, for example, well-being consists of actualization of human potentials (Ryff and Singer 1998), self-determination (Ryan and Deci 2000) or personal control (Peterson 1999).

foreigners have the same human rights and, once admitted into the country, have (with few exceptions) the same rights to participate in economic affairs. National legislation and political decisions may be rigged in favor of nationals. Nevertheless, on average, the nationals derive more utility from political participation possibilities than foreigners do, as nationals enjoy both outcome and process utility, while the foreigners only enjoy outcome utility.

Distinguishing between nationals and foreigners is largely exogenous to the utility gained from political participation. Whether a person may become a citizen is determined by the law, in particular the requirement of having stayed in the host country for a sufficient number of years, having adequate mastery of the local language and the content of the constitution. Only after these stringent requirements have been met does the individual have the choice of whether to become a citizen or not. Of course, whether those persons eligible for citizenship indeed accept it depends *inter alia* also on their expected procedural utility, i.e. their wish to become a community member with full participation rights. Thus, some will decide not to change their citizenship. Becoming a citizen is more or less automatic for young persons and spouses once the head of the household has decided to do so. Resident citizens have no possibility of choosing their status of citizenship. They cannot give up their current citizenship without relocation. The distribution of residents in a country between the two categories, foreigners and citizens, thus strongly reflects formal exogenous criteria for citizenship and

not revealed preferences for procedural goods. As a result of these considerations, one may assume that the distinction between nationals and foreigners influences the extent to which one benefits from outcome and process utility.

The discussion allows us to propose the following hypothesis:

*Citizens derive more utility from the right to participate in political decision-making than foreigners because citizens experience procedural utility from which foreigners are excluded.*

According to this hypothesis, citizens derive both outcome and procedural utility while foreigners, who are unable to vote, only derive outcome utility. We test this hypothesis in the next section.

As outlined above, the strategy to identify procedural utility is based on the formal distinction between citizens and foreigners. The corresponding statistical approach is in analogy to the differences-in-differences estimator for time series, whereby procedural utility is the additional positive effect of more extended political participation rights on citizens' well-being compared to that of foreigners'. The empirical analysis is conducted for Switzerland. We study the case of Switzerland because there is a large variation in participation rights across regions. Moreover, there is data on people's utility measured by the proxy reported subjective well-being.

### III. Empirical Analysis

#### A. Data on Participation Rights

We have argued that citizens gain procedural utility from political participation rights. In Switzerland, there are several ways of engaging directly in the political process over and above regular elections. The most important are the direct democratic instruments. They exist at the national level as well as at the level of the 26 cantons (states). Here we consider the cantonal level because the participation rights differ considerably between them. In cantons, the major direct democratic instruments are the popular initiatives to change the canton's constitution or laws, a compulsory and optional referendum to prevent new laws or the changing of existing laws, and an optional financial referendum to prevent new state expenditure. Due to the federal structure of Switzerland, major areas of competence reside within the cantons and there is thus a high potential influence of direct legislation on the outcome of the political process in Swiss cantons. However, citizens' access to the instruments mentioned above differs substantially from one canton to another. Thus, for example, the number of signatures required to launch an initiative or an optional referendum, or the time span within which the signatures have to be collected, varies. A referendum on public expenditures may be launched with different levels of additional outlays. We construct an index designed to reflect the development of direct democratic participation rights in the 26 cantons (for details of the index construction, see Stutzer 1999). This index is defined using a six point scale, with 1 indicating the lowest,

and 6 the highest degree of participation rights for the citizens. The results are graphically reproduced in Figure 1.

The variation in citizens' rights in political participation is necessary to test our hypothesis on the effects of these rights on subjective well-being.

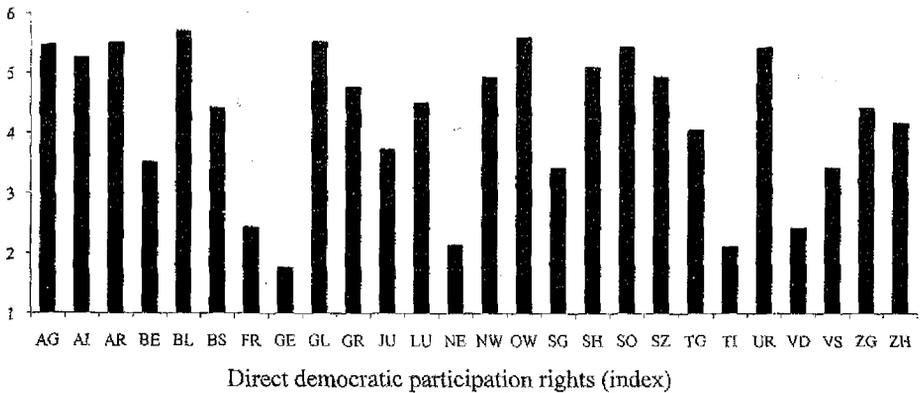
#### B. Data on Subjective Well-Being or Happiness

In order to test the hypothesis, we study data on people's reported subjective well-being or "happiness" as a proxy measure for utility (this approach is extensively discussed in Frey and Stutzer 2001). Many studies document the validity of survey measures on subjective well-being: happy people are, for example, more often smiling during social interactions (Fernández-Dols and Ruiz-Belda 1995) and are rated as happy by friends and family members (Sandvik et al., 1993), as well as by spouses (Costa and McCrae, 1988). Furthermore, the measures of subjective well-being reflect life-changes (Ehrhardt, Saris and Veenhoven 1999), persons' recall of positive versus negative life-events (Seidlitz, Wyer and Diener 1997) and are, to a large extent, unbiased with regard to social desirability (Konow and Earley 1999)<sup>4</sup>.

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<sup>4</sup> But there is, of course, room for methodological concerns (e.g. Diener et al. 1999, pp. 277-8).

**Figure 1**  
**Political Participation Rights in the 26 Swiss Cantons**



The figure shows the degree of direct democratic participation rights in the 26 Swiss cantons, namely Aargau (AG), Appenzell i. Rh. (AI), Appenzell a. Rh. (AR), Bern (BE), Basel Land (BL), Basel Stadt (BS), Fribourg (FR), Genève (GE), Glarus (GL), Graubünden (GR), Jura (JU), Luzern (LU), Neuchâtel (NE), Nidwalden (NW), Obwalden (OW), St. Gallen (SG), Schaffhausen (SH), Solothurn (SO), Schwyz (SZ), Thurgau (TG), Ticino (TI), Uri (UR), Vaud (VD), Valais (VS), Zug (ZG) and Zürich (ZH).

The survey at hand is the result of more than 6,000 interviews with residents of Switzerland, as collected by Leu, Burri and Priester (1997).<sup>5</sup> The proxy measure for individual utility is based on answers to the following question: *'How satisfied are you with your life as a whole these days?'* Simultaneously, the respondents were shown a table with a 10 point scale with only the two extreme values ('completely dissatisfied' and 'completely satisfied') verbalized. The survey found a high general life satisfaction in Switzerland, with an average of 8.2 out of 10 points.

### C. Analysis of the Raw Data

According to our hypothesis, more extended political participation rights are expected to increase reported satisfaction with life due to a larger gain in procedural utility. In Table 1, the difference in life satisfaction between residents living in cantons with weak participation possibilities (index of participation possibilities is lower than 4) and with strong participation possibilities is listed.

<sup>5</sup> The survey data were collected between 1992 and 1994 in order to investigate the problem of poverty in Switzerland. The information contained in the data set is based on personal interviews and tax statistics.

On average, residents with strong participation rights report a 0.22 point higher well-being. However, this calculated difference may also be due to a favorable outcome of the political process. There is ample evidence that, in more direct democratic jurisdictions, the outcome of the political process is closer to the wishes of the residents (see for example Frey 1994, Eichenberger 1999, Kirchgässner, Feld and Savioz 1999). To differentiate between outcome and procedural utility, the proposed identification criterion of people's nationality is considered. As foreigners are excluded from political participation rights, but not from the outcome of the political process, differences in levels of satisfaction between citizens and foreigners in cantons with weak and strong participation rights have to be compared. Where participation rights are weak, a difference in well-

being between Swiss citizens and foreigners of 0.55 points is measured. The corresponding difference in cantons with extended direct democratic rights is 0.80 points. Both gaps in subjective well-being are due to differences in individual characteristics, incomplete assimilation and, above all, citizens' opportunity to reap procedural utility. The differences-in-differences between cantons with weak and strong participation possibilities then reflects the gain in procedural utility of citizens due to more extended participation possibilities (provided that individual characteristics and incomplete assimilation are distributed equally across cantons). The raw data show a large effect of procedural utility in terms of reported satisfaction with life, namely 0.25 points.

**Table 1**  
**Political Participation Rights and Satisfaction with Life,**  
**Descriptive Statistics**

	Political participation rights		Difference
	Weak	Strong	
<i>Whole sample</i>	8.099 (0.033)	8.318 (0.029)	0.218 (0.044)
<i>Foreigners</i>	7.625 (0.090)	7.602 (0.104)	-0.023 (0.136)
<i>Swiss citizens</i>	8.176 (0.036)	8.402 (0.029)	0.226 (0.046)
<i>Difference</i>	0.551 (0.096)	0.800 (0.092)	0.249 (0.133)

*Note:* Standard errors in parentheses.  
*Data source:* Leu, Burri and Priester (1997).

An alternative differences-in-differences interpretation considers the rows in Table 1 instead of the columns. Given that foreigners cannot reap procedural utility from the democratic process because they are formally excluded, the difference in reported life satisfaction between people living in cantons with weak and with strong participation possibilities is due to a difference in outcome utility. For the raw data, differences in outcome utility are close to zero. In the case of Swiss citizens, the difference includes procedural as well as outcome utility. The raw effect of stronger participation rights is on average 0.23 points on the satisfaction scale. Considering foreigners and Swiss citizens, the differences-in-differences due to procedural utility is 0.25 points.

#### **D. Econometric Estimate**

The descriptive analysis presented offers preliminary evidence that more extended political participation rights produce positive procedural utility. A multiple regression analysis has to test whether this result still holds when individual characteristics of the respondents are controlled for. Once more a differences-in-differences estimation strategy is applied to identify procedural utility. Technically, an interaction term is included in the estimation equation which combines the variable that captures the proposed source of procedural utility with the identifying criterion. Here, the identifying characteristic is being a Swiss national or a foreigner. For the institutional variable political participation rights, the full variation on the index scale from 1 to 6 is considered.

Table 2 presents the estimated coefficients and marginal effects of a micro-econometric well-being function, taking into account political participation rights in addition to a large set of control variables.

In order to exploit the ranking information contained in the originally scaled dependent variable, a weighted ordered probit model is applied. The weighting variable used allows representative results on the individual level for Switzerland.<sup>6</sup> A robust estimator of variance is used because random disturbances are potentially correlated within groups or clusters. Here, dependence refers to residents of the same canton. Ignoring the clustering in the estimation model is likely to produce downward biased standard errors, due to the effects of aggregate variables on individual data (Moulton 1990).

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<sup>6</sup> Due to clustering and stratification, in contrast to pure random sampling, weights are necessary to get approximately unbiased point estimates. Weights are proportional to the inverse of the probability of being sampled. In addition, the weights are adjusted to the demographic structure in 1992.

**Table 2**  
**Procedural Utility:**  
**Political Participation Rights and Satisfaction with Life**

	Coefficient	T-value	Marginal effect (score 10)
Political participation rights	0.097	3.223	0.033
Political participation rights x foreigner	-0.067	-1.749	-0.023
<i>Socio-demographic characteristics</i>			
Age 30 – 39	-0.089	-0.998	-0.030
Age 40 – 49	-0.013	-0.169	-0.004
Age 50 – 59	-0.009	-0.149	-0.003
Age 60 – 69	0.302	4.244	0.108
Age 70 – 79	0.378	4.514	0.137
Age 80 and older	0.355	3.067	0.130
Female	0.033	1.019	0.011
Foreigner	-0.042	-0.287	-0.014
Bad health	-0.434	-7.631	-0.132
Average education	0.077	2.217	0.026
High education	0.039	0.875	0.014
Separated, without partner	-0.590	-2.298	-0.163
Separated, with partner	-0.664	-1.823	-0.177
Widowed, without partner	-0.204	-4.015	-0.066
Widowed, with partner	0.078	0.511	0.027
Divorced, without partner	-0.348	-4.144	-0.107
Divorced, with partner	-0.094	-0.735	-0.031
Single, without partner	-0.175	-2.549	-0.058
Single, with partner	-0.085	-1.373	-0.028
Self-employed	0.056	1.061	0.019
Unemployed	-0.780	-4.564	-0.201
Student	-0.022	-0.238	-0.008
Housewife	0.119	2.086	0.042
Retired	-0.157	-2.584	-0.053
<i>Other employment status</i>			
Equiv. income SFr. 2000 – 3000	0.065	1.861	0.022
Equiv. income SFr. 3000 – 4000	0.121	2.659	0.042
Equiv. income SFr. 4000 – 5000	0.259	4.665	0.093
Equiv. income SFr. 5000 and more	0.184	3.539	0.065
<i>Member of associations</i>			
Urbanisation	0.167	6.976	0.057
Language	-0.057	-1.340	-0.020
French speaking canton	-0.075	-0.957	-0.025
Italian speaking canton	0.297	4.302	0.108
Number of observations	6124		

Notes: Standard errors are adjusted for clustering on 26 cantons. In the reference group are 'people younger than 30', 'men', 'Swiss', 'healthy people', 'people with low education', 'married people', 'employed people', 'people with a lower equivalence income than Sfr. 2,000', 'people who are neither active nor passive members of associations', 'people living in non-urban areas' and 'people living in a German speaking canton'.

Data source: Leu, Burri and Priester (1997).

The estimation results show sizeable effects for both variables considered in our hypothesis (see the top of Table 2). The overall effect of participation rights on reported satisfaction with life is positive. In an ordered probit estimation, a positive coefficient indicates that the probability of stating a well-being greater than or equal to any given level increases. This positive effect can be attributed to a gain in outcome or procedural utility in cantons with more extended participation rights. The interaction term in the second row reveals the difference in the positive effects for Swiss citizens and foreigners. The negative coefficient indicates that foreigners gain less from stronger participation rights than the people in the reference group, that is the citizens. This result is consistent with our hypothesis that foreigners reap less procedural utility from direct democratic participation rights than Swiss nationals. If foreigners do not reap any procedural utility at all, but enjoy the outcome of the political process, the relative size of procedural utility can be assessed. A comparison of the negative coefficient of the interaction variable, which under these assumptions captures procedural utility, and the coefficient for the variable participation possibilities, which captures combined outcome and procedural utility reveals the following: two thirds of the positive effect of more extended political participation rights are due to procedural utility and one third stems from outcome utility.

A useful interpretation of the size of the effects is provided by the marginal effects. The marginal effect indicates the change in the proportion of persons belonging to a stated satisfaction level when the independent variable increases by one unit. In the case of dummy variables, the marginal effect is evaluated with regard to the reference group. For simplicity, only the

marginal effects for the top class of complete satisfaction with life (score 10) are shown in Table 2. An increase in the index of participation rights by one point raises the proportion of persons indicating very high satisfaction with life by 3.3 percentage points. For foreigners, however, this effect is smaller, as the interaction term has to be considered. 2.3 percentage points of the increased probability of reporting maximum subjective well-being cannot be reaped by the foreigners. In our interpretation, this is because they are excluded from the political process and thus from procedural utility.

The effect of procedural utility as reflected in reported life satisfaction is in itself sizeable. This can be seen from a comparison of marginal effects for numerous control variables. The marginal effect capturing procedural utility is, for example, as large as the effect of being in the second-bottom (Sfr. 2,000-3,000) instead of the bottom income category (< Sfr. 2,000). The effect is even greater when the total variation in participation possibilities is considered, i.e. when citizens in canton Basel Land (with the highest index for political participation possibilities, 5.69) are compared to citizens in canton Geneva (with the lowest index for political participation possibilities, 1.75). The former reap procedural utility that increases their probability of being completely satisfied by approximately 11.7 percentage points.

The results discussed so far hold *ceteris paribus*, that is a large number of determinants or correlates of happiness are controlled for. Most important are individual socio-demographic characteristics. In the estimation equation, the respondent's age, gender, state of health, education level, marital status, employment status and household income are considered. The results for

these variables are discussed in Frey and Stutzer (2000) and are in size and direction similar to those found in other microeconomic happiness functions (see for example Blanchflower and Oswald 2000).

### **E. Alternative Explanations**

Four variables are included in the equation presented in Table 2 that control for three potential alternative explanations for the results revealed.

First, a dummy variable for people's participation in clubs or associations is used to test whether in cantons with stronger participation possibilities citizens may have accumulated more Putnam (2000) style social capital and thus enjoy higher subjective well-being than citizens in cantons with less extended democratic participation possibilities.

Second, a dummy variable for living in an urban area is included to investigate the argument that direct democratic participation possibilities could be weaker in urban areas where most of the foreigners live, and thus the raw effect may reflect urbanization.

Third, dummies for the language that is spoken in the canton are included in order to test whether the patterns in the descriptive statistics may capture cultural differences within Switzerland instead of institutional variation. However, even controlling for these factors, political participation possibilities have a sizeable effect on individual procedural utility.

### **IV. Concluding Remarks**

The concept of procedural utility represents a different approach to comparative institutional analysis than the standard outcome oriented approach in Political Economy. Procedural utility refers to the utility that people gain from the political decision-making process itself, irrespective of the outcome.

Participatory decision-making in politics is a source of procedural utility. The right to directly participate in the democratic process gives citizens the feeling that their preferences are seriously taken into account in the political process. Foreigners, who are excluded from political decision-making, cannot reap such procedural utility. The results of our empirical analysis are consistent with this notion of procedural utility. Citizens, as well as foreigners, living in jurisdictions with more extended political participation rights, enjoy higher levels of subjective well-being. The positive effect on reported satisfaction with life is, however, smaller for foreigners, reflecting their exclusion from procedural utility. It is thus empirically feasible to distinguish between outcome and process utility. Moreover, it is possible to get a notion of the relative size of outcome and process utility. The positive effect of participation rights is three times larger for citizens than it is for foreigners, i.e. a major part of the welfare gain from the favorable political process is due to procedural utility.

Our paper can serve to provide a better understanding of various kinds of utilities as sources of welfare. We find that individuals derive substantial utility from political participation rights. This procedural aspect has so far been neglected in Public Choice and Constitutional Economics.

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