

EXECUTIVE AUTHORITIES IN EUROLAND DURING THE FINANCIAL CRISIS. A COMPARISON BETWEEN EUROPEAN COMMISSION AND NATIONAL GOVERNMENTS

Christos Kallandranis^{*}, Panagiotis Kaldis^{**}

^{*} Regent's University London, the U.K.

^{**} University of West Attica, Athens, Greece



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Abstract

A growing number of studies cite trust as the main positive component related to many outcomes like democracy, economic development and that of social capital (e.g. Putnam, 2000). But what is meant by 'trust' in institutions, and why does it matter? What is the driving force that makes individuals to place their trust in political institutions?

The issue of trust or social capital, that is, the generalized trust, is important both in sociology and in economics. As Roth (2009) argues the literature on trust broadly groups the phenomenon into three main categories: thick, interpersonal and systemic. Hence, it is more than evident that trust is an important factor for creating and stabilizing support for political institutions. On the contrary, lack of trust in institutions denotes their failure to function according to the official standards, leading to a weak-state society relation (for a good review see Citrin & Muste, 1999). In this respect, Arnold et al. (2012) claim that trust in political institutions is a key element in representative democracies and the association of trust with a set of public and financial institutions becomes a vital substance for their stability.

A lot of research was conducted following Putnam's (2000) seminal work focusing especially on causal relationship between the individual-level social capital and the amount of trust people have in their institutions (see, e.g., Brehm & Rahn, 1997; Zmerli & Newton, 2008, etc). However, our intention is not only to study individuals' trust. The purpose of this study is first to shed light on this debate for a homogeneous number of democratic countries in the EU. Secondly to provide evidence that tight economic conditions serve as a hastening mechanism of distrust in institutions.

However, what is the added value of studying the trust towards European and National Institutions and especially the ones that actually form policies at European and at National Level? The European Commission is the institution that decides and implies policies across the member states and national governments are elected in order to imply selected policies either externally (by EC) or domestically driven. In this respect, these two institutions are held accountable for the effectiveness of the applied policies.

In this context, it is apparent that with the expansion of the European Union (EU) jurisdictional authority over a wide range of policy areas, and the on-going enlargement such low levels of distrust puts under question the EU's democratic legitimization (Levi & Stoker, 2000), but it may also affect the Union's cohesion, as demonstrated by the British vote to leave the EU. However, trust in the EU is not independent of the trust in national institutions. In fact, there is a number of studies that show that support for the EU is determined to a great extent by support for national institutions (Brinegar & Jolly, 2005; Scheuer & van der Brug, 2007; Leconte, 2010; Hartevelde et al., 2013, etc.). Hence, by testing and comparing these two institutions will probably grasp the logic of trust in the EU and on the country level and how do these two interact?

Within this framework, the recent financial crisis, which turned into a sovereign debt crisis in many European countries is one element to consider when talking about the support of EU citizens to the European project. Trust has declined considerably during the years of the financial crisis and its economic consequences. The trend is almost identical to countries where people suffer from the imposed economic adjustment programmes (memorandums). Hence, within this context, it would be important to understand the determinants of trust along with the impact of the economic crisis on this tendency to trust or not. (Roth et al., 2011)

Hence, we investigate via a Probit model, not only the importance of the drivers of social trust (respondent's characteristics) but also the effect of overall economic conditions from 2000 to 2014 for all the 28 EU member states by using Eurobarometer surveys. This is followed by an examination of the marginal effects on trust when the sample is dichotomized into countries that are following an economic adjustment programme and those that have experienced a downgrade at least once during the period under analysis.

According to our preliminary findings, the socio-demographic factors along with the traditional economic factors follow the results of the relevant theory. Based on the existence of social trust there is strong evidence that the effects of the financial crisis exert an adverse impact on people's tendency to trust in institutions. In particular, a downgrade episode significantly increases the probability of mistrust for all institutions under examination. Additionally, once a country follows a bail-out plan the average probability of distrust is increased. For both cases the National Government is set to be the more accountable institution relative to European Institutions in people's eyes.

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