

**Crisis of Trust:  
Socio-economic determinants  
of Europeans' confidence in government**

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**Abstract:** Europeans' confidence in political institutions has dropped precipitously since the onset of the Euro-crisis in 2010. However, the decline in public trust in government varies tremendously across countries and occupational and educational groups. Analyzing more than 600,000 responses from 23 waves of the Eurobarometer conducted from 2004-2015, we find that economic factors explain much of the cross-national and over-time variation. The baseline level of trust is influenced greatly by a person's position in the labor market: across European countries, citizens with more education and higher levels of skills, express more trust in government than those educational and occupational groups that have benefited less from European integration. The acute decline in the level of public trust in the past decade also has strong economic foundations. Residents of debtor countries that have seen unemployment rates skyrocket in recent years are now much less likely to trust national government than those in creditor countries that have fared better during the economic crisis, while the unemployed have lost faith in government to a greater degree than other parts of the population. Cultural, ideational, and political factors remain important for baseline levels of trust, but on their own they cannot explain the acute, asymmetrical decline in citizen trust observed over the last decade.

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## Introduction

Europe has faced a series of political and economic crises since 2008, starting with the impact of the Global Financial Crisis and continuing through a Eurozone debt crisis that remains unresolved. By any standard, neither the member states of the European Union (EU) nor the EU's own institutions have addressed the crises effectively.

One consequence of the crisis, is that public trust in government has declined significantly in many EU member states since 2010. According to the Eurobarometer—a public opinion survey of tens of thousands of Europeans conducted every few months—the percentage of Europeans saying they trust the EU has dropped from 60% in 2004 to just 36% in 2015; trust in national government has fallen less drastically, from 36% to 29% over the last decade, although the decline is much greater in some countries.<sup>1</sup>

However, the loss of citizen confidence is not universal throughout the region. In a November 2015 survey, more than half of Swedes, Finns, and Dutch said they trusted their respective national governments, while the proportion was less than 17% among Spaniards, Greeks, and Portuguese. The loss of faith in European Union institutions has been more widespread, but here, too, it has varied among countries: the populations of the debtor countries of the Eurozone periphery now express far less confidence in the EU than do people in central and Northern Europe—which is the exact opposite of what had been the norm the last thirty years, during which southern, eastern, and central Europeans had more faith in the EU than did northern Europeans (cf. Guiso et al., 2016).

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<sup>1</sup> Numbers represent the EU-27 average, weighted by population. Non-responses and “Don't knows” have been excluded.

Examining the responses of around 600,000 individuals to 23 Eurobarometer surveys from 2004-2015, as well as external economic and political data, we analyze the economic, cultural, and political factors that best explain the rapid and asymmetrical decline in trust since the crisis. We find that the *baseline* cross-national pattern is due to a range of economic, political, and cultural factors. As predicted by political economy theories of globalization, the occupational and education groups benefiting most from European integration express the highest confidence in government, while those with lower levels of skills and education are less supportive. Throughout the union – more or less without regard to the country in question—those with more education, and in more skilled and professional economic activities have more trust in their governments. National governments in countries with higher quality institutions and more political rights are also perceived more favorably. At the individual level, those individuals identifying with far-right ideologies are less trusting of national and European governments, as are those with exclusionary (one might say chauvinistic) national identities. Finally, citizen trust levels are conditioned by baseline income: controlling for the quality of political institutions, residents of countries with higher levels of income per capita tend to view their national governments and the European Union in less positive lights, perhaps because of the higher expectations for government that come from socio-economic development (Inglehart, 1977, 1989; Mansbridge, 1997; Lawrence, 1997).

However, the tremendous *change* in trust since the onset of the crisis in 2010, is mostly due to economic factors. While there has been a decline in trust in European government across nearly all countries because of the mismanagement of the crisis, the decline has been smaller within the countries that have best weathered the economic crisis. For national trust, the creditor countries that have fared relatively better over the last decade express more consistent levels of trust over time, while citizen confidence in national government has plummeted within the debtor countries on the Eurozone periphery reeling from double-digit levels of unemployment and facing externally-

imposed structural adjustment programs. And throughout Europe, the decline in national trust is more pronounced among the unemployed who have most directly and personally experienced the effects of the economic downturn, and less acute among the professionals who have better weathered the crisis.

Eurobarometer does not include panels of the same groups of individuals over time, so we cannot tell, for example, whether a change in unemployment status is associated with a decrease in trust at the level of the individual over time. However, we find a strong association between individual unemployment experiences and lower trust; moreover, the negative effect of being unemployed is more elevated after the beginning of the sovereign debt crisis in May 2010. Dissatisfaction among the unemployed, the less skilled, and the less educated is particularly acute within the debtor countries that have borne the brunt of the economic downturn.

Our analysis also shows that a deterioration in national economic conditions is associated with a decrease in citizen trust. For every one-point increase in aggregate unemployment, the probability of a respondent indicating trust in government goes down two percentage points for the national government, and one percentage point for the EU, controlling for country and survey fixed effects. Countries enrolled in structural adjustment programs have, *ceteris paribus*, seen an additional collapse of four percentage points at the national level and eight percentage points at the European level. Furthermore, when unemployment rises in these countries, the negative impact on European trust is more than twice as large as the effect in countries not facing fiscal adjustment. For countries in the periphery, where as much as one fifth of the population is out of work, and unemployment has increased 10 or 15 percentage points since 2010, the economic recession could explain a significant portion of the precipitous drop in trust in recent years.

Contrary to some recent literature suggesting that ideology and cultural identity are the main drivers of public responses to the crisis (Polyakova and Fligstein, 2016; Inglehart and Norris, 2016;

Bechtel et al., 2014), we find little evidence that suggests a rise in exclusively national identities or extreme ideology is the cause of the decline of trust. While national identities and extreme ideologies do help explain part of the cross-country and intra-country variation in the *baseline* levels of trust, these ideational variables cannot, on their own, explain the rapid *change* in the levels of trust over the last decade since neither the percent of people holding extreme ideologies nor the proportion of those possessing exclusive national identities has shifted since the onset of the crisis. We do, however, find that those possessing an exclusive national identity at the beginning of the crisis are more likely to experience a decline in national trust during the crisis period, suggesting that those with exclusive identities could be more predisposed to losing trust in national (although notably not European) political institutions in the face of difficult economic circumstances. But even this relationship is difficult to disentangle from economic circumstances, since those with exclusive national identities also possess, on average, fewer skills and have received less education. In sum, while pre-existing identities likely affect the baseline levels of trust and could color how individuals interpret the crisis, it is the objective shift in economic conditions that has caused the dramatic reduction in the levels of citizen confidence in government over the last decade.

The paper is organized as follows. In Section 1, we present general theoretical principles that guide the analysis. Section 2 looks at popular attitudes toward trust in government more generally, focusing on differences among socioeconomic groups and between countries. Section 3 uses statistical analysis to examine the explanatory power of political economy theories and their alternatives. Section 4 draws some broader implications and concludes.

## **1. Analytical perspectives and expectations**

Virtually all policies have a differential impact on groups and individuals, creating both winners and losers, and these distributional patterns can have a powerful impact on politics.

Economic interests clearly have a significant effect on citizen attitudes toward public policies.

Support for membership in the EU and in the Eurozone is largely correlated with the expected costs and benefits of those policies (e.g. Frieden, 2016; Magalhães, 2012). More broadly, in virtually all countries highly skilled, highly educated individuals are more supportive of globalization and liberalization than people with relatively lower levels of skills and education (e.g. Gabel and Palmer, 1995; Anderson and Reichert, 1995; Gabel, 1998; Tucker et al., 2002).

Cultural and political factors have long been found to affect citizen trust in government (i.e. Inglehart and Norris, 2016; Norris, 1999; Nye, 1997; Levi and Stoker, 1995), but it is also the case that citizens' trust levels are affected by their retrospective evaluation of the economic or political performance of politicians and political institutions (e.g. Williams, 1985). Although economic theories have long been applied to citizen views on European integration (e.g. Hooghes and Marks 2005; Gabel 1998; Anderson and Reichert, 1995), theories of retrospective evaluation have not been applied as often to analyses of public trust in Europe. However, among the studies that have examined the relationship between trust and objective economic factors, several have found a link between economic circumstances and trust levels, particularly at the socio-tropic level (McAllister, 1999; Armingeon & Ceka, 2013; Guiso et al., 2016).

We argue, in line with some of these political economy approaches, that trust in government is likely to depend on the extent to which people feel government is serving their material interests. Even if government policy may have little *actual* effect on economic circumstances, we expect citizens' perceptions of government to be influenced by their retrospective evaluation of economic performance, as it affects both the individual and the country as a whole. We expect attitudes toward trust in government to be related to *both* an individual's position in the labor market and the national economy's performance (Hooghes and Marks 2005).

We have several specific predictions. First, we expect the macroeconomic experience of the crisis at the country level to have a systematic impact on citizen trust. Specifically, we predict that individuals in countries more seriously affected by economic recession to show a greater drop in trust than individuals in countries where the macro-economy remains in relatively good shape. Since past research has shown that public opinion about the European Union is often funneled through national contexts (Hooghe and Marks 2005; Armingeon and Ceka 2013), we expect for European trust levels to be equally influenced by the state of the national economy, rather than the health of the aggregate European economy. Among peripheral Eurozone member states, a category largely made up of the region's principal debtor countries,<sup>2</sup> EU governance has also come to be associated with a deep depression and the imposition of austerity measures; we expect countries subjected to EU-imposed austerity measures to experience the biggest decline in trust for the EU.

The recent economic crisis, like all crises, has had a differential impact across groups within countries. Even before the crisis, Europeans employed in professional occupations and those with more years of education had been more trusting of government, in part because of the skills and education bias of technological change and globalization. We expect both that this general trend will persist and that the crisis, by dint of its milder impact on the higher educated and higher skilled, will further widen the gap in trust levels among groups.

### *Cultural Factors*

We also examine several alternative cultural and political explanations. The most prominent culturally based account for the decline in trust is rooted in Inglehart's (1977, 1989) theory of post-

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<sup>2</sup> We exclude from this generalization those Eurozone member states that were not directly caught up in the debt crisis (such as Malta), or that joined after the crisis had begun (for example, the Baltic states).

materialism, which posits that economic prosperity shifts values away from traditional material goods and toward “post-material” goods like autonomy and self-expression. In this view, declining trust in advanced industrial societies is driven by shifting values as a result of new prosperity: skepticism toward authority and hierarchy (Inglehart, 1997, 1999), or perhaps ever-increasing demands for government action that cause government “overload” and subsequent citizen disappointment (Lawrence, 1997; Mansbridge, 1997). Such cultural change, however, is slow-moving, and seems ill-equipped to explain the rapid decline of citizen trust among European citizens over the last decade. Still, if forces are at work, we should observe, *ceteris paribus*, relatively lower levels of trust within richer societies than in poorer ones.

More recently, we have seen arguments that European opinion on the crisis is rooted in the tension between nationalist and cosmopolitan identities (Inglehart and Norris, 2016; Polyakova and Fligstein, 2016), or conditioned by the level of altruism within the population (Bechtel et al., 2014). Some of this scholarship has identified a strong correlation between European identity and support for European integration (i.e. Risse, 2010; Fligstein, 2008; Hooghe and Marks, 2005), while other scholars argue that identities or beliefs predict public opinion more reliably than objective economic criteria (i.e. Bechtel et al., 2014; Hobolt, 2012; Hooghe and Marks, 2005). Among the most prominent recent arguments is a paper that finds the growing appeal of populist parties is motivated by a cultural backlash of older, less educated, white, male voters against cultural change defined by immigration, women’s rights, and LGBT equality, much more than a reaction to widening economic inequality or declining economic performance (Inglehart and Norris, 2016). Given the widespread perception that cultural values are the primary motivator of trust in government and support for traditional parties, we consider whether exclusively national or more cosmopolitan identities motivate citizen trust, and if recent changes in citizen values, identities, or beliefs can help explain the recent decline in public confidence in government.

If a rise in exclusively national identities is behind the collapse in trust, we would first expect to see a significant increase in the proportion of citizens considering their national identities to be much more important to them than their European identities; and we would also expect those individuals to indicate lower relative levels of trust in the EU. If shifts in identities and beliefs influence the decline in trust, we might also expect these citizens to be relatively more trusting of institutions like the police and army which are entirely national, and which generally have higher support among individuals holding authoritarian values.

### *Quality of Government and Democracy*

Almost as influential to the study of public trust have been institutional theories that argue that the capacity and effectiveness of bureaucracies, the structure and design of constitutional and electoral systems, and/or the level of national policy autonomy, condition citizen views on government. In this view, unlike that of political economists who regard economic performance or “output” as the primary determinant of citizen confidence in government, the emphasis here is on how political institutional design influences the quality of democratic “input”. Trust may still relate to government performance, but it is the *procedural* quality of government that is the factor of interest.

One variant of this literature focuses on the bureaucratic quality of institutions (e.g. Norris, 1999). For example, it is commonly argued that EU trust tends to be higher in newly acceded European democracies, because the institutional quality at home is lower than in the EU (e.g. Sánchez-Cuenca, 2000). Individual trust in national and European government is highly correlated, perhaps because citizens have little knowledge about the EU and use their views about national trust as a proxy for their views on Europe (Anderson 1998; Díez Medrano 1993). This standpoint suggests that citizens in countries with more effective institutions will be more trusting of their

national political systems than citizens living in countries with lower quality institutions. It also suggests that we should expect for the two levels of trust to be related to each other: at the individual level, there should be congruence between trust at the national and European level, while at the country-level there should be an inverted relationship (Muñoz et al. 2011).

A second variant of this argument concerns responsiveness. Some scholars argue that the growing democratic malaise in advanced industrial democracies is rooted in the failure of democratic polities to respond to citizen preferences—part of what Mair (2009) calls “a growing gap between responsiveness and responsibility” (17). The argument is that political decision-makers are increasingly insulated from popular input, either because the design of institutions privileges the opinions of experts over citizens, or because external constraints, from policy conditionalities for receiving government loans to the pooling of monetary policy decisions through the European Central Bank, restrict national policy autonomy. This insulation leads to a widening gap between citizen policy preferences and public policy outcomes, and a subsequent loss of trust in government.

By prompting governments to impose policies that are far from citizen preferences, the crisis may have exacerbated the gap between “responsiveness and responsibility,” undermining democratic quality, and leading to a widening of citizen dissatisfaction with government. In the European Union—which many see as an executive-centered polity more insulated from popular opinion and competitive policy contestation than national politics (e.g. Follesdal and Hix, 2006)—this view would expect to find relatively lower levels of trust in the EU than nationally, inasmuch as citizens have more direct control over national than EU policy.<sup>3</sup>

If these factors are playing a role, we expect national trust to be lower in countries where policy autonomy has been curtailed the most. Monetary policy is one of the most powerful counter-

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<sup>3</sup> Many have contested the empirical characterization of the EU’s ‘democratic deficit’, most effectively by Moravcsik (2002). But nevertheless this view is still widely held.

cyclical tools available to governments, and has been actively used since the onset of the crisis; yet Eurozone member governments no longer possess national monetary policy autonomy.

Consequently, if the new citizen malaise can be explained by a failure of democratic policy control, citizens in Eurozone countries should exhibit relatively lower levels of trust in national government, controlling for other economic, political, and income differences. Moreover, citizens in countries facing externally imposed fiscal adjustment policies should have less faith in the European Union, independent of the effects these policies have on economic output.

## **2. Views on trust in government: an overview**

We evaluate the impact of the crisis on confidence in governmental institutions using 23 Eurobarometer surveys taken since 2004. These have the advantages of asking consistent questions over time, of covering all members of the EU, and of spanning the period up to and including the crisis years. Two sets of questions are particularly useful here. Eurobarometer asks respondents to indicate how much they trust their national governments and the institutions of the EU,<sup>4</sup> and also asks how residents feel about the functioning of democracy at the national and EU levels. Since we find very similar results with both questions, we only report the results for trust in government.<sup>5</sup>

For ease of presentation, we commonly use several simple categories of countries using population-weighted averages in each category. The first is the EU debtors: Portugal, Spain, Ireland,

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<sup>4</sup> The exact wording of the question is the following: “I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it. We calculate the weighted proportion of respondents indicating an affirmative response. Non-responses and “Don’t Know” responses are excluded.

<sup>5</sup> Trust in national government could be interpreted either as trust in national political institutions broadly speaking, or trust in the currently elected partisan government. However, the fact that the question asks not about elected governments but political institutions, that responses to the trust in government question is highly correlated with people’s views on the functioning of democracy, and that views can fluctuate tremendously from year to year, provides reason to think that most responses are not simply indicative of partisan identity.

Greece, and Cyprus. The second is creditors, specifically Germany, France, Sweden, Denmark, Belgium, Luxembourg, Austria, Finland, and the Netherlands. Distinguishing between the countries in the Eurozone facing a sovereign debt crisis and the EU countries largely responsible for bailing out indebted countries has been made by previous analyses (See Alonso 2014; and Roth et al. 2014).<sup>6</sup> These two groups are central to our analysis, as they represent the principal component parts of the EU and of the Eurozone. At times, we also look at the transition economies of central and eastern Europe; and at Italy and the United Kingdom, which have enough special characteristics to warrant separate analysis.

Figure 1 shows that the percentage of people in debtor countries indicating that they trust or mostly trust their national governments has declined from 40-50% before the crisis to below 20% in 2015. In Italy, where sovereign default has been less imminent and no formal assistance has been received, but where economic problems have been simmering for years, the decline in trust has also dropped substantially (Figure 2). Notably, these figures highlight that while citizens in the Eurozone periphery used to be the most trusting of the European institutions, they now indicate some of the lowest levels (Sánchez-Cuenca 2000). Increasingly, large majorities in these countries believe that both their own national governments, as well as European institutions, have failed them.

<Figure 1 - 2 about here>

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<sup>6</sup> There is some variation in how other authors distinguish between countries during the crisis. Alonso (2014), for instance, includes Italy in the group of EU debtor countries, along with Portugal, Ireland, Greece, and Spain, but excludes Cyprus. To avoid making a subjective determination of which countries faced a sovereign debt crisis, we only include Eurozone countries that received assistance through from one of three loan programs (ESM, EFSM, or IMF).

Notably, we do not observe this trend in the creditor countries that have not faced the same pressure for structural reforms and where unemployment levels have been much lower. In these countries, trust in national government remains steady throughout the crisis period. Trust in European institutions has declined slightly, but much less dramatically, than in the Eurozone South. Although creditor countries are confronting their own political problems related to the influx of refugees, terrorism, and inequality, these challenges have not yet resulted in a collapse of trust in government.

The change in attitudes toward the institutions of the EU has been significant. Before the crisis, people in the Eurozone debtor economies had a great deal of trust in the EU – substantially more than in their own national governments. Even in the creditor countries, trust in the EU was a bit higher than in national governments. But the debt crisis has changed matters dramatically. While trust in the EU has declined everywhere, the collapse is remarkable in the debtor countries. In 2004, some 70 percent of debtor-country citizens trusted the EU; by the end of 2015, the proportion hovered around 29 percent. This is a stunning loss of confidence in government institutions at both the domestic and European level.

Figures 3 and 4 look in more detail at the loss of confidence in national and EU institutions. These figures show that, generally speaking, there is a gap between more and less educated citizens, with those people with less education trusting both their national governments and the EU much less than those with more education.<sup>7</sup> Trust in national democracy has held steady among different

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<sup>7</sup> The analysis in the next section confirms that these differences are statistically significant. “Low education” refers to individuals who have some school but stopped attending school before the age of 18, and constitute 34% of the sample overall. “Medium education” refers to individuals who have exactly 18 years of school, constituting 18% of the sample. “High education” refers to individuals who stopped school between the ages of 19 and 23, and constitute 26% of the sample; “Advanced education” refers to individuals who stopped school between the ages of 24 and 33, and constitute 11% of the sample

educational groups in creditor countries, while declining precipitously in debtor countries. But we observe a slightly different story for trust in EU democracy. While there is a decline in trust among all groups, less educated residents of creditor countries now indicate levels of trust of around 30%, very close to the range of citizens in debtor countries.

<Figures 3 and 4 about here>

One might wonder whether the crisis has simply reduced trust in government institutions across the board. Figures 5 and 6 indicate that this is not the case. Trust in national police forces has remained roughly constant throughout the crisis; there is a mild decline in debtor countries, but trust still remains at very high levels, over 60 percent. Meanwhile, trust in national armies has declined gradually in many countries, although this may be related to dissatisfaction with some of the member states' involvement in Iraq and Afghanistan; it has increased substantially in the UK. Levels of trust remain very high, remaining well above 60 percent even in the debtor countries. At the very least, the collapse in trust in national governments and the EU is not part of a broader collapse in trust in all official institutions.

<Figures 5 and 6 about here>

These figures show simple relationships, without attempting to account for other considerations. Moreover, the broad observation that trust has declined over time, and in particular within debtor countries, does not tell us much about causation. In the next section, we subject the data to more systematic analysis, which provides more insight into the nature and sources of these attitudes. In particular, we seek to identify the political economy explanations—both at the level of country and individual—that seem most associated with the decline, and consider these against some alternative political and ideational explanations.

More detailed analysis does not substantially alter the message that comes through from the simpler figures. While citizens remain trusting of some levels of government in both their country and Europe (e.g. Frieden, 2016), trust in government has been deeply compromised by the performance of both EU and national political institutions since the crisis began in 2008. This is especially the case among the more troubled debtor nations, where there has been an almost complete evaporation of previously high levels of trust in national and European politicians, across the board and among all groups. In general, where economies have been hardest hit by the crisis, trust has declined the most. We now turn to a more detailed analysis of the survey data.

### **3. Views on Trust in Government: a statistical analysis**

The Eurobarometer surveys are extensive face-to-face interviews asking hundreds of questions in a respondent's native language. They cover a range of features of respondents, which allows for a fairly detailed analysis of the correlates of the views expressed by respondents. We have compiled data from 23 Eurobarometer waves, each of which surveyed approximately 26,700 people living in the EU-27 (500-1600 per country) during the autumn and spring of each year from November 2004 through November 2015. Using these data, we run logistic regression models to predict the likelihood of expressing trust in national and EU-level governments based on the presence of a range of covariates, from individual ideological identities to a country's unemployment rate. We address concerns about intra-country correlations between respondents in the same country

by using robust standard errors, clustered by country (Primo et al., 2007; Gelman, 2006).<sup>8</sup> We address unobserved time factors with survey fixed effects.<sup>9</sup>

### *Macro-level Variables*

The very large number of responses over a relatively long period allows us to look in some detail at the data, and to develop several different model specifications. Models 1-3 probe the economic changes that may be driving the decline in trust. For these and other models, the dependent variable is the responses to the question of whether respondents trust national governments or the European Union.<sup>10</sup> Respondents indicating that they “tend to trust” are a “1” in our model, while those indicating they “tend not to trust” government are a “0”.<sup>11</sup> We present results in our tables expressed in odds ratios, that is, the ratio of the odds of the response given a particular condition (such as being from a country), compared to the odds of the response in the

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<sup>8</sup> Clustered standard errors are used in Models 3-9. Estimating with a multi-level model would also be possible, but we do not use it in this case because we are interested in estimating a global effect rather than individual country estimates, and because the computational power required for multi-level modeling would limit our ability to test some relationships.

<sup>9</sup> We do not cluster by survey wave since two-way cluster-robust covariance estimators do not work well with a small number of countries (27) and survey waves (23). Moreover, Eurobarometer uses extensive post-stratification weights to correct for major differences across waves. See “Weighting Overview,” Eurobarometer Data Service. <http://www.gesis.org/eurobarometer-data-service/survey-series/standard-special-eb/weighting-overview/>.

<sup>10</sup> We do not use a time series cross sectional model to analyze the change in country averages over time because we are interested in understanding change that has occurred at the level of the EU or across groups of debtor or creditor countries. Analyzing the entire population of respondents allows us to account for the different size and distribution of the population within each country, while country and survey fixed effects allow us to control for any homogeneity within each survey wave or country.

<sup>11</sup> Non-responses or “Don’t Know” responses constitute roughly 5% and 11% of the sample for national and EU trust, respectively, explaining why we have more observations for National Trust than EU Trust. Because of differences in how Eurobarometer treats these responses in each wave, we drop them from the analysis. People not responding to either question tend to be 3-5 years older, more female, more right wing, and two years more educated than those saying they “tend not to trust” government. To ensure the exclusion of non-responses is not skewing our substantive results, we run all of the models with non-respondents included in the survey, finding no major differences.

absence of that condition. Since odds ratios are a relative measure, for key statistics in the paper we also provide the actual likelihood of trust in terms of probability, holding the other coefficients at their observed values.<sup>12</sup> Although this is a simplifying assumption, doing so allows us to provide interpretable predictions for each model. We express this figure in terms of probability.<sup>13</sup>

To summarize: Whenever the *odds ratio* is presented, it is a relative measure indicating the difference in odds of trust associated with a variable. For binary variables, this can be understood as the presence and absence of a condition; for numerical continuous variables, as the difference in odds associated with an average one percentage point increase; for categorical variables, as the difference in odds compared to a baseline (the excluded variable). Whenever *probability* is provided, we are providing the predicted likelihood of trust when variables of interest are held at specified values, and all other variables at their observed values.

In Model 1, we assess several macro-economic indicators that we theoretically expect to influence citizen trust levels. To evaluate the economic impact of the crisis, we include the country's unemployment rate at the time of the survey wave, reported monthly by Eurostat.<sup>14</sup> We replace the “creditor” and “debtor” categories used earlier for illustrative purposes with a more precise dummy variable (Structural Adjustment Program) that indicates whether a country is enrolled, at the time of the survey, in a structural adjustment program run by the International Monetary Fund (IMF), European Financial Stability Mechanism (EFSM), or the European Stability Mechanism (ESM). In addition to the Eurozone “debtor” countries discussed before, the structural adjustment variable

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<sup>12</sup> We run the marginal effect holding the other variables at their means, with similar results. Because holding values at their means does not make sense for dummy variables like country or year, we opt instead to use observed values.

<sup>13</sup> Probability is the ratio of the measure of the likelihood of an outcome in relation to the total number of cases possible. This is different from “odds”, which is the ratio of the likelihood that an event will happen to the likelihood that it will not happen.

<sup>14</sup> In models not reported here we examine other economic outcome measures, including a country's debt-to-GDP ratio and GDP growth rate, finding similar (but weaker) results.

covers three Eastern European countries (Romania, Latvia, and Poland) that received a conditional loan from one of the three international organizations.<sup>15</sup>

We also include several control variables. With respect to confidence in the EU, we include a variable for the country's net receipts from the EU budget, as some countries benefit more than others from EU spending (Anderson and Reichert 1995; Hooghe and Marks 2005). To assess the impact of socio-economic development, as anticipated by post-materialist theory, we include median per capita income. To examine the effects of institutional quality, we include an index developed by the International Country Risk Guide that provides a monthly rating of a country's bureaucratic quality, level of corruption, and, government responsiveness (Institutional Quality).<sup>16</sup> Finally, to evaluate the impact of national policy independence, we include a dummy for whether a country was a member of the Eurozone during the time of the survey (Eurozone Membership).

Table 1 reports the results of Model 1 for national governments, and Table 2 for the EU. Higher unemployment predicts lower trust in both national and European government: For every percentage point increase in unemployment, residents have a 7% lower odds of indicating trust in national government and 5% lower odds for trust in the EU, controlling for other indicators. On top of this effect, we see lower trust in the EU among citizens residing in countries currently enrolled in debt assistance programs: citizens in these countries have a 30% lower odds of expressing trust in the EU compared to countries not in one of these programs. In probability terms, citizens in countries receiving assistance have a 0.40 probability of expressing trust in the EU,

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<sup>15</sup> The countries and years included for the structural adjustment dummy are the following: Ireland (2010-2015), Greece (2009-2015), Portugal (2010-2015), Spain (2011-2015), Cyprus (2012-2015), Romania (2008-2012), Latvia (2008-2010), and Poland (2010-2015).

<sup>16</sup> For information on this index, which has been widely used in social scientific literature, see the PRS Group's data description at < <http://epub.prsgroup.com/icrg-tables>>. Political institutional quality and median income are correlated, but we include them both since we are interested in assessing later whether changes in one or the other influences trust.

nine percentage points lower than citizens in countries not receiving debt assistance (Pr= 0.49).

However, the relationship between being in a structural adjustment program and national trust is not statistically significant. This is consistent with the notion that citizens subject to an externally imposed program, will have less confidence in the willingness and ability of the European partners to be concerned about their welfare, but not necessarily less confidence in their own governments.

Respondents residing in countries with higher quality institutions also indicate higher levels of trust in both national governments and the EU, suggesting that higher quality institutions do lead to more citizen satisfaction. Contrary to the expectation that Eurozone membership might lead to reduced trust, residents of Eurozone countries have a 1.51 and 1.66 times higher odds of indicating trust in national and European governments, respectively, suggesting that reduced monetary policy autonomy does not affect citizens' trust in government.

Both at the national and European levels, we see that trust is influenced by a country's level of wealth: Europeans living in richer countries trust government less than those living in poorer countries, after controlling for differences in institutional quality, unemployment, enrollment in a structural adjustment program, and Eurozone membership. For every additional €1,000 in median income, residents on average have 6% lower odds of trusting their national government, and 11% lower odds of trusting the EU. In more straightforward terms, a move from a median national income of EUR 20,000 Euros to EUR 25,000 is associated with a decline in the probability of trusting the European Union from 0.31 to 0.20, holding the other variables in the model at their observed values.

One might wonder if the similar results for both levels of government are due to the existence of a strong spillover effect between national and European trust (Muñoz et al., 2011). In Model 2, we examine whether trust in national government predicts trust in the EU. Table 2, Column 2 reports the results. We find that there is, indeed, a strong relationship between trust at

each level of government: those indicating trust in national government have an odds ratio for trusting the EU than those who do not trust national government. This relationship is hardly surprising given that respondents were asked the two questions in succession, but it does confirm previous findings that citizen trust in the EU may be linked to views about national political institutions (Muñoz et al., 2011). Yet noting the correlation between trust in national government and trust in the European Union, tells us little about which national-level factors influence citizen trust. Indeed, the responses to the questions about each level of government are so highly correlated that its inclusion renders most of the other national-level economic variables insignificant, obscuring our understanding of the variety of economic, political, and cultural factors that may have caused the decline in trust levels since the onset of the crisis. Consequently, we exclude this variable in future models, so that we can better assess the factors that most likely influence citizen trust in government.

In Model 3, we assess how within-country *changes* in economic output, institutional quality, or income may have influenced citizen trust, by adding country and time fixed effects. For all of our models we exclude Germany since it is the largest country, and has national trust levels near the overall median (on average 40% compared to a cross country average of 35%).<sup>17</sup> Survey fixed effects are also included, with November 2004 as the baseline year for comparison.<sup>18</sup> By holding baseline country-level differences in unemployment, institutional quality, and income levels constant, we can better isolate the effect of a change in these factors over the time period; and by using survey fixed effects we can partially control for unobserved factors that might be systematically influencing responses over time.

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<sup>17</sup> Although Germans are somewhat less trusting (40%) than average than Europeans as a whole (46%), as a large country that has not experienced major economic problems over the past decade, it provides a good baseline for comparison.

<sup>18</sup> For ease of presentation, we do not include coefficients for fixed effects in the reported results.

Tables 1 and 2 report the results. The effect of unemployment appears to become even stronger: a one percentage point increase in unemployment is now associated with a 9.3% lower odds of trusting national government. And with the exclusion of the national trust variable from the EU model, unemployment is now once again significant and associated with a 4.7% lower odds for the EU. When unemployment is 10%, a one point increase reduces the probability of trusting national government by two percentage points, and for the EU, by one point. Median income, however, becomes insignificant for both of our dependent variables, suggesting that while important for determining the baseline level of trust, changes in aggregate income have little effect on trust.

Institutional quality remains significant for national trust, both statistically and substantively: individuals living in countries with improving political institutions in terms of democratic responsiveness, corruption mitigation, and bureaucratic effectiveness, are more likely to express trust. Given that the institutional quality scores have generally improved over the period—moving from an overall average score of 11.67 to 12.04, and from 10.63 to 11.19 within the eight countries enrolled in one of these programs, national institutions have had a positive impact on citizen trust, partially mitigating the overall decline resulting from the crisis.

Interestingly, there is no detectable relationship between a change in institutional quality at the national level and trust in European institutions.<sup>19</sup> However, the structural adjustment variable remains significant for EU trust: enrolling in a program is associated with a drop from 0.48 to 0.42 in the probability of trusting the EU, when other variables are held at their observed values.

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<sup>19</sup> In other specifications not reported we run the same model with GDP growth, Debt to GDP, the labor force participation rate, the natural unemployment rate; Freedom House's index of political rights; and Gini coefficient; many of these are entirely insignificant and none have the predictive power of either unemployment or the ICRG institutional quality index.

The results underscore that while the baseline level of trust in a country is almost certainly affected by the democratic quality of political institutions, there are few indications that trust has diminished as a result of recent changes in the quality of political institutions or democratic participation. By far, the most robust and substantively important macro-level predictor for citizen trust is aggregate unemployment, suggesting that the decline in the state of the economy has driven the decrease in citizen trust in government. With an odds ratio of 0.91 for the average percentage point increase in a country's unemployment rate, this effect is quite substantively significant as well. According to our model, an increase in unemployment from 10% to 15%, holding other variables at their observed values, is associated with a nine-percentage point reduction in the probability of trusting national government (Pr= 0.30 to 0.21).

In Model 4, we assess whether a change in unemployment produces an additional effect in countries that are in a structural adjustment program, by including an unemployment-structural adjustment program interaction term. Since these programs mandate a reduction in fiscal expenditures as a condition for receiving assistance—a policy that is often described as austerity—we expect an increase in unemployment in these countries to lead to a greater reduction in trust compared to other countries, and in particular for the European Union, since the specific fiscal adjustment requirements imposed on countries were determined by the Eurogroup, European Central Bank, or IMF—entities that are either part of, or associated with, the European Union.

Results for Model 4 for both national and European trust are reported in Table 3. In addition to the across-the-board negative effect that increased unemployment has on trust in European government, we observe an additional negative effect of unemployment increases within countries enrolled in a debt assistance program. Our model predicts that a shift from 10 to 11 percent unemployment will reduce the probability of trusting European government by 0.8 points, from 0.482 to 0.474. However, if the same one point increase in unemployment occurs in a country

enrolled in a structural adjustment program, we observe a reduction twice as large, with the probability of trust shifting from 0.432 to 0.418. And if the change in unemployment occurs during a year when a country became newly enrolled in a structural adjustment program, then the effect is even more substantial, a decrease of six points from 0.482 to 0.418.

Notably, with the inclusion of both the unemployment and unemployment-structural adjustment program interaction term, enrollment in a structural adjustment program is no longer associated with reduced trust in the European Union. This suggests that the mechanism linking structural adjustment programs with reduced trust in the previous models was driven by the economic effects of these programs (or at least the perception that unemployment increases were due to such programs). If the effect had been due to the implications these programs have for domestic policy autonomy, then the relationship should persist regardless of a country's unemployment rate.

Of equal interest is the lack of statistical significance for the unemployment and structural adjustment program interaction term for *national* trust. This indicates that the influence of unemployment on national trust may not depend on whether a country is subject to a structural adjustment program by the Eurogroup or the IMF. In other words, Europeans appear to make a distinction between their views of national and European government, blaming the European Union more for unemployment when their domestic governments are implementing EU or IMF determined fiscal adjustment policies, and less when domestic decisions are not subject to EU or IMF policy.

#### *Individual-Level Correlates*

In Model 5 we subject our hypothesis to further tests by bringing in individual-level variables, including occupation, education, gender, and age. If the economic effects of the crisis are a

major influence on citizen trust levels, then we should expect to see variation based on current employment status (with the unemployed showing lower levels of trust), as well as across different levels of education and occupation. To establish an indicator of employment status we use a Eurobarometer question asking about current employment to create a dummy variable indicating whether a person is temporarily unemployed, constituting 8% of the overall sample. We also construct dummies for nine different occupational categories: professional, owner, manager, skilled blue collar, unskilled blue collar, farmer or fisher, service worker, white-collar desk job, and never worked.<sup>20</sup> For those indicating that they are out of the work force due to retirement or temporary unemployment, we use their last reported job. We exclude one occupational category to serve as the reference group: a mid-level white-collar desk job because those in this category indicate trust levels close to the overall average.<sup>21</sup> For education, we use a question asking respondents how old they were when they stopped formal schooling. We code people into four categories: those with low education who stopped school before age 18; those with medium education (stopped school at age 18), those with high education (stopped school between 19-23), and those with advanced education (stopped school after 24). Although this question provides only an approximation for education, the high correlation between those with advanced education and professionals, as well as between low education and unskilled indicates that there is a strong correspondence with skill level, our indicator of interest. Finally, for European trust we include the unemployment-structural adjustment

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<sup>20</sup>In the occupational categories, professionals constitute 14% of the sample and include both employed and self-employed professional occupations; skilled blue collar workers constitute 21% of the sample; unskilled workers 11%; skilled service workers, including hospital, restaurant, police and fire, 12%; managers 15%; owners 6%; and those who are outside of the labor force, like full-time parents 9%.

<sup>21</sup> This group constitutes roughly 19% of the sample and includes those individuals who currently work or whose last job was an “Employed position, at desk,” or an “Employed position, traveling.” As a group, 51% of respondents indicate trust in the EU and 36% trust in national government, compared to rates of 50% and 35%, respectively, among all respondents.

interaction term. We keep the same country and survey effects used in earlier iterations and control for age and gender. We also maintain most of the significant macro-economic variables, including unemployment, institutional quality, median income, net transfers from the EU budget (European trust only), and enrollment in a structural adjustment program. But we also drop the Eurozone variable since it is not significant in any of our models.

As can be seen from the results reported in Table 3, the impact of occupation and education on citizen trust is striking. These are average effects across all countries, and some are quite large. The differences between educational groups are quite substantively significant. People with advanced education (i.e. those who stopped school after age 24), for instance, have an odds ratio of 1.27 for national trust, and 1.33 for trust in the EU, indicating that they have a one-third higher odds of expressing trust than an average person who stopped school at age 18. Professionals have odds ratios of 1.10 and 1.11 for national and EU government, respectively, compared to mid-level white collar workers, while the unemployed have an odds ratio of 0.69 for national government and 0.74 for the EU, compared to those working, retired, or not seeking work. In more interpretable terms, the unemployed have a 0.26 probability of trust in national government, compared to a probability of 0.33 for those who are not unemployed. Finally, older people are more trusting of national governments and less trusting of the EU, while women are less trusting of both national and European governments. Notably, all of our macro-level indicators retain more or less the same levels of substantive and statistical significance, underscoring that economic interests are having an effect at both the individual and socio-tropic levels.

In Model 6, we assess whether the crisis has increased the effect of education, employment status, or occupational category on citizen trust. We remove survey fixed effects and replace it with a sovereign crisis indicator that splits the time series roughly into two equal sections: Nov. 2004 – Nov. 2009, and May 2010 – Nov. 2015. We focus on the sovereign debt crisis, using a dummy

variable that indicates the beginning of the sovereign debt crisis in May 2010 (After Sovereign Crisis), when the IMF, the Eurogroup, and European Central Bank agreed to loan Greece €110 billion in exchange for fiscal reforms. This is generally considered to be the beginning of the sovereign debt period of the European crisis, arguably its most politically and economically controversial period, and conveniently divides our time series into two roughly equal periods.<sup>22</sup> We exclude survey fixed effects so that we can fully observe the relationships underpinning the new time division.

We then create an interaction term for unemployed and sovereign crisis to see if the unemployed become more likely to express dissatisfaction during the crisis years. We also create an education-crisis interaction term with education years and the sovereign debt crisis dummy variable. Finally, we create crisis-occupation interaction terms for each of our occupational dummies, again excluding mid-level white-collar workers.

Table 5 reports the results. We see that an additional year of education is associated with more trust in government; however, this effect has not become stronger during the crisis period: the education-crisis interaction term remains insignificant in both of our specifications. The effect of unemployment, by contrast, does appear to become stronger during the crisis period, at least for national government.<sup>23</sup> Those who are unemployed during the crisis years are less likely to indicate trust in government than the unemployed before the crisis. The model predicts that an unemployed person has a 0.29 probability of expressing trust in national government before the crisis, compared

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<sup>22</sup> We recognize that different periodization would be valid, and run the model using three alternative specifications: Oct. 2008, when the collapse of Lehman Brothers in the U.S. led to major financial problems around the world; Sept. 2011, when Greece received its second round of bailouts; May 2012, when the Spanish crisis reached its peak and new concerns were expressed about contagion of the crisis to Italy and France; or in the summer of 2012 when the ECB effectively became the lender of last resort for the Eurozone. As the substantive results are mostly the same, we stick with the broader periodization of the crisis as beginning in May 2010.

<sup>23</sup> Notably, the unemployed\*crisis interaction term is insignificant for European trust.

to a probability of 0.25 for an unemployed person after the crisis—a reduction of more than three percentage points, when other variables are held at their observed values. An even larger drop can be seen for European trust: with the unemployed holding a 0.50 probability of trusting the EU before the crisis, and 0.41 after. Most of the crisis interaction terms for the occupational categories are not significant, but professionals do become relatively more trusting of national government after the crisis, while skilled blue collar workers become relatively less trusting, suggesting that the crisis may have exacerbated the effects of occupational differences on public trust.

### *National and Ideological Identities*

In Models 7 and 8 we shift gears a bit to assess whether the observed economic effects are robust to ideational influences. Specifically, we consider whether self-reported ideology and future political identity predict trust at either level of government. As mentioned above, over the past decade there has been a slight increase in the percentage of people identifying with the far ends of the ideology spectrum. Some scholars have also found an increase in the percentage of people holding exclusive national identities between 2005 and 2010 (Polyakova and Fligstein, 2016). Assessing whether ideology or political identity predict trust levels, can help us understand whether changes in trust is driven more by frustration with government performance as measured by economic output, by deeper shifts in voters' beliefs or, perhaps, by both.

To measure ideology, we rely on a Eurobarometer question asking respondents to identify ideologically on a scale of 1-10, from left to right. Although ideology is not asked in every survey wave (and was conspicuously dropped from surveys during the height of the crisis) we do have responses to the ideology question for 18 different waves (years 2004 - 2011, and 2014-2015)—sufficient to evaluate whether and how ideology predicts trust in government in the context of the sovereign debt crisis. We use the ideology question to create three variables: one that indicates each

individual's self-placement, one dummy variable indicating a left-wing ideological self-placement (1 or 2), and another dummy for those identifying on the right (9 or 10).

To measure national identity, we rely on a question that asks respondents whether they feel attached to their nationality, their nationality and Europe, Europe and their nationality, or just Europe. Those indicating that they exclusively identify with their nation have been coded "1" and those indicating one of three other identities, are coded "0."<sup>24</sup> We have responses for this question from eight survey waves (one each in 2004, 2005, 2010, and 2012, and two each from years 2013 and 2014). We run the two models separately since most of our indicators for ideology and identity, respectively, fall in different years.

In Table 6 we report our results for Models 7 and 8 for both national and European trust. For national trust, being one point further to the right is associated with an odds ratio of 1.08 for national government; for European trust, being on the left (1-2 on a 10-point scale) is associated with an odds ratio of 0.75. The model predicts that individuals on the left have a 0.46 probability of trusting European government, compared to a 0.53 probability of trust for those not on the left (3-10 on a 10-point scale).

The association between exclusive identity and trust is even stronger. As can be seen in Columns 3 and 4 of Table 6, those with exclusive national identities have odds ratios of 0.62 and 0.34 for national and European trust, respectively. Interestingly, those identifying more exclusively with their nation are less trusting of *both* national and European government. Could an increase in nationalism explain growing dissatisfaction? If a rise in exclusive national identity is explaining the decrease in trust, then we would expect for the frequency of such identities to increase acutely over

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<sup>24</sup> The question asks, "In the future do you see yourself as..." Nationality only; Nationality & European; European and nationality; European only; don't know. Those identifying with their nationality only have been coded a "1", while those indicating one of the other three identities are coded "0". Non-responses and "Don't Know" responses have been excluded from the analysis.

the eleven-year period. Yet the longitudinal pattern of Eurobarometer responses to identity questions suggest there has not been any increase in the portion of the population identifying in exclusively national terms. Neither the percentage of people holding extreme ideologies nor the proportion of those possessing exclusive national identities has changed significantly over the course of the crisis. As can be seen in Figure 7, the proportion of the population identifying exclusively with their respective nations has declined in Eurozone debtor countries over the last decade, while in creditor countries the identity peaks in 2010 before declining during the rest of the time series. Figure 8 shows, similarly, that the percentage of Europeans identifying as being on the far left or on the far right (1-2 or 9-10 on the Eurobarometer ten-point scale) has only grown from 15% in 2004 to 17% in 2015. While there has been a slight uptick in voters with extreme ideologies in some countries, the relatively small increase in left and right-identified voters could not possibly explain the much more substantial decline in trust seen across the EU.<sup>25</sup>

<Figures 7 and 8 about here>

One possibility, suggested by Inglehart and Norris (2016), is that there is an interaction effect between cultural identities and economic circumstances, whereby those already possessing identities exclusively aligned with the nation become more likely to lose trust when the economy performs poorly. The proportion of the European population identifying exclusively with their nation is quite large—averaging between 38-47% in the survey years assessed in this study—raising the possibility that these individuals are driving the overall decline. We account for this possibility by returning to Model 8, and examining the interaction effect of the crisis and national identity. The

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<sup>25</sup> Nor is the growing lack of confidence in government associated with any significant increase in ideological extremism among Europeans. Over this twelve-year period, the proportion of Europeans on the left increased by only 1.1 percentage points; the analogous figure for the right is 1.4 percentage points.

results reported in Columns 3 and 4 of Table 6 show that people holding these identities do experience a deeper decline in trust in national government during the crisis, with an odds ratio of 0.81 for the crisis-national ID interaction term. However, interestingly, the interaction term is not statistically significant for the European Union, even though past research has shown that non-cosmopolitan identities are associated with lower trust levels in the EU (e.g. Carey, 2002).

Why would holding a national identity increase the likelihood of losing trust in your nation with the onset of the crisis, but not in the European Union? One reason may be that identifying exclusively with one's nation is not simply indicative of group affiliation, but also of one's position within the labor market. Model 9 runs a logit regression with extreme ideology as the dependent variable and socio-economic variables as the independent variables. Model 10 runs the same model with exclusive national identity as the dependent variable. As can be seen from the results reported in Table 7, educational and occupational circumstances are strongly associated with national and ideological identities. Those with an advanced education are 45% less likely to identify solely with their nation compared to those who stopped schooling at age 18, while those with less than a high school education (Low Education) have much higher odds (Odds Ratio= 1.58). The occupational coefficients also underscore the relationship between socio-economic characteristics and cultural identity. The unemployed have a quarter higher odds (1.26) of identifying exclusively with their nation, and also greater odds of identifying on the far left or far right of the ideological spectrum. Those in skilled or unskilled blue-collar professions have nearly one half (1.41) and one third (1.33) higher odds, respectively, of identifying exclusively with their nation, compared to the baseline of mid-level white collar workers. Certainly, identity could serve as a lens that colors someone's interpretation to the crisis and how someone responds to the shift in economic output, but whether this lens is rooted in a firm cultural affiliation or is merely reflective of a person's position in the labor market is difficult to say, reflecting the longstanding difficulty of separating identity from the

educational and occupational characteristics that condition them. In either case, changes in ideology and identity cannot explain the dramatic drop in citizen trust seen in many countries. It is the dramatic and uneven shift in the state of the economy, as measured by unemployment, that best explains the decline in the level of citizen trust in national governments and the European Union.

#### **4. Discussion and Conclusions**

Our more rigorous and nuanced analysis of survey responses serves largely to confirm the impressions that emerge from the descriptive statistics highlighted in the earlier sections of this paper. Economic factors—at both the individual and national level—are crucially important determinants of the *change* in trust in government and go a long way toward explaining the very substantial variation among Europeans over time, across country, and across socio-economic group observed in this study. As unemployment has increased, trust has plummeted. These macro-shifts have compounded in some instances the already substantial differences among socio-economic groups in the degree of trust in the institutions of the European Union and of national governments.

Europe's deep and continuing economic problems have had a crushing impact on confidence in European and national political institutions, particularly in the countries where economic conditions are most difficult. While people in the less affected creditor nations in the Eurozone are somewhat disenchanted with both their own governments and the European Union, in the debtor nations the fall in confidence is extraordinarily large, and quite general. In some crisis-ridden countries, the European Union takes much of the blame; in others, the national governments come in for more of the opprobrium. But wherever the blame is placed, it is powerfully influenced by economic factors, in particular the economy's level of unemployment and an individual's position and current status within the labor market.

The paper has highlighted three findings regarding the relationship between the economic crisis and public opinion. First, the crisis has had a massive, and massively negative, impact upon citizen confidence in government, both at the national level and within the European Union. Europeans are quite divided between North and South in their confidence in national governments, but they have across the board lost a great deal of confidence in the ability of European leaders to manage the problems that have arisen in the past decade.

Second, the dramatic rise in unemployment, more than a country's income level or institutional quality, or an individual's sense of national or ideological identity, best explains the dramatic decline in trust among debtor countries. While a range of economic, institutional, and cultural variables can help explain variation in the baseline levels of trust, the best predictor for the recent *changes* in the level of trust is movement in the national unemployment rate. For every percentage point increase in unemployment from a baseline of 10%, we observe a two-percentage point decrease in the probability of trusting national government and one percentage point reduction for EU institutions. These are quite substantial effects that go a long way toward explaining the dramatic decline in some countries of the level of trust citizens have in government.

Finally, there are substantial differences in the extent of this support among socio-economic groups. The differences across groups are large, and are quite similar among all member countries. Those currently unemployed are much less likely to trust government, and the trust gap between the employed and unemployed has been exacerbated by the sovereign debt crisis. Less skilled, less educated, older citizens and women are less trusting of national governments as well as of the EU; by contrast, the more educated and professional classes are more positive. Across the European Union, in general less skilled and less educated citizens, and those more likely to be unemployed, have come to hold strongly negative views about their own governments, and about the institutions of the European Union. While our data do not allow inferences about a direct relationship between

this and the increasing polarization of political positions in many European countries, it is almost certainly the case that the two phenomena are related.

A few previous studies have pointed to the effect of the Eurozone crisis on trust in government at the national and European level (i.e. Guiso et al., 2016, Magalhães, 2016, Armingeon & Ceka, 2014), and for political economists many of the findings of this paper will be unsurprising. But within the literature on trust in government—where scholarship has long been dominated by political and cultural explanations—highlighting the explanatory power of short-term economic factors may be novel. Even in the aftermath of the crisis, when the link between the decline in public trust and economic circumstances has become more salient, the emphasis in the literature has still been on beliefs and identities. In an influential study of opinion and the crisis, for instance, Hobolt (2012) finds that “objective economic conditions appear to have no effect on regime support” (100), and that “no evidence is found that economic growth or financial transfers boost satisfaction with EU democracy” (101). In their recent study of the effect of the crisis on European identity, Polyakova and Fligstein (2016) identify a rise in exclusively national identities as the most salient feature of the crisis, arguing that the re-nationalization of public policy may be an appropriate remedy. Meanwhile Bechtel et al. (2014), in an examination of a survey of German preferences for bailing out Greece, conclude that “economic self-interest, measured using a broad range of indicators, explains little of the variation in individual preferences on the eurozone’s financial rescues” (836), highlighting instead the importance of cosmopolitan identities.

Nonetheless, our analysis demonstrates that short-term economic fluctuations as a result of the sovereign debt crisis are the main driver of the collapse in trust. To be sure, we found important effects for political institutions, and identities in some instances, as part of a broader explanation for the *baseline* differences in trust across countries and groups. However, consideration of these factors has only strengthened our belief in the centrality of economic factors for the *change* in trust levels.

Institutional quality is positively associated with trust; however, since national and European institutions have generally been moving in the direction of greater transparency, professionalization, and accountability, the change in institutional quality over the past decade has, if anything, partially mitigated what would otherwise have been an even more dramatic collapse in trust. And contrary to claims by Polyakova and Fligstein (2016), we find that exclusive national identities have been steadily declining during the crisis, perhaps as more Europeans see the limits of nationally focused solutions to deep and systemic problems.

What are the implications of the finding that national economic conditions and individual economic interests are powerful predictors of public trust in government? With the loss of trust nearly total in the most deeply affected countries, it is clear that the citizens of Eurozone debtor countries have little confidence in the ability of existing political leaders to manage the national and European economies in ways that respond to the concerns of their constituents. Until the fundamental economic problems that underpin this cataclysmic loss of trust are addressed, we can expect the appeal of anti-system parties, including prominently those of the extreme left and the extreme right, to remain high. A more promising reality is that there is little evidence that citizens have become significantly more exclusive or extreme in their personal identities and ideologies, and there is some evidence that whatever trend in this direction there may be is largely a result of adverse economic conditions, in particular the rise in unemployment. If national governments and EU institutions are able to devise a more effective response to current economic problems, the appeal of extreme parties may dissipate. This may be cold comfort, given the persistent difficulties of the Eurozone economy and the continued inability of policymakers to craft national and regional solutions. Indeed, even mainstream parties seem to be moving in a direction of increasing skepticism about the EU and immigration. Nonetheless, it is important to insist that the sooner the economies

of the South can get people working, the better the chances may be of avoiding a fundamental breakdown in European democracy.

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## Appendix 1: Figures

Figure 1: Trust in the EU and national governments, by Eurozone country group

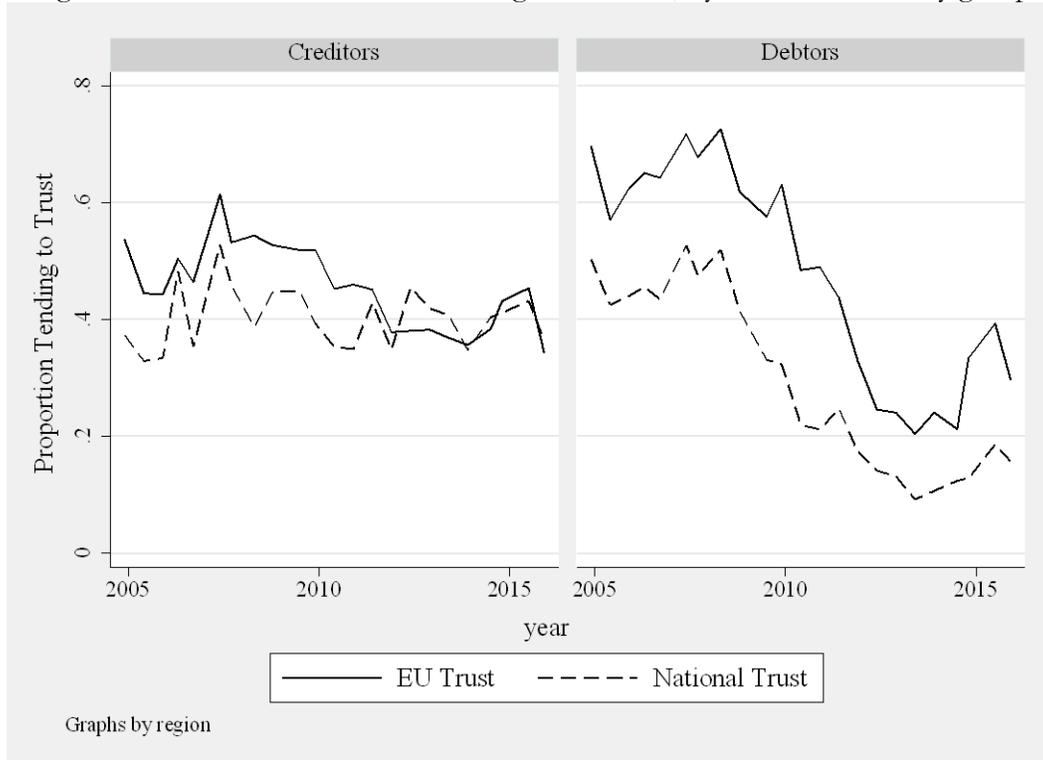
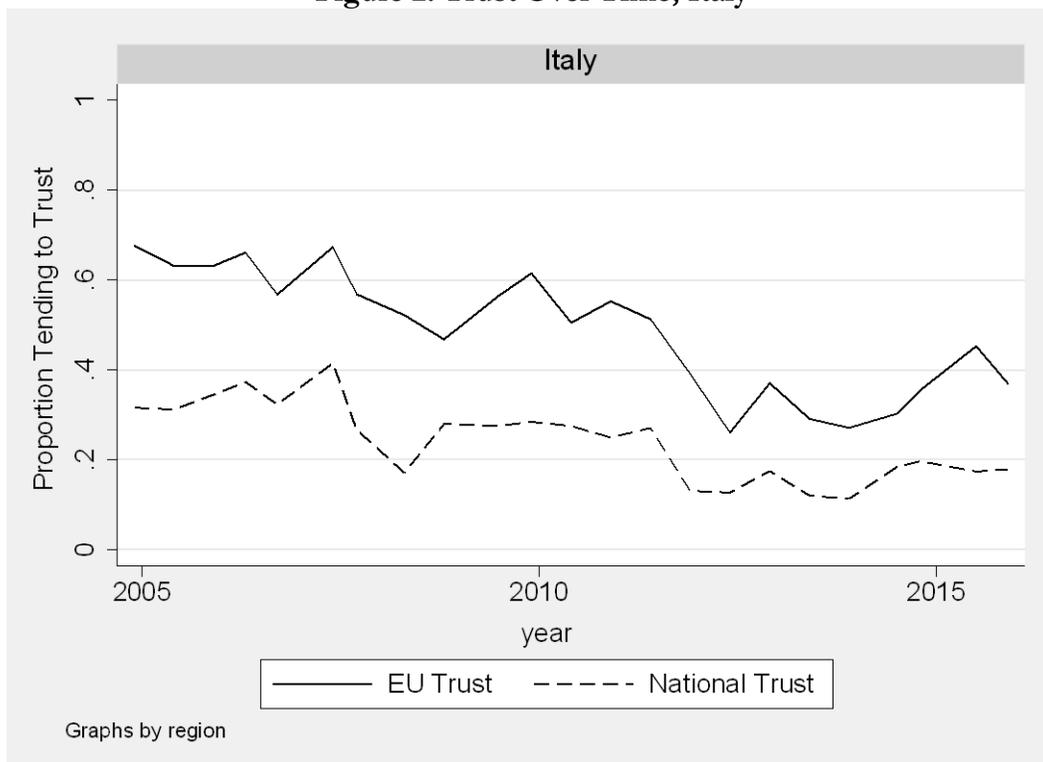
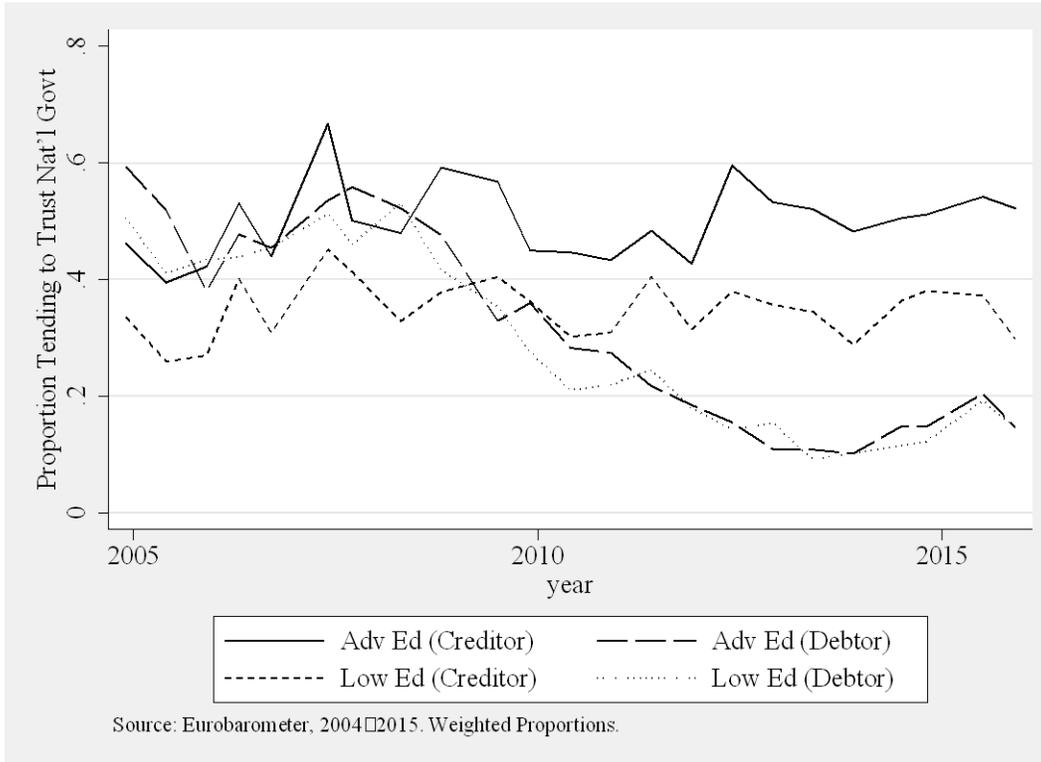


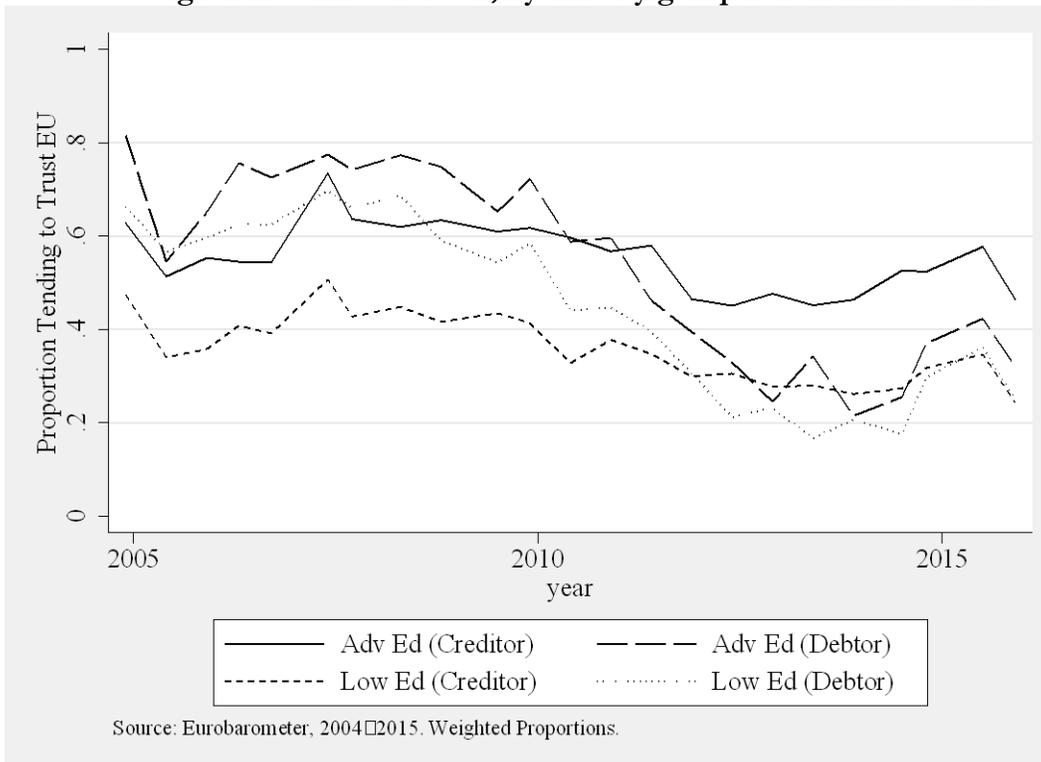
Figure 2: Trust Over Time, Italy



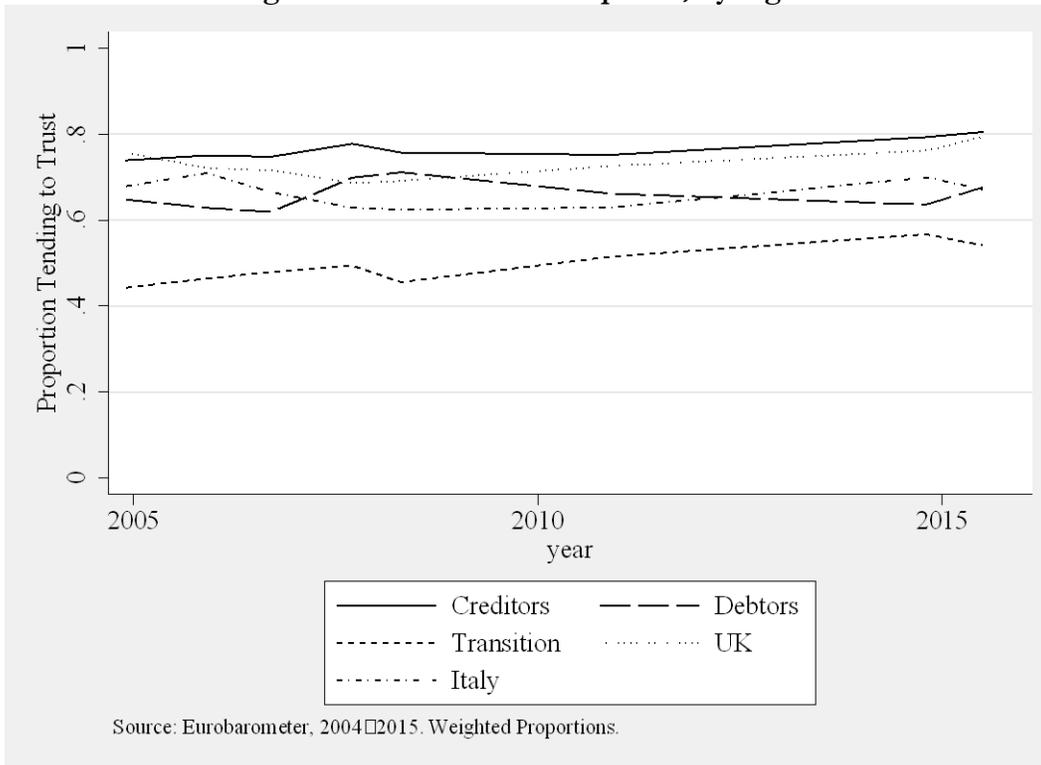
**Figure 3: Trust in National Government, by country group and education level**



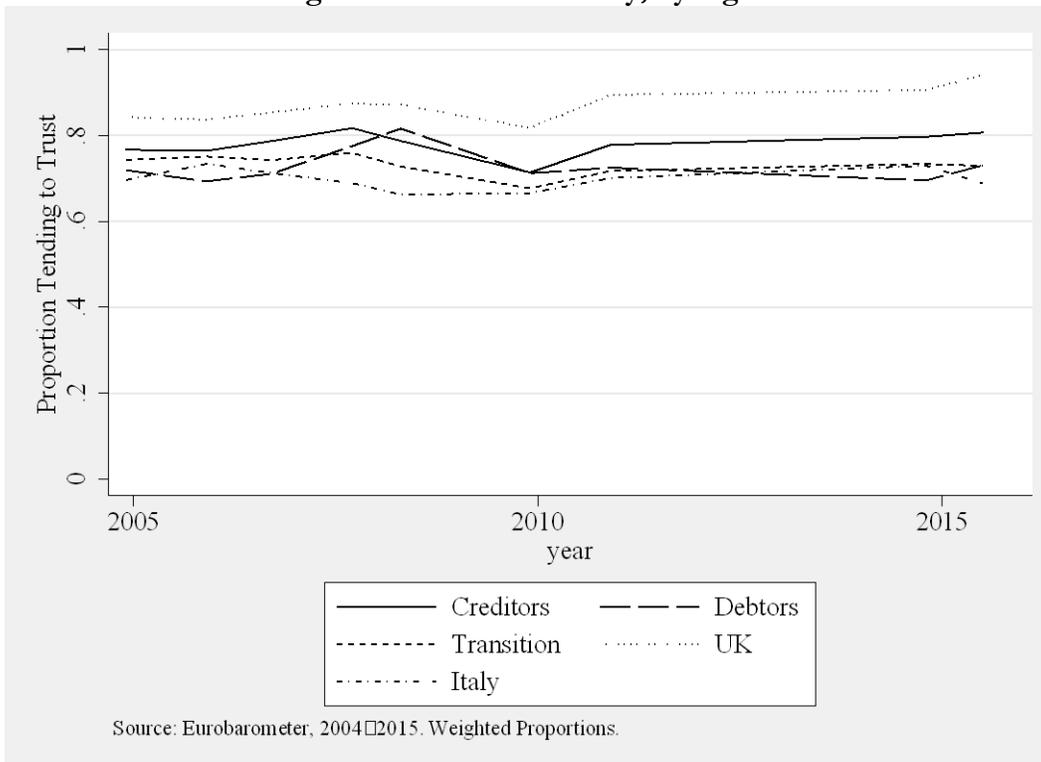
**Figure 4: Trust in the EU, by country group and education level**



**Figure 5: Trust in the local police, by region**



**Figure 6: Trust in the army, by region**



**Figure 7: Proportion of respondents holding particular identities**

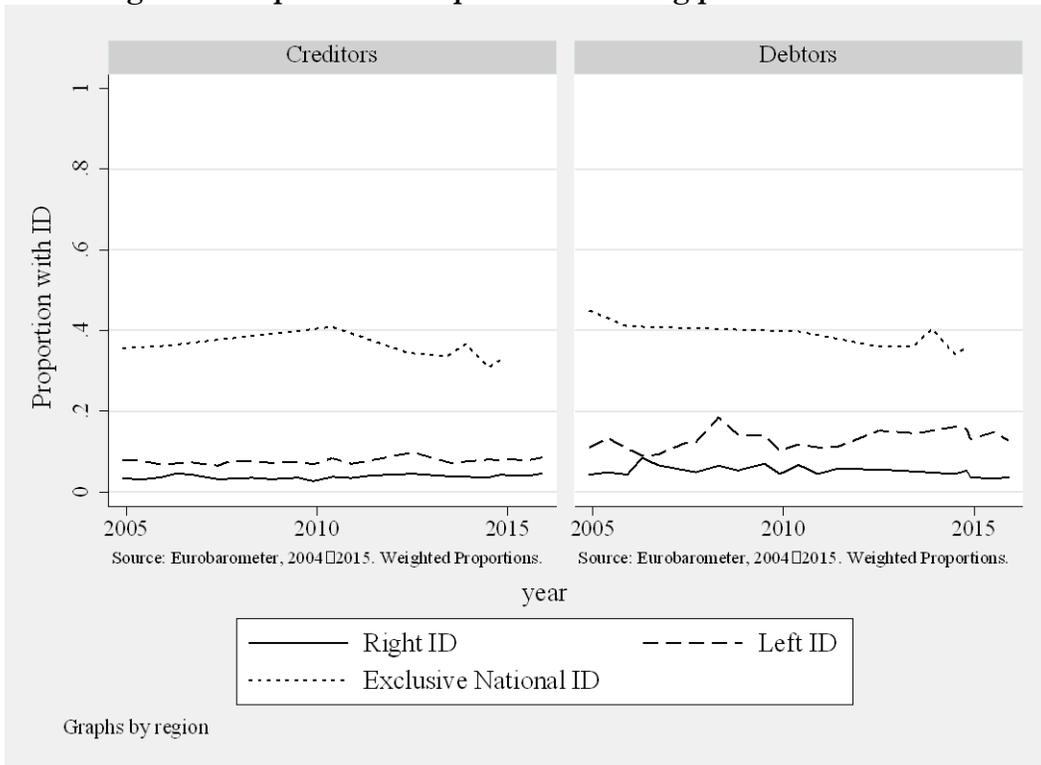
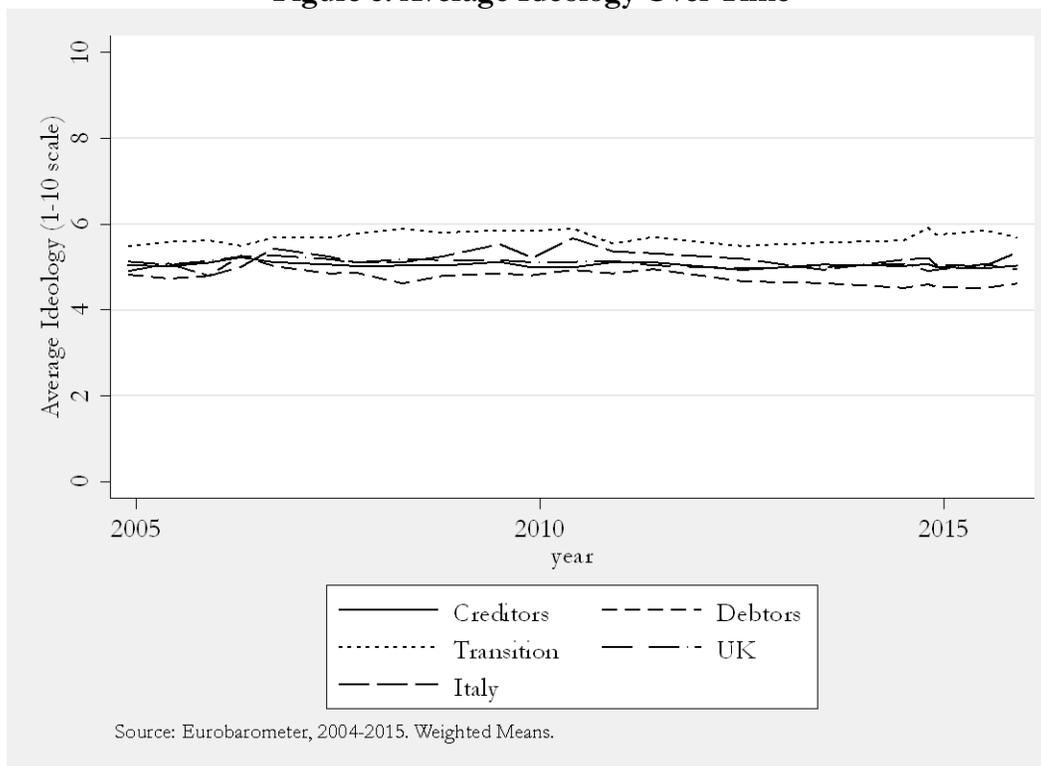


Figure 8: Average Ideology Over Time



## Appendix 2: Tables

**Table 1: Odds of Trust of National Government, Models 1 and 3**

	Nat'l Gov't (1)		Nat'l Gov't (3)	
Institutional Quality	<b>1.215</b>	(6.96) <sup>***</sup>	<b>1.151</b>	(2.52) <sup>*</sup>
Median Income(€ '000s)	<b>0.939</b>	(-3.33) <sup>***</sup>	<b>0.985</b>	(-1.01)
Unemployment Rate	<b>0.932</b>	(-6.47) <sup>***</sup>	<b>0.907</b>	(-11.89) <sup>***</sup>
Eurozone Membership	<b>1.509</b>	(2.43) <sup>*</sup>	<b>1.153</b>	(1.14)
Structural Adjustment Program	<b>0.780</b>	(-1.45)	<b>0.819</b>	(-1.12)
Country Fixed Effects	<b>No</b>		<b>Yes</b>	
Survey Fixed Effects	<b>No</b>		<b>Yes</b>	
Observations	<b>580902</b>		<b>580902</b>	

Exponentiated coefficients;  $\chi^2$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 2: Odds of Trust in the EU, Models 1-3**

	EU (1)		EU (2)		EU (3)	
Institutional Quality	<b>1.044</b>	(2.15) <sup>*</sup>	<b>0.958</b>	(-2.31) <sup>*</sup>	<b>1.056</b>	(1.39)
Median Income(€ '000s)	<b>0.890</b>	(-5.44) <sup>***</sup>	<b>0.894</b>	(-5.43) <sup>***</sup>	<b>0.986</b>	(-0.82)
Unemployment Rate	<b>0.953</b>	(-3.29) <sup>**</sup>	<b>0.975</b>	(-1.62)	<b>0.953</b>	(-5.94) <sup>***</sup>
Eurozone Membership	<b>1.659</b>	(2.11) <sup>*</sup>	<b>1.481</b>	(1.84)	<b>1.099</b>	(0.91)
Structural Adjustment Program	<b>0.692</b>	(-2.68) <sup>**</sup>	<b>0.742</b>	(-2.26) <sup>*</sup>	<b>0.734</b>	(-3.89) <sup>***</sup>
EU Budget Spending (%GDP)	<b>1.073</b>	(1.01)	<b>1.036</b>	(0.51)	<b>0.967</b>	(-0.91)
National Trust			<b>8.926</b>	(24.25) <sup>***</sup>		
Country Fixed Effects		No		No		Yes
Survey Fixed Effects		No		No		Yes
Observations	<b>544536</b>		<b>527724</b>		<b>544536</b>	

Exponentiated coefficients;  $\chi^2$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 3, Odds of Trust, Model 4**

	<b>Nat'l Gov't (4)</b>		<b>EU (4)</b>	
Institutional Quality	<b>1.151</b>	(2.43)*	<b>1.057</b>	(1.35)
Median Income (€ '000s)	<b>0.984</b>	(-1.16)	<b>0.983</b>	(-1.23)
Unemployment Rate	<b>0.913</b>	(-10.56)***	<b>0.965</b>	(-3.07)**
Eurozone Membership	<b>1.154</b>	(1.10)	<b>1.108</b>	(1.02)
Structural Adjustment Program	<b>0.987</b>	(-0.04)	<b>1.048</b>	(0.25)
EU Budget Spending (%GDP)			<b>0.960</b>	(-1.23)
Unemployment*Structural Adjustment	<b>0.985</b>	(-0.71)	<b>0.973</b>	(-2.22)*
Country Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Survey Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Observations	<b>580902</b>		<b>544536</b>	

Exponentiated coefficients;  $z$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 4, Odds of Trust, Model 5**

	Nat'l Gov't (5)		EU (5)	
Institutional Quality	<b>1.153</b>	(2.49)*	<b>1.059</b>	(1.35)
Median Income (€ '000s)	<b>0.983</b>	(-1.20)	<b>0.982</b>	(-1.17)
Unemployment Rate	<b>0.915</b>	(-9.93)***	<b>0.968</b>	(-2.77)**
Structural Adjustment Program	<b>0.979</b>	(-0.06)	<b>1.031</b>	(0.16)
EU Budget Spending (%GDP)			<b>0.965</b>	(-1.08)
Unemployment*Structural Adjustment	<b>0.986</b>	(-0.67)	<b>0.974</b>	(-2.16)*
Gender	<b>0.943</b>	(-2.86)**	<b>0.965</b>	(-2.29)*
Age	<b>1.006</b>	(4.25)***	<b>0.994</b>	(-3.34)***
Low Education	<b>0.798</b>	(-5.04)***	<b>0.707</b>	(-6.88)***
High Education	<b>1.062</b>	(2.98)**	<b>1.070</b>	(3.08)**
Advanced Education	<b>1.266</b>	(9.71)***	<b>1.334</b>	(9.43)***
Unemployed	<b>0.692</b>	(-6.48)***	<b>0.744</b>	(-6.43)***
Professional	<b>1.095</b>	(3.38)***	<b>1.111</b>	(3.08)**
Farmer or Fisherman	<b>1.241</b>	(2.30)*	<b>1.000</b>	(-0.00)
Skilled Blue Collar	<b>0.943</b>	(-1.82)	<b>0.972</b>	(-0.86)
Low skilled Blue Collar	<b>0.969</b>	(-0.63)	<b>0.909</b>	(-1.70)
Retail Worker	<b>0.933</b>	(-3.95)***	<b>0.957</b>	(-1.70)
Manager	<b>1.085</b>	(5.81)***	<b>1.127</b>	(4.38)***
Own Business	<b>1.035</b>	(1.48)	<b>1.031</b>	(1.41)
Outside of Labor Force	<b>1.383</b>	(3.45)***	<b>1.383</b>	(2.65)**
Country Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Survey Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Observations	<b>580859</b>		<b>544499</b>	

Exponentiated coefficients;  $z$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 5: Odds of Trust Before & After the Crisis, Model 6**

	Nat'l Gov't (6)		EU (6)	
Institutional Quality	<b>1.133</b>	(2.34)*	<b>1.077</b>	(1.08)
Median Income (€ '000s)	<b>0.977</b>	(-2.02)*	<b>0.983</b>	(-1.46)
Unemployment Rate	<b>0.909</b>	(-10.57)***	<b>0.963</b>	(-1.65)
Structural Adjustment Program	<b>0.813</b>	(-1.15)	<b>1.216</b>	(0.95)
After Sovereign Crisis	<b>0.948</b>	(-1.42)	<b>0.714</b>	(-5.74)***
EU Budget Spending (%GDP)			<b>0.897</b>	(-2.39)*
Unemployment*Structural Adjustment			<b>0.958</b>	(-2.31)*
Country Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Gender	<b>0.951</b>	(-2.64)**	<b>0.973</b>	(-1.86)
Age	<b>1.005</b>	(3.70)***	<b>0.997</b>	(-1.70)
Years of Education	<b>1.004</b>	(4.08)***	<b>1.009</b>	(5.78)***
Unemployed	<b>0.787</b>	(-3.62)***	<b>0.901</b>	(-1.48)
Professional	<b>1.155</b>	(7.11)***	<b>1.303</b>	(6.26)***
Farmer or Fisherpersion	<b>1.248</b>	(2.22)*	<b>0.936</b>	(-0.60)
Skilled Blue Collar	<b>0.916</b>	(-1.55)	<b>0.841</b>	(-3.94)***
Low-skilled Blue Collar	<b>0.952</b>	(-0.69)	<b>0.789</b>	(-4.79)***
Retail Worker	<b>0.924</b>	(-2.35)*	<b>0.955</b>	(-1.08)
Manager	<b>1.086</b>	(2.24)*	<b>1.107</b>	(2.79)**
Own Business	<b>0.995</b>	(-0.12)	<b>1.045</b>	(1.40)
Outside of Labor Force	<b>1.137</b>	(1.95)	<b>0.955</b>	(-0.48)
Crisis*Unemployed	<b>0.884</b>	(-2.73)**	<b>0.930</b>	(-1.34)
Crisis*Education	<b>1.000</b>	(-0.35)	<b>0.999</b>	(-1.19)
Crisis*Professional	<b>1.103</b>	(2.92)**	<b>1.006</b>	(0.14)
Crisis*Skilled Blue Collar	<b>0.926</b>	(-1.05)	<b>0.967</b>	(-0.66)
Crisis*Farmer or Fisher	<b>0.979</b>	(-0.16)	<b>1.124</b>	(1.50)
Crisis*Unskilled Blue Collar	<b>0.870</b>	(-1.58)	<b>0.963</b>	(-0.72)
Crisis*Service Worker	<b>1.003</b>	(0.07)	<b>0.976</b>	(-0.70)
Crisis*Manager	<b>1.035</b>	(0.68)	<b>1.008</b>	(0.21)
Crisis*Owner	<b>1.096</b>	(1.85)	<b>0.980</b>	(-0.62)
Crisis*Outside of Labor Force	<b>0.993</b>	(-0.11)	<b>1.072</b>	(1.19)
Observations	<b>574809</b>		<b>539054</b>	

Exponentiated coefficients;  $z$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 6: Odds of Trust, Ideational Factors, Models 7-8**

	Nat'l Gov't (7)		EU (7)		Nat'l Gov't (8)		EU (8)	
Institutional Quality	<b>1.159</b>	(2.38)*	<b>1.049</b>	(1.12)	<b>1.223</b>	(2.68)**	<b>1.143</b>	(2.38)*
Median Income(€'000s)	<b>0.980</b>	(-1.48)	<b>0.979</b>	(-1.23)	<b>0.962</b>	(-3.68)***	<b>0.958</b>	(-3.44)***
Unemployment Rate	<b>0.911</b>	(-10.03)***	<b>0.967</b>	(-3.59)***	<b>0.897</b>	(-17.80)***	<b>0.961</b>	(-2.29)*
Structural Adjustment Program	<b>0.788</b>	(-1.18)	<b>1.005</b>	(0.02)	<b>0.719</b>	(-4.67)***	<b>0.951</b>	(-0.22)
Unemployment*Structural Adjustment			<b>0.973</b>	(-2.28)*			<b>0.973</b>	(-1.57)
EU Budget Spending(%GDP)			<b>0.947</b>	(-1.59)			<b>0.963</b>	(-0.95)
Exclusive National ID					<b>0.624</b>	(-8.80)***	<b>0.342</b>	(-20.43)***
After Sovereign Crisis					<b>1.055</b>	(0.49)	<b>0.603</b>	(-4.66)***
Crisis*Exclusive Nat'l ID					<b>0.808</b>	(-2.80)**	<b>0.945</b>	(-1.09)
Ideology (Left-Right)	<b>1.083</b>	(2.07)*	<b>0.996</b>	(-0.14)				
Left-Wing ID	<b>1.051</b>	(0.41)	<b>0.754</b>	(-4.70)***				
Right-Wing ID	<b>0.763</b>	(-1.73)	<b>0.836</b>	(-1.82)				
Gender	<b>0.946</b>	(-2.91)**	<b>0.979</b>	(-1.38)	<b>1.001</b>	(0.04)	<b>1.037</b>	(1.40)
Age	<b>1.006</b>	(4.48)***	<b>0.995</b>	(-2.59)**	<b>1.007</b>	(5.19)***	<b>0.995</b>	(-2.97)**
Low Education	<b>0.799</b>	(-4.98)***	<b>0.718</b>	(-7.36)***	<b>0.828</b>	(-4.72)***	<b>0.787</b>	(-5.84)***
High Education	<b>1.049</b>	(1.64)	<b>1.077</b>	(3.00)**	<b>1.077</b>	(5.05)***	<b>1.033</b>	(1.13)
Advanced Education	<b>1.260</b>	(8.25)***	<b>1.356</b>	(8.22)***	<b>1.256</b>	(6.65)***	<b>1.219</b>	(7.67)***
Unemployed	<b>0.714</b>	(-5.86)***	<b>0.751</b>	(-6.21)***	<b>0.686</b>	(-5.78)***	<b>0.771</b>	(-5.46)***
Professional	<b>1.065</b>	(2.16)*	<b>1.100</b>	(2.80)**	<b>1.057</b>	(1.44)	<b>1.091</b>	(1.87)
Farmer or Fisherpersion	<b>1.209</b>	(1.87)	<b>0.964</b>	(-0.37)	<b>1.400</b>	(3.00)**	<b>1.062</b>	(0.66)
Skilled Blue Collar	<b>0.939</b>	(-1.68)	<b>0.995</b>	(-0.16)	<b>0.961</b>	(-1.09)	<b>1.059</b>	(1.42)
Low skilled Blue Collar	<b>0.973</b>	(-0.52)	<b>0.912</b>	(-1.67)	<b>1.059</b>	(1.22)	<b>1.025</b>	(0.50)
Retail Worker	<b>0.931</b>	(-2.99)**	<b>0.955</b>	(-1.41)	<b>0.958</b>	(-1.35)	<b>0.960</b>	(-1.51)
Manager	<b>1.061</b>	(3.92)***	<b>1.129</b>	(5.22)***	<b>1.089</b>	(3.69)***	<b>1.076</b>	(2.54)*
Own Business	<b>1.002</b>	(0.07)	<b>1.034</b>	(1.10)	<b>1.044</b>	(1.11)	<b>1.028</b>	(0.95)
Outside of Labor Force	<b>1.368</b>	(3.74)***	<b>1.479</b>	(3.78)***	<b>1.423</b>	(3.53)***	<b>1.489</b>	(3.23)**
Country Fixed Effects	<b>Yes</b>		<b>Yes</b>		<b>Yes</b>		<b>Yes</b>	
Survey Fixed Effects	<b>Yes</b>		<b>Yes</b>		<b>Yes</b>		<b>Yes</b>	
Observations	<b>367559</b>		<b>346496</b>		<b>186169</b>		<b>175768</b>	

Exponentiated coefficients;  $z$  statistics in parentheses\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Table 7: Determinants of Nationalist & Right-wing Identity, Models 9 & 10**

	<b>Exclusive National ID (9)</b>		<b>Right-Wing ID (10)</b>	
Unemployment Rate	<b>1.001</b>	(0.07)	<b>0.993</b>	(-0.56)
Institutional Quality	<b>1.027</b>	(0.23)	<b>0.982</b>	(-0.30)
Median Income(€'000s)	<b>0.996</b>	(-0.41)		
Structural Adjustment Program	<b>0.911</b>	(-0.93)	<b>1.063</b>	(0.87)
Country Fixed Effects	<b>Yes</b>		<b>Yes</b>	
Gender	<b>1.267</b>	(6.23) <sup>***</sup>	<b>0.883</b>	(-3.57) <sup>***</sup>
Age	<b>1.009</b>	(4.02) <sup>***</sup>	<b>1.005</b>	(3.57) <sup>***</sup>
Low Education	<b>1.576</b>	(8.33) <sup>***</sup>	<b>0.989</b>	(-0.34)
High Education	<b>0.838</b>	(-5.14) <sup>***</sup>	<b>0.948</b>	(-2.12) <sup>*</sup>
Advanced Education	<b>0.545</b>	(-15.17) <sup>***</sup>	<b>1.008</b>	(0.32)
Professional	<b>0.731</b>	(-7.61) <sup>***</sup>	<b>0.983</b>	(-0.40)
Farmer or Fisherpersion	<b>1.200</b>	(1.78)	<b>0.996</b>	(-0.08)
Skilled Blue Collar	<b>1.337</b>	(6.78) <sup>***</sup>	<b>1.214</b>	(7.38) <sup>***</sup>
Low skilled Blue Collar	<b>1.414</b>	(8.26) <sup>***</sup>	<b>1.167</b>	(5.84) <sup>***</sup>
Retail Worker	<b>1.071</b>	(2.80) <sup>**</sup>	<b>1.096</b>	(2.69) <sup>**</sup>
Manager	<b>0.806</b>	(-2.96) <sup>**</sup>	<b>1.036</b>	(1.78)
Own Business	<b>0.914</b>	(-2.25) <sup>*</sup>	<b>1.099</b>	(2.25) <sup>*</sup>
Outside of Labor Force	<b>1.092</b>	(1.36)	<b>1.038</b>	(0.78)
Unemployed	<b>1.261</b>	(5.99) <sup>***</sup>	<b>1.164</b>	(2.75) <sup>**</sup>
Observations	<b>196127</b>		<b>352431</b>	

Exponentiated coefficients;  $z$  statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$