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Is Unemployment the Worst Enemy of Democracy?
Political Mistrust and the Economic Crisis in Southern Europe

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Abstract

The Southern periphery of the European Union experienced a profound transformation since 2008. The rapid economic deterioration of Portugal, Italy, Greece and Spain was accompanied by a substantial increase in citizens' mistrust towards national political institutions. Using quantitative data for eleven EU member states from 2003 to 2013, this paper evaluates the fitness of competing theories in explaining this shift in political attitudes in Southern European countries. On the one hand, we hypothesise that political mistrust changes according to institutional performance. On the other hand, we hypothesise that political mistrust is explained by citizen's rational evaluations of changing macroeconomic performance. The paper argues that the economic crisis acts as an external shock that puts politics, politicians and institutions in the spotlight indistinctively due to citizen's sociotropic evaluations of the national economy. The findings suggest that unemployment is the key variable in understanding short-term changes in political mistrust whereas institutional performance variations are notably less significant.

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Introduction

The bankruptcy of Lehman Brothers in 2008 marked the beginning of the Great Recession, the gravest economic downturn since the Great Depression of 1929. The economic crisis had particularly devastating consequences for the Southern periphery of the EU, where macroeconomic conditions deteriorated rapidly. As a result of growing unrest, social movements and protests against austerity measures mushroomed across Europe. Research on political behaviour has long established a close connection between macroeconomic conditions and support for incumbent governments (Lewis-Beck & Stegmaier 2000; Nannestad & Paldam 1994) and as such, growing citizens' mistrust towards the executive body in Southern European countries did not come as much of a surprise.

According to the Eurobarometer survey results from 2003 to 2013, however, political mistrust was indiscriminately projected towards most political institutions in Southern Europe since the start of the Global and European economic crisis in September 2008. Although support for democracy as a regime does not seem to be at stake, political institutions have lost a great deal of credibility and trust, which are deemed essential for democratic performance. Southern European citizens perceive that political institutions are unresponsive and that they are not securing their best interest. This perception that the agent is not representing the interests of the principal is then translated into a feeling of scepticism toward politics and politicians, or in other words, into growing levels of political mistrust.

The phenomenon of declining political support raises important questions about the current state of affairs in European democracies: Why has political mistrust increased? What are the political implications of the economic crisis? Are there any significant differences between creditor and debtor countries? To what extent is the perception of decreasing responsiveness of institutions a temporary consequence of changing macroeconomic conditions, i.e. unemployment? To what extent is political mistrust linked to the ability of governments to deliver effective policies?

In order to address these questions, this paper analyses the rising levels of political mistrust in Southern Europe in the context of the Great Recession and discusses the mechanisms and implications of the increasing loss of credibility of democratic institutions. For this task, two hypotheses are laid out and tested using quantitative methods. Our first hypothesis (H1) is that increasing political mistrust may be caused by changes in the effectiveness or performance of institutions, that is, how credible and successful the executive and legislative bodies are in formulating and delivering political outputs. According to this logic, if citizens' perceive a high quality of policy formulation and implementation they will continue to trust institutions (Bouckaert et al. 2002; DeHoog, Lowery, & Lyons 1990; Glaser & Hildreth 1999). The second hypothesis (H2) is that political mistrust may be

caused by changes in the macroeconomic situation. This hypothesis is in line with existing research where unemployment levels are found to be an accurate predictor of the changes in trust towards political institutions since 2008 (Roth, Nowak-Lehmann & Otter 2013; Morlino & Quaranta 2014). The underlying theory behind this hypothesis holds close parallelisms with studies of ‘economic voting’. According to this framework of voting behaviour, growing levels of political mistrust would be the result of citizens’ unsatisfied expectations with macroeconomic conditions.

Contrary to our initial predictions, we find that the perception of institutional performance (H1) renders ineffective in explaining change in political attitudes, especially during times of economic crisis. In other words, declining trust is strongly correlated with a deterioration of the economic situation (H2), particularly unemployment. Moreover, we argue that citizens punish political institutions indistinctively on the basis of trust because there is not enough clarity of responsibility, a necessary condition for democratic accountability and democratic renewal.

The paper is structured as follows. Section 1 reviews the conceptual and theoretical debates on political trust. Section 2 outlines the research design, specifies the corresponding hypotheses and discusses the case selection. Section 3 engages in the core analysis. Finally, Section 4 summarises the main findings and conclusions as well as further insights of the research.

1. Trust, Political Attitudes and Democracy

Political trust is important for the effective functioning of democracies and for having a smooth relationship between elected representatives and citizens. Although a healthy degree of scepticism might encourage citizen vigilance and have a positive impact on democracy (Mishler and Rose 2009), there is widespread agreement in considering political trust as essential for good democratic performance (see Verba and Almond 1963; Inglehart 1990; Newton 2001; Norris 1999; Rose, Mishler, & Haerpfer 1998, Gamson 1968; Newton and Norris 2000; Pharr and Putnam 2000). In contrast, the absence of trust has been associated with endangering the legitimacy of institutions and to tax evasion as an example of lower compliance with laws (Nye 1997).

Quality of a democracy can thus be safely associated with levels of political trust. Theoretically, citizens’ are able to punish or reward incumbent governments during elections either through retrospective or prospective evaluations of the candidates’ performance and/or electoral promises, thus re-establishing trust towards the executive body (expected to have decreased during the electoral term due to the ‘cost of ruling’). It is difficult to prescribe, however, when democracies affected by low levels of trust might be in danger. In other words, it is difficult to establish whether there is any

causal relationship between support for the incumbent and support for democracy as a political system and whether rising levels of political mistrust endangers democracy or not (Magalhães 2013).

With regards to the conceptualisation of political attitudes, scholars face the problem of finding a precise definition of trust in the middle of a ‘constellation of synonyms’ (Newton 2001, p. 203). Competing conceptualisations of trust make finding a common ground for debate extremely difficult. The lack of a universally accepted definition of ‘trust’ is often blamed for producing theoretical confusion and inconsistent results (Dalton 2000). Part of the difficulty in finding a common definition of trust is to be found in the multidimensionality of political attitudes and citizen’s views of the political sphere. While excessively nuanced definitions have often led to more confusion, literature adopting a single attitudinal dimension has ‘produced a plethora of inconsistent findings and a great deal of confusion about the impact of democratic attitudes on individual-level political behaviour and the overall performance and legitimacy of democratic systems’ (Montero & Gunther 2006, p. 47).

For instance, is a mistrusting individual also sceptical about democracy as the best possible political regime? Or alternatively, does it only indicate discontent towards democratic performance? Easton's (1975) concepts of specific and diffuse support offer a useful differentiation between these two possibilities. On the one hand, *specific support* is often understood as citizens’ satisfaction with the current state of affairs i.e. macroeconomic conditions. This type of political attitude has a strong partisan bias, is likely to change in the short term and is closely associated to ‘economic voting’. *Diffuse support*, on the other hand, refers to the preference of citizens to having a certain political regime as the ‘only game in town’ and has been argued to behave steadily over longer periods of time.

The scholarly literature has put forward two main models to examine the emergence and origins of political attitudes: the cultural and performance models.¹ First, the cultural model is concerned with civic attitudes, democratic engagement and the ways they shape trust in the long run. This model focuses on long-term aspects that determine a tendency of declining political support and considers that ‘attitudes change slowly because they are cultural traits that depend on long-term processes of socialization tending to be reproduced over time’ (Torcal & Montero 2006b, p. 10). The explanations provided by this model are ‘politically exogenous’, that is, they do not take into account short-term fluctuations concerning institutional or economic performance as to determine changes in political support. Therefore, the cultural model is ‘society centered and focuses on civil society and social capital’ (Newton 2006b, p. 846) in which social capital theory has been the ‘most salient cultural explanation of political disaffection’ (Torcal & Montero 2006b, p. 11).

Second, the performance model is based on the assumption that political attitudes can be determined by ‘endogenous’ circumstances such as ‘institutional performance, political corruption, specific

political scandals, macro-economic conditions and/or frustrated expectations' (Torcal & Montero 2006b, p. 12). Therefore, institutional trust is 'rationally based' and conceptualized as 'the expected utility of institutions performing satisfactorily' (Mishler and Rose 2001, p. 1).

Given that the object of this paper is to uncover short-term changes in political mistrust, the performance model seems to be a better-equipped theoretical framework for this purpose. Although some authors have understood these models as complementary rather than competing (Torcal & Montero 2006b), we do not further examine the cultural model because one of the basic assumptions of this approach is that attitudes only change in the long-term and, as a result, this is an ineffective approach to explain short-term variations in political disaffection in the context of the Great Recession. Moreover, empirical results 'strongly support the superiority of the [performance model] explanations of trust [...] while providing little support for [...] cultural explanations.' (Mishler & Rose 2001, p. 4).

Two streams of literature seem to have emerged within the performance model that are tackled by the two hypotheses of this research: one focusing on the 'institutional dimension' where trust is linked to 'changes in the quality or the perception of government service delivery' (Yang and Holzer 2006, p. 115; Anderson 1995; Offe 2006), and another focusing on 'macro-economic dimension' (Alesina and Waziarg 2000; Clarke, Dutt & Kornberg 1993; Lijphart 2012; Rose, Mishler, and Haerpfer 1998; Weil 1989). More specifically, trust towards parliament will be used in this paper as one of the main indicators as 'it is about something deeper and more fundamental than the more volatile measure of trust in particular governments or politicians' (Newton 2006a, p. 81).

To recapitulate, this paper studies the origins of political mistrust in Southern Europe, measured by levels of mistrust towards the government and the parliament, by looking at the effect of the Great Recession on the citizen's perception on the performance of both national institutions and the macroeconomic situation of the country.

2. Research Design and Case Selection

The overall aim of the paper is to establish the relationship between the economic crisis and political mistrust while trying to answer the following *research question*: 'What were the causes of political mistrust in Southern Europe since 2008?' In line with Bouckaert et al. (2002), we focus on two variants of the performance model, which are: (1) *institutional performance* and (2) *macroeconomic performance*. It is on the basis of these two variants of the performance model that we construct the two hypotheses that drive this research.

The first hypothesis (H1) is based on the idea that increasing political mistrust may be caused by changes in the performance of institutions, that is, how credible and successful the executive and legislative bodies are in formulating and delivering effective political outputs. According to this logic, if citizens perceive a high quality of policy formulation and implementation they will continue to trust institutions that provide them with policies they ultimately desire (Bouckaert et al. 2002; DeHoog, Lowery, & Lyons 1990; Glaser & Hildreth 1999). Therefore, we hypothesize that the economic crisis has led governments to be perceived as less effective in delivering policies and services, and that as a result, citizens have stopped trusting institutions. Thus, our first hypothesis is as follows:

H1: Political Mistrust increases when citizens perceive that the ability of political institutions to deliver effective political outputs, that is, institutional performance, declines.

The second hypothesis (H2) is based on the idea that political mistrust is caused by changes in the macroeconomic situation. This hypothesis is in line with findings of current research where unemployment levels appear to be closely related to changes in trust towards the main political institutions of the EU (Roth, Nowak-Lehmann & Otter 2013; Morlino & Quaranta 2014). The underlying theory behind this hypothesis holds close parallelisms with studies of 'economic voting'. According to this punishment-reward framework, growing levels of political mistrust would be the result of citizens' unfulfilled expectations with the perceived macroeconomic performance (especially unemployment rates). Hence, our second hypothesis is the following one:

H2: Political Mistrust increases when citizens perceive a deterioration of the national economy's macroeconomic performance.

In order to measure political mistrust, we have used questions on trust from the Eurobarometer public opinion surveys from 2003 to 2013. More specifically, we have used the question that asks EU citizens: '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?' The respondent is then presented with a range of institutions (parliament, executive, judiciary, political parties, the army, etc) and it is presented with three possible answers: 'Tend to Trust', 'Tend not to trust' or 'Do not know'.

In order to measure institutional performance we employ the World Bank's World Governance Indicator (WGI)², which is a conglomerate of scores ranging from 0 to 100 that captures 'the perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the

credibility of the government's commitment to such policies.' (WGI 2014). Other research has focused on the institutional design of countries (such as the electoral system) in order to account for the changes in political trust (Anderson 1995). However, no robust results can be found in cross-country analysis. This is why we have chosen to focus on citizens' perception of efficacy or performance of institutions, including measurements of quality of bureaucracy, satisfaction with infrastructure, and policy consistency as well as forward planning.

In order to measure macroeconomic performance, we concentrate on unemployment and use the Eurostat data on the percentage levels of the active population (seasonably adjusted). We then run an econometric model to account for important causation and correlation between these explanatory variables (and others such as GDP, CPI, Debt) and measures of trust from the Eurobarometer data survey results.

With regards to case selection, we focus on two sets of European countries within the Eurozone whose differing interests and structural imbalances have become increasingly pronounced: debtor and creditor countries (Kriesi *forthcoming*; Dyson 2010). First, we examine a group of Southern European 'debtor' countries plus Ireland, the so-called 'PIIGS' (Portugal, Ireland, Italy, Greece and Spain). This is a coherent group of countries in terms of the levels of unemployment, sovereign debt and risk premium that collectively enjoyed the 'economic miracles' in the 1990s. Furthermore, these countries share a set of institutional logics of market regulation that define them as a particular group (Beramendi et al. *forthcoming*). Even though our research question aims at uncovering the sources of political mistrust in Southern Europe, we are also interested in pointing out the variation between the so-called peripheral economies of the 'PIIGS' and the rest of the countries in the Eurozone. Hence, some of the data introduced in the next section will be presented in clusters in order to highlight both similarities and differences.

A second cluster of Northern European countries includes 'creditor' France, Germany, the Netherlands, Finland, Belgium and Austria. These are also a coherent group of geo-economic powers with common interests who tend to vote in block in EU institutions. The UK is excluded from this 'creditor cluster' because it does not belong to the Eurozone and thus has not enjoyed some of the same privileges or constraints of its Northern European partners. Last but not least, there has been a deliberate research choice to exclude Central and Eastern European cases such as Poland or the Czech Republic as these countries did not enjoy access to political decision-making arenas and financial markets until their accession to the EU in 2004.

Given that our research question is concerned with the relationship between the economic crisis and political mistrust, there is the danger of selection bias on the dependent variable, that is, to focus

exclusively on countries that have experienced economic and political troubles. Since the Great Recession and the Eurozone crisis affected the whole economic and monetary union (EMU), we are unable to examine political mistrust in Eurozone countries where there has been economic crisis vs. countries where there has been no crisis. Choosing a non-European cluster of countries unaffected by the crisis (BRICS, MINT, etc.) would have partially solved this problem of selection bias but it would have added an additional list of complexities that would have rendered the comparison completely ineffective. Having outlined the research question and hypotheses, we now proceed to present evidence on changing levels of political mistrust in Western Europe.

3. Political Mistrust in Western Europe

The adoption of the Euro currency in 1999 was conceived as the logical step towards an ‘ever closer union’. Supporters of the initiative argued that the common currency would create a coherent economic area that would pave the way for a further round political integration. Critics of the Economic and Monetary Union (EMU), however, argued that the convergence plan could backfire, impoverish the citizenry and stagnate European economies for years to come. Critics’ voices of the Euro were far from mainstream in the 2000s as most member states, particularly in the periphery, enjoyed large EU subsidies and easy access to credit as part of their commitment to the common currency. In fact, Southern European countries such as Greece, Italy, Portugal and Spain grew economically and enjoyed great economic stability during the 2000s (Bermeo 2012).

While these favourable macroeconomic conditions were real, they proved to be founded on unsustainable growth mechanisms, otherwise called economic bubbles. The credit boom in particular encouraged housing and financial bubbles that quickly became the growth engine of economies that came to sustain unbearable amounts of public and private debt (Hardiman et al 2013). When suspicion was aroused about these countries’ solvency, the confidence of the international markets disappeared and major international institutions were forced to intervene in order to recapitalise these national economies.

In the aftermath of the sovereign debt crisis, Portugal, Italy, Ireland, Greece and Spain, the so-called ‘debtor countries’, underwent a series of external pressures that led to ‘structural adjustments’, a series of austerity measures that resulted in high unemployment levels and significant reductions of welfare benefits. In only five years, from 2007 to 2012, unemployment levels in Spain rose from 11.4% to 25%. Likewise, unemployment in Greece, Italy, Ireland and Portugal experienced increases of 16%, 4.6%, 10% and 7%, respectively in the same time period. This bleak picture stands in sharp contrast to the times of plenty of the 1990s and 2000s, when high levels of growth and easy access to credit lead to over-indebtedness and squandering of public money.

The Great Recession was a crisis of global character but it also had European and national ramifications. Within the Eurozone, ‘creditor’ countries of Northern Europe suffered the consequences of the economic crisis less dramatically than their Southern European counterparts. While unemployment was a prevalent issue in countries such as Germany, the Netherlands, Austria, Finland, Belgium and France, the percentages of unemployed were notably inferior to those found in the ‘debtor cluster’ of Southern Europe. Absolute numbers were not as worrying as the perception that the working conditions and the jobless rate were rapidly deteriorating. Other macroeconomic indicators such as the GDP, the balance of payments, sovereign debt levels and the Consumer Price Index (CPI), suggested that Northern European countries were able to stay relatively immune to the crisis when compared to their Southern European neighbours. Overall, there was a notable difference in the extent of the consequences of the Great Recession and the Eurozone crisis with regards to two clusters that had opposing sets of interests. Macroeconomic data suggested that the Southern periphery had experienced the economic crisis more intensively than their Northern European counterparts. Likewise, the political consequences of the crisis were significantly different. Indicators of democratic performance suggested that citizen’s attitudes towards their political institutions had quickly deteriorated in the post-2008 period in the ‘debtor countries’, while they remained largely stable in Northern Europe.

In terms of data, this paper has used the Eurobarometer survey data on the trust citizens displayed towards key national political institutions such as government, parliament and political parties.³ Using results from 2003 to 2013, Figures 1 illustrates the average increasing levels of mistrust for these political institutions in debtor countries (Southern Europe or PIIGS) and in creditor countries (Northern Europe), respectively.

[Insert Figure 1 about here]

The differences between the two sets of countries with regard to the trust towards their national institutions are visually apparent: the Eurobarometer data suggests that whereas political trust remained stable in Northern Europe, there was a clear increasing trend in mistrust in Southern Europe. In fact, levels of trust for most of the Northern European countries analysed here display equal if not higher percentages than in 2003 while they more than double in Greece, Portugal and Spain.

Furthermore, mistrust was not limited to the executive body, but it was also extrapolated towards parliament and political parties, suggesting an overreaching discontent with the political sphere beyond Easton’s (1975) concept of specific support. Surprisingly, the difference between the levels of trust between the government and parliament appeared to be of very little significance, suggesting that

citizens did not differentiate between the executive and the legislative.⁴ The three indicators behaved similarly despite clear differences in the absolute numbers, where mistrust towards political parties remained highest in both clusters before and after the economic crisis.

3.1. *Institutional Performance*

As indicated above, our first hypothesis (H1) is that political mistrust may be caused by variations in the effectiveness or performance of institutions, that is, how credible and successful the executive and the legislative body are in formulating and delivering political outputs (WGI, 2014). According to this logic, if citizens perceive a high quality of policy formulation and implementation they will continue to trust their national institutions. Bouckaert et al. (2002, p. 52) refer to this claim as the micro-performance hypothesis, where government performance measures both ‘the performance of politicians and the performance of government agents’. Empirical evidence seems to corroborate the relationship between institutional performance and political trust. For example, DeHoog, Lowery, & Lyons (1990) find that government efficacy is key to understanding citizens’ satisfaction with government at the local level whereas Glaser & Hildreth (1999) argue that governmental performance is essential to endure citizens’ willingness to pay taxes, that is, to maintain institutional trust.

To recapitulate, our expectation is that there will be a significant relationship between the perception of institutional performance and political mistrust, especially in Southern European countries where the variation in political attitudes has been greatest. In other words, we hypothesize that the economic crisis has led citizens to perceive that their governments are less effective in delivering policies and services and that, as a result, these institutions cannot be trusted. In order to examine such claim, we turn to the World Governance Indicator of institutional effectiveness as described in section 2.

Figure 2 illustrates the overall correlation between the levels of mistrust towards the parliament and the perception of effectiveness for the two clusters, the so-called Southern ‘creditor countries’ and the Northern ‘debtor countries’, where a distinction is made for the years previous to the crisis (2003-2007) and after (2008-2013), so as to account for any significant differences. While there is no attempt to establish any causal relation with this data, Figure 2 illustrates that for the Northern European cluster, high levels of mistrust towards the parliament are associated with low levels of institutional performance. Since these countries did not arguably undergo any significant changes with the economic crisis, we observe that the fit lines remain roughly the same before and after the crisis.

[Insert Figure 2 about here]

The results for the ‘creditor cluster’ are significantly different. Two distinguishable trends can be identified before and after the crisis, but although the fit line indicating the correlation is steeper in the years after the Global Recession, the relationship remains less clear than in the ‘debtor countries’. The perception of government effectiveness in the ‘PIIGS’ countries does not seem to be very strongly correlated with trust towards parliament. Moreover, the finding suggests that in Southern European countries this relationship is empirically weak. The coefficient of institutional performance is insignificant when analysing the clusters separately and has no significant impact in predicting changes in political mistrust (See Table 1) when analysing the fixed effects of both clusters together.

As a matter of fact, these results contradict our initial hypothesis (H1) that the effective deliverance of political outputs strongly affects political attitudes. Counter-intuitively, citizens’ do not appear to be punishing institutions based on the perception of their performance and we are led to conclude that changes in the perception of institutional performance cannot explain short-term variations in political mistrust in Southern Europe.

One possible explanation as to why institutional performance cannot explain changes in political mistrust in Southern Europe may be the ability that citizens have to hold their political institutions accountable for the management of the economic crisis and its consequences. Research on ‘economic voting’ suggests that inconsistent results of cross-national studies have a lot to do with the ‘clarity of responsibility’, that is, the extent to which the incumbents, or in this case institutions, are perceived as being responsible for the changing macroeconomic conditions (Powell and Whitten 1993; Hobolt & Tilley 2014). The absence of actors with well-defined responsibility for the worsening of socioeconomic conditions undermines the mechanism citizens have to reward or punish politicians or elected representatives according to expected outputs. The difficulty of making institutions accountable explains why mistrust is channelled towards all political institutions regardless of individual performance (Mair 2009). In short, political mistrust is projected indiscriminate when the actor responsible for the political output is not correctly identified but also when a credible alternative cannot be elected.

In the case of Southern Europe, being subject to strict European norms and policy recommendations was an argument that was sometimes used by incumbents as a means of exonerating themselves (Vasilopoulou *et al.* 2013; Sacchi 2014 & Afonso *et al.* 2014). Budget cuts and structural reforms in creditor countries were presented to the electorate as inevitable measures to maintain a balanced budget and remain part of the EU (e.g., Greece). Therefore, citizens were not only presented with ambiguous information as to who was responsible for the worsening macroeconomic conditions, but were also presented with no alternatives to the incumbent’s austerity programmes. In fact, this line of argument resonates with Anderson’s (2000) study on how the political context can affect ‘economic

perceptions and vote intention’, namely through (1) clarity of responsibility and (2) clarity of available alternatives.⁵

We thus argue that the political context acts as an explanatory factor for the weak relationship between institutional performance and trust. First, those responsible for the crisis were not easily identifiable and thus accountability mechanisms were ineffective in punishing those responsible and electing credible political alternatives, leading to widespread mistrust across the entire political sphere. Second, the similar response from both right and left wing parties to the crisis strengthened the perception that there was a lack of alternatives within the current system, seemingly contributing to lower levels of trust. In that regard, it would be logical that macroeconomic conditions such as unemployment, inflation or government debt would be a better suiting indicator for political mistrust.

In order to explore the alternate hypothesis (H2) the following section will analyse the effects of macroeconomic performance indicators.

3.2. Economic Performance

Our second hypothesis (H2) is that political mistrust may be caused by changes in macroeconomic conditions. As we observe that changes of political attitudes coincide with the worsening of the global and European crisis, and that institutional performance appears not to be strongly correlated with political mistrust, we now turn to macroeconomic variables, in particular unemployment, to see whether there is any causal relationship. This second hypothesis is in line with recent empirical research (Roth, Nowak-Lehmann & Otter 2013; Morlino and Quaranta 2014), where unemployment levels appear to be closely related to the changes in the trust towards the main political institutions since 2008 in the EU. The underlying theory behind this hypothesis holds close parallelisms with studies of ‘economic voting’. According to this punishment-reward framework, growing levels of political mistrust would be the result of citizens’ unmet expectations with the perceived macroeconomic performance. In a nutshell, higher unemployment levels would generate higher rates of political mistrust.

Figures 3 and 4 illustrate the changes in trust towards the parliament, the unemployment levels for each country and the institutional performance rank, so as to provide an overall picture of each of these trends. Moreover, figure 5 illustrates those same variables conglomerated for each of the two clusters. As opposed to the previous results, we find that unemployment behaves in a very similar manner to the changes in trust towards institutions, in particular from 2008 onwards. This is of course the case for the ‘debtor countries’, as little variation can be observed from the Northern European cluster.

[Insert Figures 3, 4, and 5 about here]

Regression analysis further supports the robustness of these results, as illustrated in Table 1. In order to account for the fixed effects of changes in unemployment on political mistrust we have controlled for other macroeconomic variables as well as institutional performance. Both clusters as well as the fixed effects from running panel data regressions indicate a strong positive impact of unemployment on mistrust towards parliament, that is, on political mistrust. Although other macroeconomic indicators such as inflation or GDP per capita also prove significant in the main regression, unemployment clearly remains the strongest indicator for both clusters.

[Insert Table 1 about here]

Thus our analysis produces results that corroborate existing research on the empirical correlation between unemployment and trust towards parliament. Variables that measure economic performance are significantly more relevant in describing changes towards political attitudes than perceptions of institutional performance. While it would be an oversimplification to assert that economic variables can explain mistrust without taking into account other perfectly compatible institutional performance explanations such as corruption, we observe that during the period studied unemployment is a far better predictor of mistrust.

The fact that other economic indicators appear to have a smaller effect on political mistrust than unemployment suggests that citizens' trust towards institutions is shaped on the basis of the information they receive from the national economic situation instead of 'pocketbook evaluations', that is, egotropic evaluations on personal finances. Confirming these results, Lewis-Beck and Stegmaier (2007, p. 519) point out that '[i]n the overwhelming majority of studies, researchers have found that instead of emphasizing on personal finances, votes are much more likely to be considering the national economic situation when casting their vote'. This type of sociotropic evaluation could also serve as a framework to understand the formation of institutional trust beyond the punishment of the incumbent, especially under dire economic circumstances such as economic depressions.

Although some studies have concluded that the weight of unemployment, as opposed to other macroeconomic variables, is relatively 'modest' (Clarke et al. 1992), our results side with scholarly literature that has found that 'there is a major role for macroeconomic conditions in shaping confidence in democratic institutions [...] through the effects of unemployment' (McAllister 1999, p. 189). This further suggests that unemployment becomes a key determinant of trust during economic depression or when its levels reach a certain point. To sum up, we find that sociotropic evaluations of

the national economy (unemployment in particular) become the main explanatory variable of political mistrust in times of economic crisis for Southern European cases.

4. Conclusion

This paper has examined the sources of political mistrust in Western Europe before and after the Great Recession. Prior to the collapse of Lehman Brothers, continental levels of mistrust were remarkably stable. After 2008, it was possible to trace an important variation between Southern and Northern clusters of EU member states. The combined effect of the Great Recession and the Eurozone's debt crisis was especially hard-felt in the Southern periphery of the EU, which struggled with austerity measures and structural reforms in an attempt to regain competitiveness and market confidence from 2009 onwards. Europe's internal disparity between creditor and debtor countries was due to the fact that the 'economic crisis' was not one and the same for everyone. Besides being a multi-level crisis of global, regional and national dimensions, the crisis was multifaceted and its impact on each country's sovereign debt, banking system and economic growth was also different. Needless to say, country-level causes of the crisis – from housing bubbles to structural deficits – also accounted for the inner disparity.

In order to explain variation in political mistrust, this paper has sided with the scholarly view that privileges short-term explanations of mistrust, as opposed to arguments that explain trust as a function of longstanding processes of political socialization. The paper rejected the so-called cultural model early on because one of the assumptions of this approach is that political attitudes change in the long-term and, as result, this approach could not account for short-term variations caused by the economic depression. Instead, the paper focused on two variants of the performance model. More specifically, the paper tested two hypotheses that connected political mistrust with either institutional performance (H1) or macroeconomic performance (H2). Another important research choice was to identify the Eurozone as a conglomerate of countries in which we could examine the role of an external shock (e.g., the Great Recession) in creating distinct clusters of countries (debtors vs. creditors) and producing different levels of political mistrust.

The initial expectation of the paper was that different levels of trust (dependent variable) could be affected by the efficiency and responsiveness of political institutions to the economic crisis. We originally anticipated that effective and responsive political institutions that provided the general public with policies and goods they desired would have a positive impact on citizens' evaluation of these institutions. Similarly, we expected governments that neglected the electorate's preferences while insisting on fiscal austerity and structural reforms to alienate the public and implement self-defeating policies. This initial argument was both intuitive and plausible but our research findings

suggested that, contrary to what political scientists may expect of an efficient principal-agent relationship, institutional performance is a less relevant independent variable than macroeconomic performance in predicting political mistrust. In the analysis we also discussed clarity of responsibility, that is, the extent to which citizens' are able to identify the responsible agents of the economic situation and thus trust or mistrust institutions accordingly, as an intervening variable that could explain such unexpected results.

The paper has shown that unemployment may be considered the worst enemy of democracy. In times of want individual citizens get first-hand experience of the economic crisis in the form of declining disposable income, lower social mobility, rising inequality and, above all, joblessness. However, it appears to be the case that individuals' negative perception of the national economy (sociotropic evaluations) greatly affects political opinions and eventually produces a critical assessment of political institutions as ultimately responsible for the dire economic situation. The unemployment rate accurately predicts the increase of mistrust but it is unclear that a causal mechanism connects employment growth and decline of mistrust. In other words, more jobs may not mean more trust. And yet, our hypothesis about macroeconomic performance anticipated the increase of political mistrust in Southern Europe whereas institutional performance did not.

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List of Tables

Table 1. Set of Regressions on Mistrust toward Parliament (dependent variable). 1- Fixed Effects, 2 & 3 using LSDV for each one of the clusters.

| VARIABLES | (1) Fixed Effects | (2) Debtors-LSDV | (3) Creditors-LSDV |
|--------------------|----------------------|---------------------|-----------------------|
| Gov. Effectiveness | -0.305 (0.273) | -0.588 (0.406) | 0.479 (0.389) |
| Unemployment | 2.343*** (0.304) | 1.305** (0.578) | 2.803*** (0.964) |
| Growth GDP-PPP | 0.0426 (0.280) | -0.194 (0.595) | 0.722* (0.420) |
| Government Debt | 0.173 (0.215) | -0.0643 (0.282) | 0.0565 (0.754) |
| Inflation | 2.148** (1.002) | 2.285 (1.556) | 2.243* (1.311) |
| Constant | 60.06** (24.43) | 92.28*** (27.50) | -11.24 (36.62) |
| Observations | 99 | 45 | 54 |
| R-squared | 0.774 | 0.868 | 0.883 |
| Adj. R-squared | 0.704 | 0.784 | 0.822 |

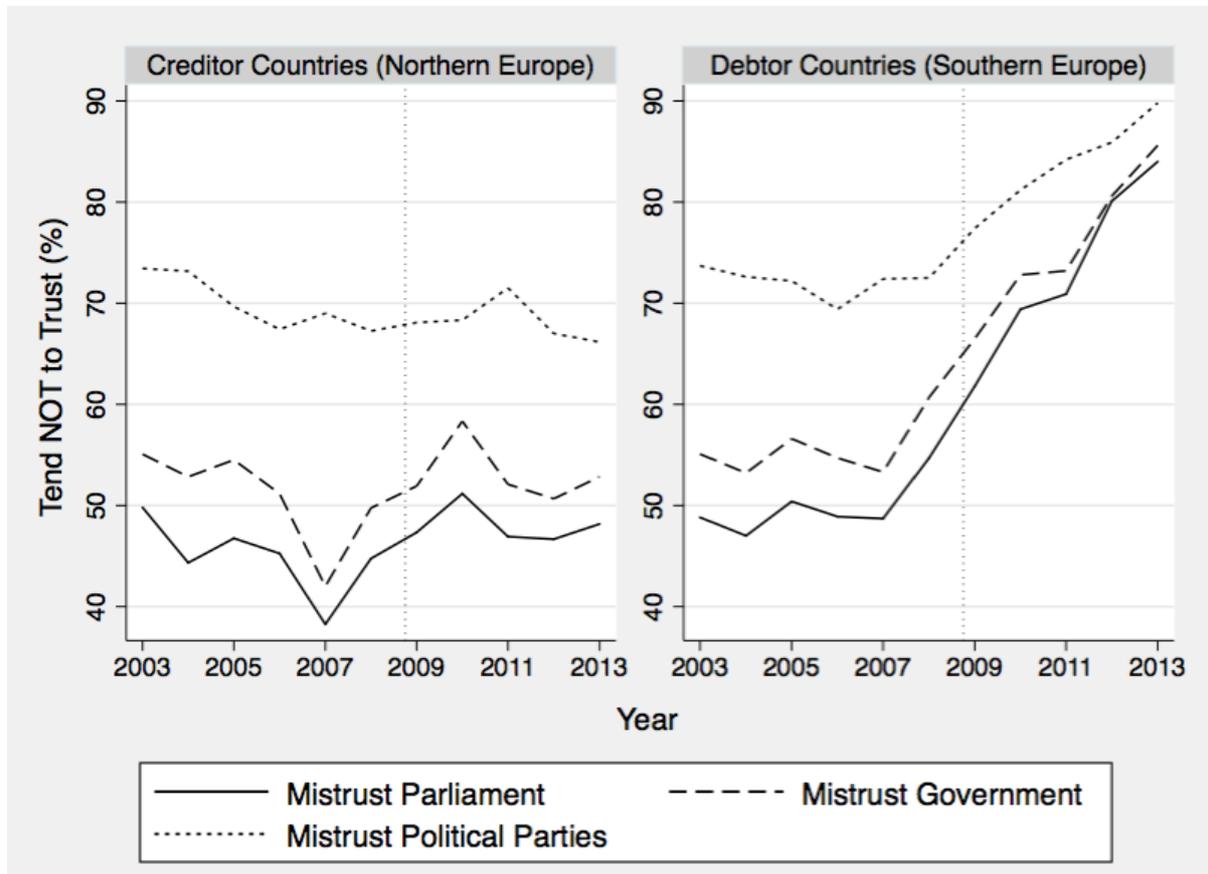
Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: A Hausman test showed that a Fixed Effect model was suitable, thus we use Least Squares Dummy Variable regressions (LSDV), controlling for year and country. GDP-PPP stands Growth Domestic Product corrected by Purchasing Power Parity.

List of Figure Captions

Figure 1. Average Mistrust towards Parliament, Government and Political Parties in Creditor vs. Debtor countries, 2003 – 2013. Source: Standard EBs 51-78 and Special EB 71.1.



Note: Creditor Countries (or Northern Europe) are: Austria, Belgium, Finland, France, Germany and The Netherlands. Debtor Countries (or Southern Europe) are: Greece, Ireland, Italy, Portugal and Spain. Multiple observations for the years 2005, 2006, 2007, 2008, 2009, 2011 and 2012 for Mistrust in Parliament are averaged for all similar regressions. The dotted vertical line indicates the start of the economic crisis in September 2008 in all Figures where it is included.

Figure 2. Relationship between ‘Government Effectiveness’ and ‘Mistrust towards Parliament’ in Northern and Southern European Clusters, 2003-2013

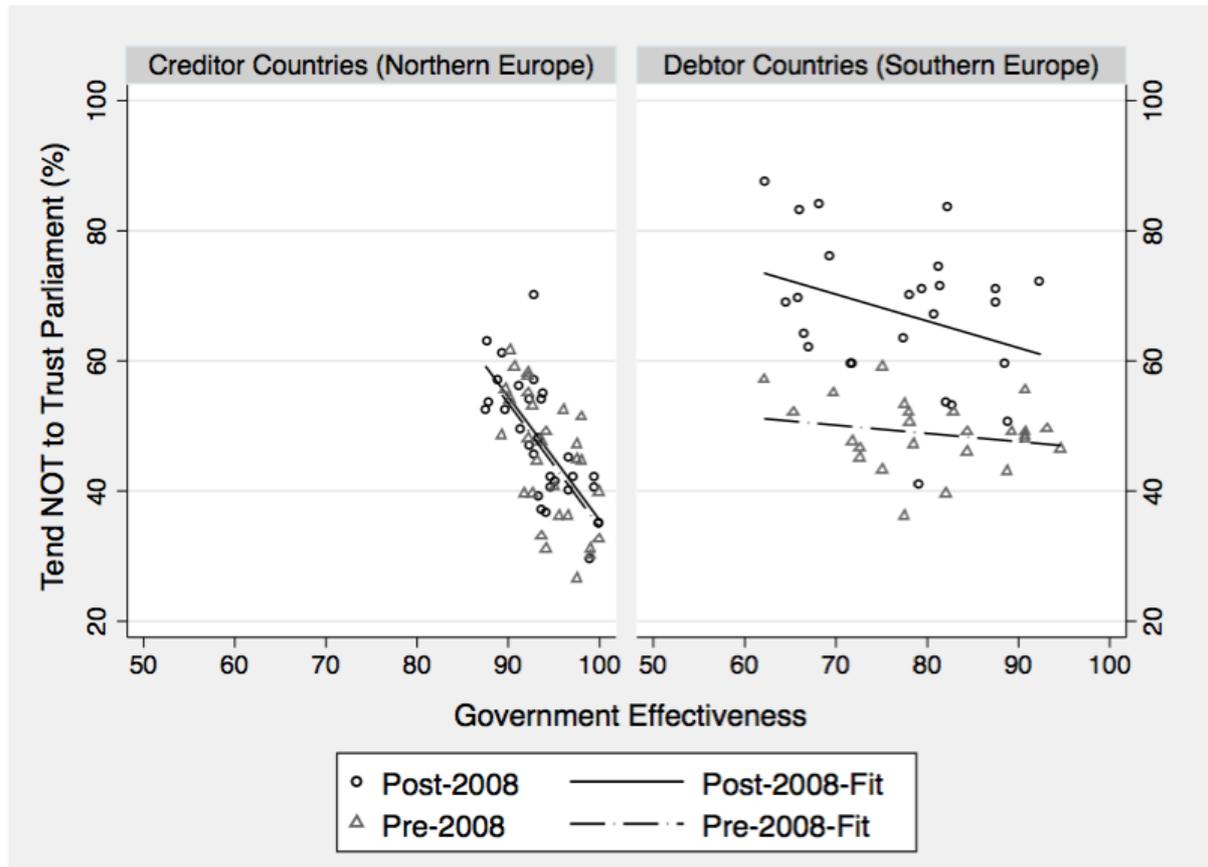


Figure 3. ‘Unemployment’, ‘Mistrust towards Parliament’ and ‘Government Effectiveness’ in Portugal, Italy, Ireland, Greece and Spain (Debtor Countries), 2003 – 2013

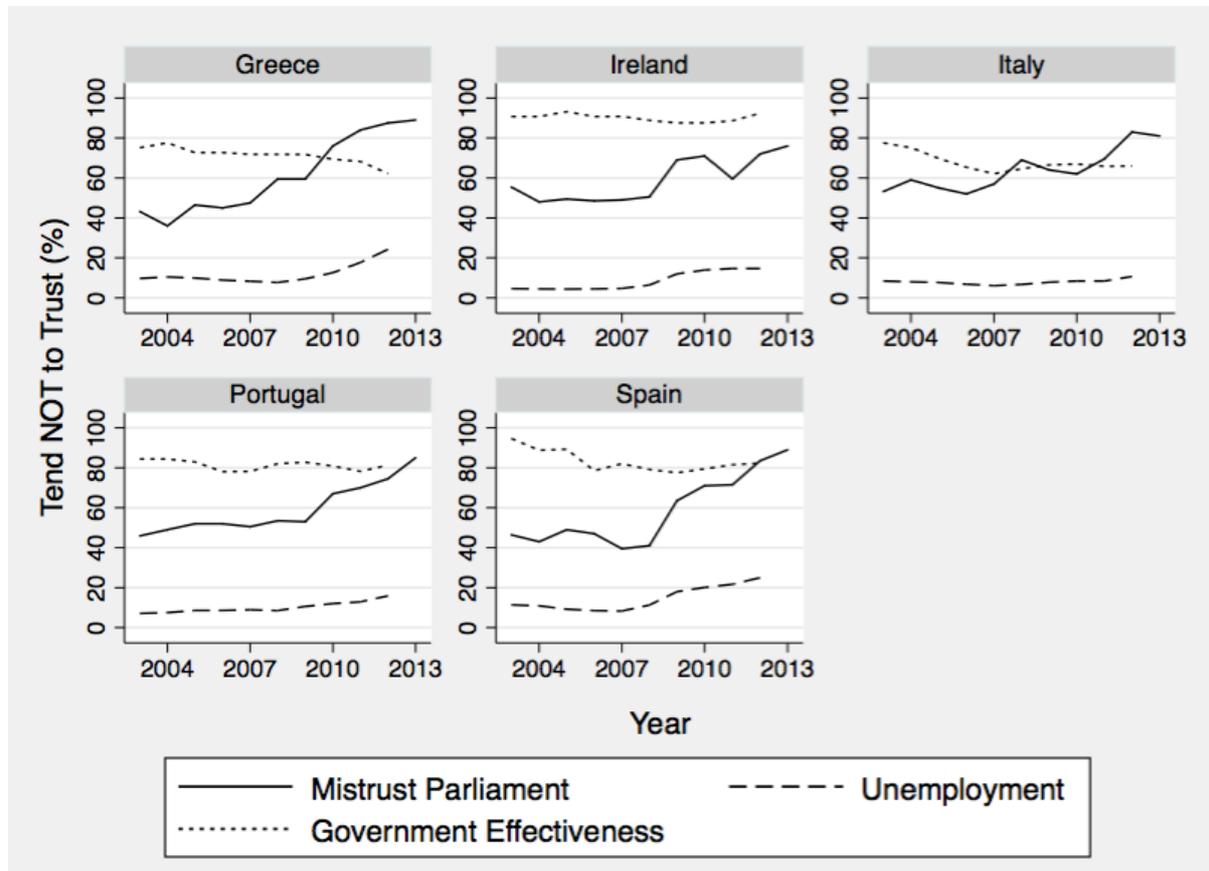


Figure 4. ‘Unemployment’, ‘Mistrust towards Parliament’ and ‘Government Effectiveness’ in Austria, Belgium, Finland, France, Germany and The Netherlands (Creditor Countries), 2003 – 2013

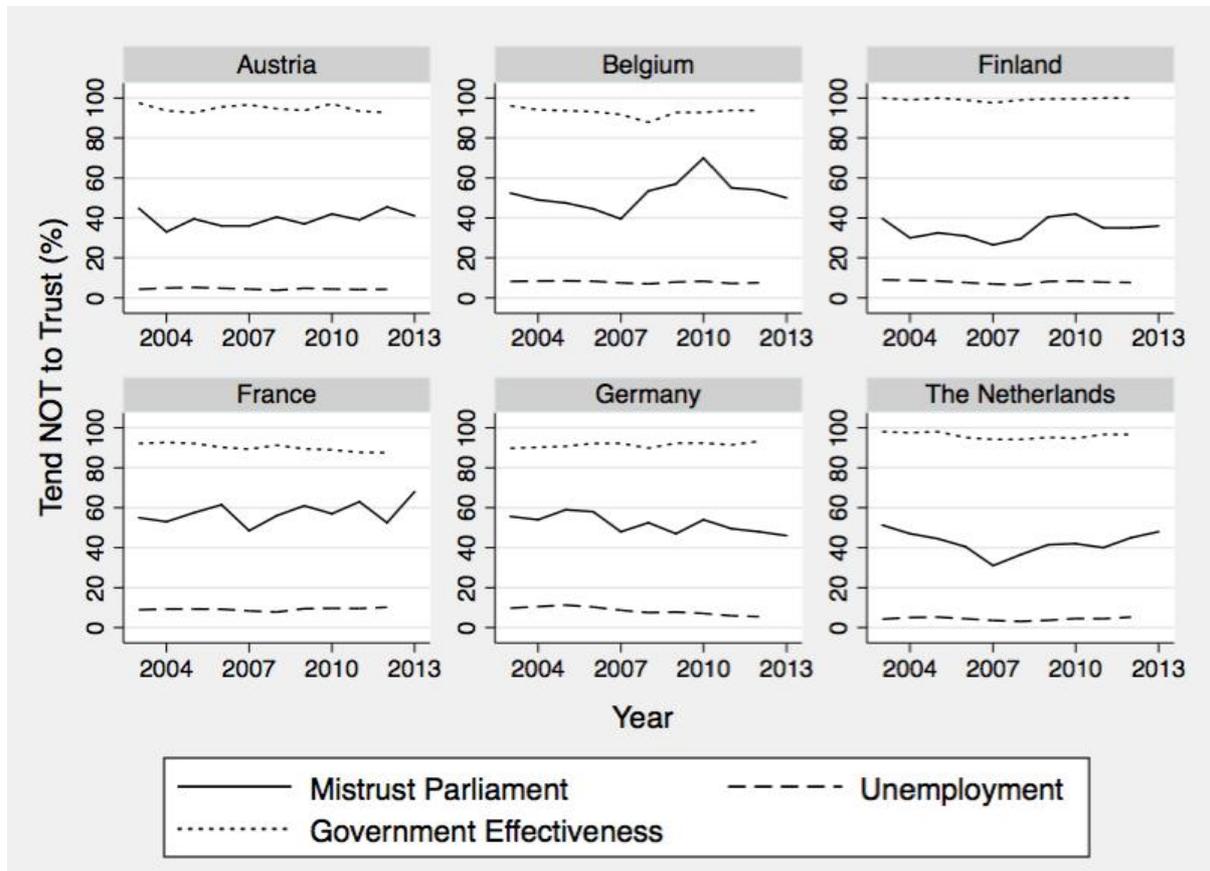
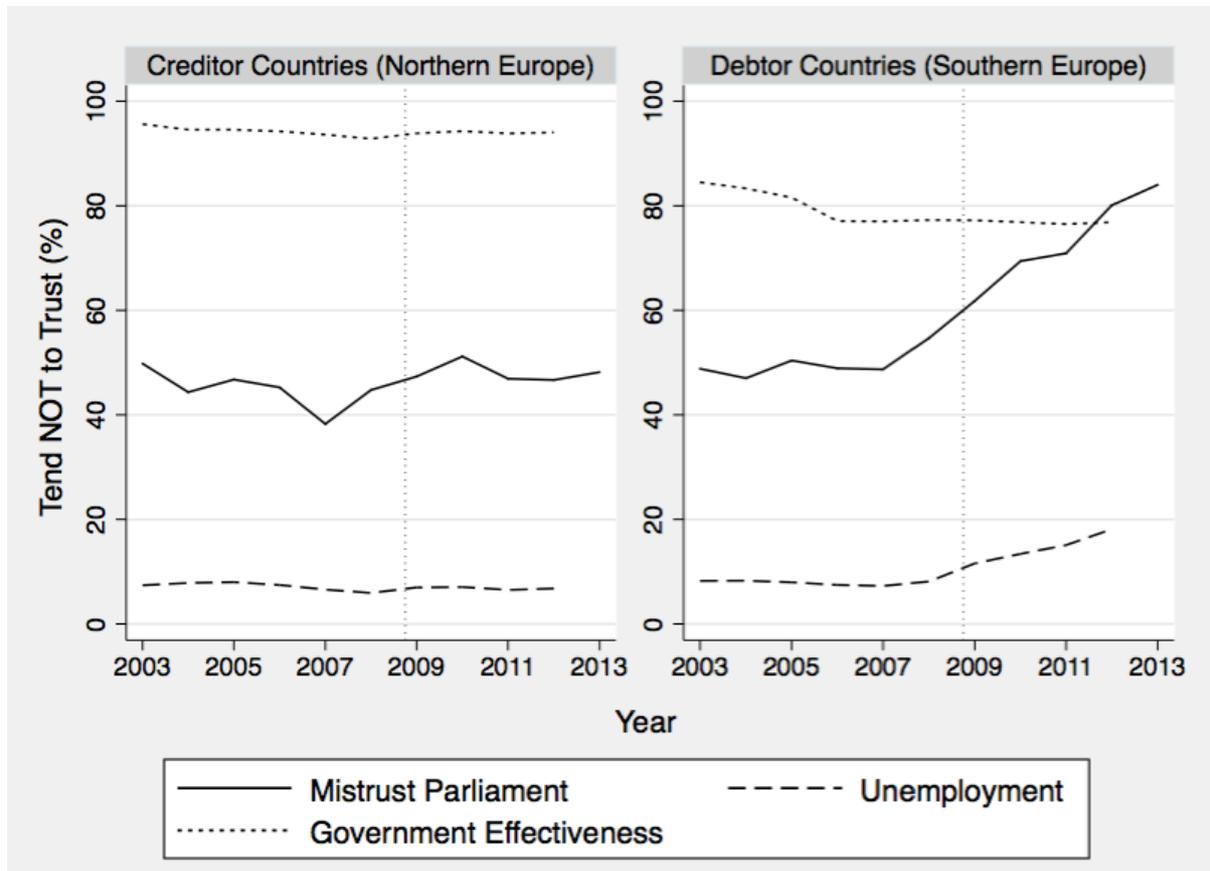


Figure 5. Average ‘Unemployment’, ‘Mistrust towards Parliament’ and ‘Government Effectiveness’ in Northern and Southern European Clusters, 2003 - 2013.



Endnotes

¹ These two models have been given a plethora of different names. For instance, Torcal and Montero (2006a) define it as the performance model as ‘rationalist-culturalist’ and the cultural as ‘traditional-culturalist’. Also see Clarke et al (2009); Newton (2006b); Mishler and Rose (2009) and Pharr and Putnam (2000) for alternative conceptualizations.

² The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996–2012, for six dimensions of governance, amongst them Government Effectiveness, which captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. A comprehensive list of the specific sources within this indicator can be found at: <http://info.worldbank.org/governance/wgi/ge.pdf>

³ Further examination of so-called non-political institutions such as the judiciary or the army suggest that declining trust particularly affects political institutions, where non-political institutions act as some sort of reservoir of trust for citizens. Newton and Norris's (2000) argument that ‘the problem is not a general malaise affecting all, or even many, aspects of modern life, but a specifically political and governmental one.’ (5). Eurobarometer survey results further corroborate this claim as average mistrust towards the army in the Southern European countries only increases from 24% to 28% from 2003 to 2010. In the case of Northern Europe, mistrust decreases by 8% from 28% to 20% in the same time period. For the judiciary, the levels are slightly higher, increasing in Southern Europe from 43% to 58% and in Northern Europe decreasing from 45% to 39% in the same time period. Overall, the change in mistrust appears insignificant when compared to the changes in trust towards political institutions.

⁴ Although conceptually this could be problematic in the distinction between political disaffection and specific support, the analysis and results would not be affected, as trust is effectively lower for all political institutions.

⁵ Anderson (2000) further suggests that the governing party target size is also a good indicator, however, this renders irrelevant for the study of trust, as it is not only targeted towards the incumbent party.