

# The Eurozone Crisis and Its Effects on Citizens' Trust in National Parliaments

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**E**U and national policy-makers should realise that the continuing crisis in the eurozone is inflicting not only severe economic costs but also significant political costs, as a consequence of the way in which the crisis has been handled. There is clear evidence that citizens' trust in democratic institutions, in particular national parliaments, has been severely shaken.

By focusing solely on how to avoid a sovereign default in order to protect the European (here in particular German and French) banking sector, policy-makers have caused severe damage to democratic and political stability in the periphery countries, as underlined by the current crisis in Ireland. The country's leadership has risked the future of its citizens by bailing out its 'private' sector banking industry with 'public' money. To put the situation in the proper perspective: the country had a government debt-to-GDP ratio of approximately 25% before the financial crisis and is likely to end up having a ratio of approximately 98% at the end of 2010. The permissible corresponding figure under the Maastricht criteria is 60%. Moreover, the Irish budget deficit will reach about 32% of GDP this year, which is more than 10 times the limit for euro members under the Maastricht criteria and compared with a government projection of 11.6% in December 2009.

Common sense suggests that the current situation in Ireland might provoke severe social and political instability.

But how did the financial/eurozone crisis affect citizens' trust in the parliaments in the four periphery countries – Spain, Greece, Ireland and Portugal – that were the most severely hit? Using data from the Standard Eurobarometer trends, it is possible to answer this question. As trust trends are best visualized by net trust measures (the percentage of citizens who trust minus the percentage of citizens who mistrust), Figure 1 shows the trends in net trust in national parliaments for the four periphery countries. Alarming, three out of the four periphery countries (Ireland, Spain and Greece) have reached net trust levels of -50%. This implies that less than a quarter of the population

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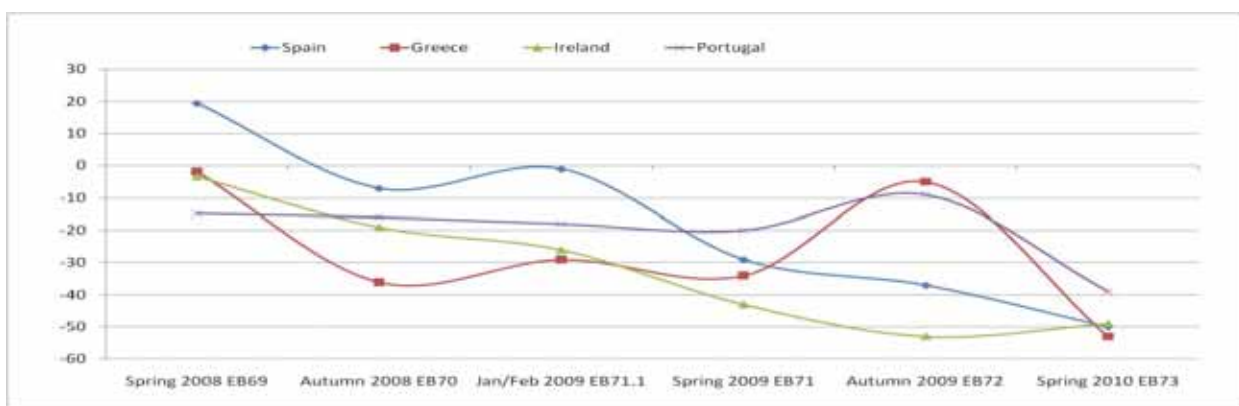
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still trusts their own parliament and approximately 70% do not trust it anymore. By way of comparison, net trust levels in the European Parliament range from -2% in Greece to +23% in Ireland. Thus the overall level of trust in the European Parliament remains significantly higher than in the national parliament.

The biggest drop occurred in Spain, where the population had previously revealed in the spring of 2008, i.e. before the Lehman bankruptcy, a high net trust level (+20%) in its parliament. At the present level of -50%, the overall change in less than three years has been over 70%. Net trust in the Spanish national government has dropped even more dramatically by 76%, from +20 to -56%.

In Portugal the decline in trust has been less severe (with a total drop of 25%), as the pre-crisis level of net trust was already -15, but the level reached now – a net trust of -40% – still indicates that less than a third of the population trusts its own parliament. The overall drop in both Greece and Ireland is still as high as 50%, with a temporary increase around the last elections, but the population does not seem to approve how its parliament has handled the crisis until early 2010.

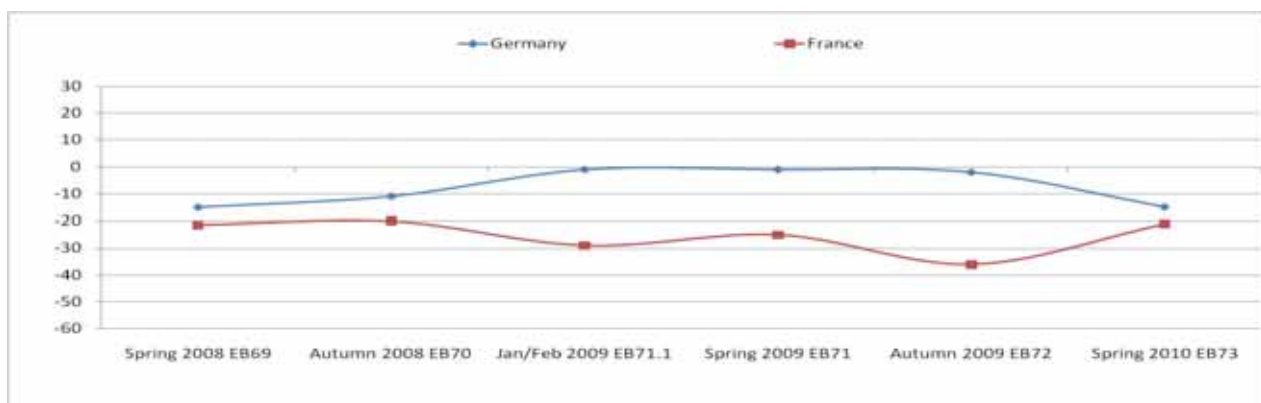
Figure 1. Net trust trends in the national parliaments, eurozone periphery countries



Source: Standard Eurobarometer, Nos 69-73; Special Eurobarometer, No. 71.1.

For purposes of comparison, Figure 2 depicts the trust trends in the two large centre economies Germany and France. In contrast to the four periphery countries, Germany's net trust levels in the national parliament have returned to the same level as before the financial crisis in spring 2008. Before the crisis, trust in the national parliament has been lower in Germany than in the peripheral countries, and it is now much higher. Similarly to Germany, net trust in France has remained at the same level as before the crisis and has reached a significantly higher level of trust than the periphery countries.

Figure 2. Net trust trends in the national parliament, Germany and France

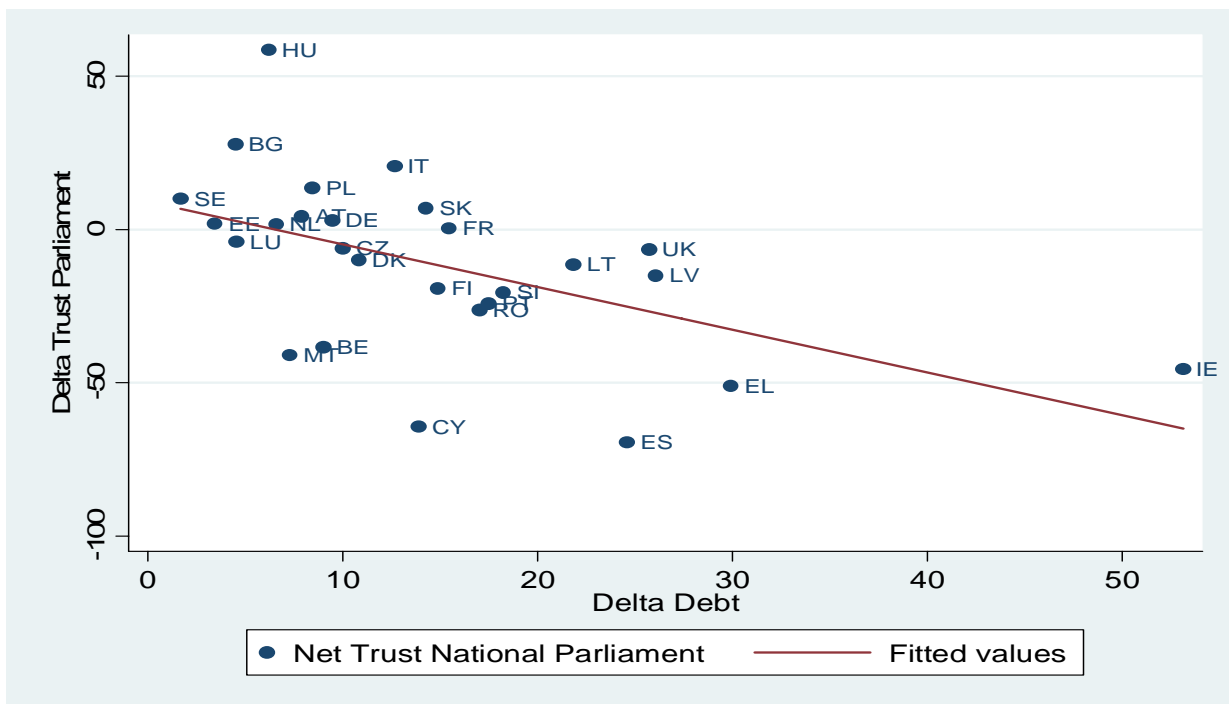


Source: Standard Eurobarometer, Nos 69-73; Special Eurobarometer, No. 71.1.

Could it be that these trends in growing mistrust in EU national parliaments follow a common pattern? Could it be that the increase of debt over GDP in the EU27, strongly attributable to the bail-out of ‘private’ banking debt by ‘public’ money, has shattered citizens’ trust in the democratic structures of their countries and in their national parliaments?

Figure 3 gives a first empirical validation to this argument. It shows a scatter plot between the increase of debt over GDP from 2008 to 2010 and the decrease of citizens’ net trust from spring 2008 (Standard EB68) to May 2010 (Standard EB73).

Figure 3. Changes in debt over GDP and net trust in national parliaments, EU27



Source: Standard Eurobarometer, Nos 69-73; Special Eurobarometer, No. 71.1 and the AMECO.

Thus the European and national policy-makers’ strategy of the three no’s – no bail-out, no default and no exit – seems to threaten political stability in the European periphery countries where citizens have lost trust in both national parliaments and governments.