CEPS COMMENTARY
Thinking ahead for Europe

Opinion polls support a more European approach to the crisis

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Citizens hold their governments accountable for economic growth and employment – the adage of Bill Clinton: "It's the economy, stupid!" remains in effect. Recent opinion polls show that financial crisis has thoroughly damaged the confidence of citizens in their political institutions and that the public's trust in national governments and parliaments is at an historical low. What is interesting about recent Eurobarometer surveys is the finding that confidence in European institutions, although also declining, is still much higher **than in** national institutions, and that a growing number of European citizens, 79% in the recent poll, think that policy coordination should be shifted to the European level. This stands in contradiction however, with the actual response by national policy-makers to the crisis, where we see hesitation or even reluctance to transfer more powers to the European level.

The events of recent weeks in the financial markets have reminded us that we are, four years after the start of the financial crisis in August 2007, not yet out of the woods. The financial crisis was first transformed into an economic crisis and then into a sovereign debt crisis. Trust evaporated, first in the banking sector, with the first 'bank run' for over 100 years in the UK in September 2007. Then the phenomenon spilled over into the real economy, with massive delays in investments starting from the end of 2008. And now we witness the incapacity of government, or some at least, to meet their debt obligations. As for what is driving the current correction in the stock markets, other than the crisis of public finances in the US and the eurozone, is anyone's guess, given the positive global economic outlook and the strong half-yearly figures of many corporations.

Polls should be valued for what they are worth, but the European polls that are organised through Eurobarometer may not be sufficiently appreciated. These polls, systematically conducted since 1973, survey the views of a representative sample of approximately 1,000 citizens in each EU member state (plus the five states with which accession negotiations are imminent), and are weighted by the size of the country for EU averages. The results of the latest Eurobarometer (EB 75), published on August 5th, were collected in May this year.

The latest poll confirms the trend of all those conducted since the start of the crisis. Confidence in all governments is down, but it is still significantly higher in European than in national institutions within the EU. This is surprising, because the response to the financial

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crisis lay primarily with the member states, in the form of support to banks and fiscal stimuli. Although there was an improvement in early 2009 in citizens' trust in national institutions, this was only temporary. The factors that led to a decline in public confidence are rising unemployment and public debt. A strong correlation is found between the level of support to the banking sector, rising national debt and dwindling confidence in government.[1]

What is remarkable is that the recent poll reports that, more than ever before, citizens believe that the solution to the crisis resides in greater coordination of economic policies among the EU member states. For the euro area, the number expressing this viewpoint even exceeds 4 out of 5 (or 83%) of the respondents. Also there is a strong, growing support (77% of respondents) for a stricter supervision of EU financial institutions. And Germany and the Netherlands are not outliers in this survey, but rather hover around the European average, contrary to what some media or politicians would have us believe. Countries with the lowest scores are, as expected, the United Kingdom and Sweden.[2]

What we have witnessed from the financial and economic crisis is a diminishing relevance of the EU, or a growing inability to formulate a coherent, European-wide response. European governments are clearly trying to make a 'comeback' against the EU. The Eurobarometer survey is a clear indication of support for European institutions to even more aggressively take the lead, and not wait for the agreement of some States. Yet, the only European institution that is doing this now is the European Central Bank. The irony of the situation is that the stronger seizure of power by national governments, combined with their increasing inability to effectively respond to the economic problems, will lead to greater support for populist governments that are even less in favour of a more European approach.

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[1] See the CEPS Working Document, "Has the financial crisis shattered citizen's trust in the national and European governmental institutions? – Evidence for the EU from 1999-2010", by F. Roth, F. Nowak-Lehmann D. and T. Otter, February (http://www.ceps.eu/book/has-financial-crisis-shattered-citizens%E2%80%99-trust-national-and-european-governmental-institutions-).

[2] See http://ec.europa.eu/public_opinion/archives/eb_arch_en.htm