

# Trust in the EU in CESEE:

## Did the Crisis and EU Integration Have an Impact? Evidence from the OeNB Euro Survey

*The economic and financial crisis of 2008–09 and the ongoing sovereign debt crisis since 2010 have undermined EU citizens’ trust in national and European government institutions in many European countries. Against this background we look at trust in the EU in Central, Eastern and Southeastern Europe (CESEE) on the basis of results obtained from the OeNB Euro Survey. While we find that trust in the EU differs largely across the CESEE countries of the sample, the results are broadly comparable to average levels obtained for euro area countries over the same period. A comparison of pre-crisis and post-crisis levels of citizens’ trust in the EU reveals a certain divide: While trust in the EU declined significantly in the EU Member States of the sample during the sovereign debt crisis, an increase was found for most of the non-EU countries over the same period. A number of major EU integration steps in the latter group of countries may explain this increase. We conclude that prudent communication policies remain key in fostering not only citizens’ general trust in European institutions, but also their understanding of necessary policy measures both in normal times and in particular in crisis times.*

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According to Nobel laureate Kenneth Arrow, trust is an asset. “Without trust, cooperations break down, financing breaks down and investment stops. [...] if there is no trust, there is no progress” (Arrow, 1972). Sapienza and Zingales (2012) present survey evidence for the U.S.A. showing that the global recession following the collapse of Lehman Brothers was inter alia caused by a sharp loss in trust in the financial sector and the economic system in general. Against this background, it is of crucial importance to European policymaking that the citizens of Europe have sufficient trust in EU institutions. A lack of trust may have negative repercussions for European integration as a whole. For the (potential) candidate countries trust in the EU is essential given their strong economic links with EU Member States, their EU integration perspective and the important role of the euro in the region. Therefore, their political and economic future cannot be seen separately from EU policies.

The economic and financial crisis of 2008–09 and the ongoing sovereign debt crisis since 2010 have undermined EU citizens’ trust in national and European government institutions in many European countries, in particular in the euro area periphery countries which have been most exposed to the crisis, i.e. Greece, Ireland, Portugal and Spain (see Roth et al., 2011). Roth et al. (2011) find that declining trust in the EU can be mainly explained by the deteriorated economic environment during the crisis.<sup>2</sup> Furthermore, citizens’ perception of poor crisis management by the European institutions may have also played a role. The lack of tools to address systematically macroeconomic imbalances as well as the political

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<sup>2</sup> Unemployment and debt over GDP are found to be the central explanatory variables for declining trust in EU institutions during the crisis period (see Roth et al., 2011).

“muddling-through approach” have called into question the capability of the EU to come up with sustainable solutions (see European Commission, 2012).

Against this background we look at trust in the EU in Central, Eastern and Southeastern Europe (CESEE)<sup>3</sup> on the basis of results obtained from the OeNB Euro Survey. First, we show the different levels of trust in the EU that can be identified in CESEE and how these levels of trust compare to levels of trust observed in the euro area. To this end we analyze the results of seven waves of the OeNB Euro Survey over the period from 2009 to 2012 and compare them to those obtained from euro area countries, thus putting them into perspective. Second, we make use of the time dimension of the Euro Survey (1) to study whether the sovereign debt crisis has affected citizens’ trust in the CESEE region and also (2) to analyze the survey evidence against the background of Croatia’s upcoming EU accession and a number of important integration steps made by other countries of the sample. Third, we explain what “trust in the EU” actually measures by reporting correlations of *trust in the EU* with other variables measuring trust, economic sentiment and expectations from the OeNB Euro Survey. Given our particular sample of countries and the role of the euro as a safe haven currency in some of these countries, we specifically look at the relationship between trust in the EU and trust in the euro. Finally, we present socio-demographic breakdowns to understand which groups of the population tend to support the EU.

## 1 Levels of Trust in the EU Differ Substantially across CESEE but Are Largely in Line with Euro Area

Since spring 2009, the OeNB Euro Survey<sup>4</sup> has contained a question on respondents’ trust in the EU. The wording of this question is as follows: “I would like to ask you a question about how much trust you have in certain institutions. Please tell me on a scale from 1 (trust completely) to 5 (do not trust at all) whether you trust the European Union.” Chart 1 shows the percentage of respondents who answered that they trusted completely or had some trust in the EU in seven survey waves from spring 2009 to fall 2012.<sup>5</sup>

The levels of trust measured by the OeNB Euro Survey differ substantially across CESEE countries. Among the EU Member States of the sample, the lowest average trust levels (just below 30%) over the observation period are found for Hungary and the Czech Republic. Higher levels are registered for Poland and Romania. In Bulgaria, almost half of the respondents answered that they completely or somewhat trust the EU. Among the respondents in candidate and potential candidate countries, Albanians by far have the highest level of trust in the EU, followed by respondents in FYR Macedonia and Bosnia and Herzegovina. Low levels of trust in the EU can be found for Croatia and Serbia.

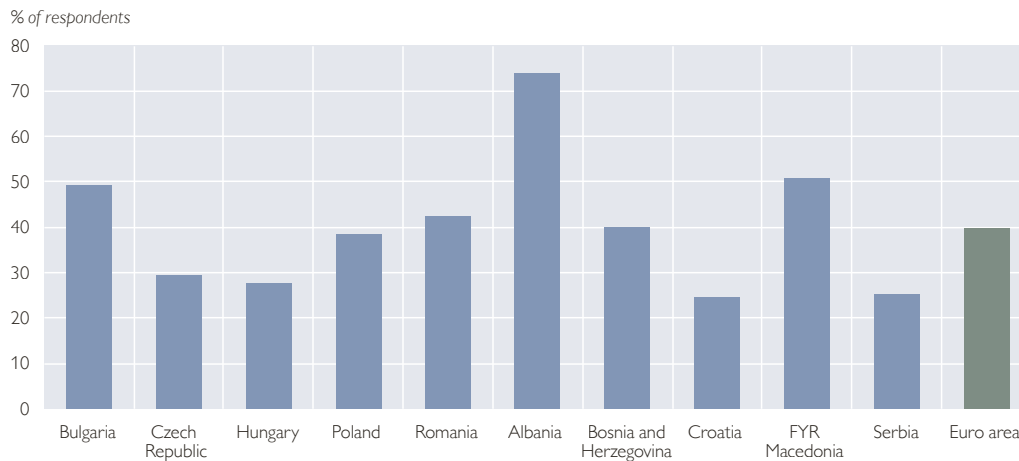
<sup>3</sup> The country sample covered by the OeNB Euro Survey comprises five EU Member States (Bulgaria, the Czech Republic, Hungary, Poland and Romania) and five (potential) candidate countries (Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia and Serbia).

<sup>4</sup> The OeNB Euro Survey is carried out twice a year (consisting of a spring wave and a fall wave). The survey typically provides evidence on the use of the euro in the countries covered, including households’ foreign currency (euro) cash holdings, savings deposits or foreign currency loans, their motives as well as on households’ economic sentiment. For a detailed description of the OeNB Euro Survey, see Dvorsky, Scheiber and Stix (2008).

<sup>5</sup> Results available on [ceec.oenb.at](http://ceec.oenb.at)

Chart 1

## Trust in the EU



Source: OeNB Euro Survey 2009–2012, Standard Eurobarometer 71–78.

Note: Respondents of the OeNB Euro Survey were asked “I would like to ask you a question about how much trust you have in certain institutions. Please tell me on a scale from 1 (trust completely) to 5 (do not trust at all) whether you trust the European Union.” Figures show the percentage share of respondents who “trust completely” or “somewhat trust” the EU. Respondents answering “Don’t know” and “No answer” are excluded. Percentages for CESEE countries refer to OeNB Euro Survey data and are averages across seven survey waves. Respondents of the Standard Eurobarometer were asked “I would like to ask a question about how much trust you have in certain institutions. Please tell me if you tend to trust or tend not to trust the European Union.” The entry for the euro area refers to the Standard Eurobarometer 71–78 and represents the population weighted average across eight survey waves. Including Estonia from 2011 onwards.

A comparison of the results on trust in the EU obtained from the OeNB Euro Survey with those of similar surveys carried out in the euro area reveals that the reported trust levels from the CESEE region do not differ largely from those observed in the euro area. The only exception in this context is Albania, where reported trust levels are considerably higher than those found for any of the euro area countries. The European Commission’s Eurobarometer survey, which is carried out twice a year, contains a question on trust in the EU which is broadly comparable<sup>6</sup> to that of the OeNB Euro Survey, asking whether people “tend to trust the European Union” or whether they “tend not to trust” (see European Commission, 2009–2012). The average level of trust in the EU obtained from the Eurobarometer for euro area countries across eight survey waves is largely in line with the levels found for CESEE countries (see chart 1, right-hand bar). Furthermore, there are sizeable differences across countries also within the euro area (see table A2 in the annex).

## 2 What Does “Trust in the EU” Measure and Is It Associated with Other Variables?

The OeNB Euro Survey question on respondents’ trust in the EU refers to the interviewee’s confidence in the “EU as an institution.” Obviously, the scope of the question is rather broad and therefore the variable could measure a wide range of influencing factors.

<sup>6</sup> Comparing results for the countries covered by both surveys, the Eurobarometer and the OeNB Euro Survey, they seem to be broadly in line.

The EU consists of several supranational institutions, i.e. the European Parliament, the European Commission, the European Council, the Council of the European Union, the European Court of Justice, the Court of Auditors and the European Central Bank (ECB). It is unclear whether there are differences in the way respondents view specific institutions.<sup>7</sup> In addition, respondents most likely do not actually think of all these institutions when they answer the question about trust in the EU; on the contrary, they may also associate the EU with the euro or other institutions, such as the International Monetary Fund (IMF). All these factors would, in turn, influence their level of trust in the EU.

## 2.1 Association of Trust in the EU with Trust in National Institutions

Some of the European institutions have clear counterparts at the national level, e.g. national parliaments or national governments.<sup>8</sup> Hence the question arises whether trust in national institutions fosters or hinders trust in the EU. Answers from the literature are ambiguous. On the one hand, analyzing individual-level data, Muñoz et al. (2012) find that trust in national institutions positively influences trust in European institutions, as a result of both an underlying orientation toward institutional trust and the transfer of support for the national government from the national to the EU level (*congruence hypothesis*). This suggests that citizens use their opinions based on domestic information as a proxy for trust at the European level because of limited information on politics at the European level (Roth et al., 2011). On the other hand, at the country level Muñoz et al. (2012) find that the relationship is negative (*compensation hypothesis*): Living in a country with highly trusted (mistrusted) and well-performing (badly-performing) institutions hinders (fosters) trust in the European institutions.

As our sample contains both EU members and nonmembers, these hypotheses cannot be directly applied to all the countries in our sample. Nevertheless, it is very informative to look at correlations between trust in the EU and trust in national institutions; this should also help understand the possible differences between the two groups of countries.

According to the correlations found in the data of the OeNB Euro Survey, trust in the EU is positively correlated with other measures of trust in a range of both public and private institutions. This indicates that all these variables to some extent capture a general propensity to trust or distrust. Looking at the correlations in more detail shows that trust in the EU is correlated both with trust in national governments and trust in national non-policymaking institutions, proxied by trust in the police (see table 1). These findings to some extent support the congruence hypothesis. Interestingly, positive correlations are found not only for the aggregate across countries, but also for each individual country of the sample including those who are not members of the EU. There is a particular strong association of trust in the EU with trust in domestically- and foreign-owned banks, which could be interpreted as a proxy for trust in private institutions.

However, Arnold et al. (2012) show that once country-level characteristics are accounted for, these relationships lose their significance. They demonstrate that

<sup>7</sup> Arnold et al. (2012) find that individuals across Europe evaluate the institutions of the EU through a single attitude dimension of political trust rather than through separate evaluations.

<sup>8</sup> For Euro Survey results on trust in national governments, see chart A1 in the annex.

Table 1

**Correlation Coefficients of Trust in the EU with Other Variables**

	Trust in the EU	Trust in the government	Trust in the police	Trust in domestically-owned banks	Trust in foreign-owned banks	Expect domestic economy to improve	Expect euro to be stable
Trust in the government	0.370						
Trust in the police	0.374	0.554					
Trust in domestically-owned banks	0.452	0.445	0.504				
Trust in foreign-owned banks	0.549	0.392	0.419	0.683			
Expect domestic economy to improve	0.226	0.335	0.250	0.267	0.234		
Expect euro to be stable	0.262	0.104	0.109	0.144	0.190	0.190	
Expected date of euro introduction in years	-0.170	-0.118	-0.125	-0.099	-0.113	-0.146	-0.131

Source: OeNB Euro Survey, 2009–2012.

Note: The figures show the Spearman correlation coefficient. For an explanation of the variables, see table A1 in the annex.

the degree of corruption at the country level drives the relationship between trust in national and European institutions. The authors explain that corruption erodes trust in the national political system and lowers the perceived costs of ceding sovereignty to supranational bodies.

We cannot replicate the in-depth analysis by Arnold et al. (2012) for the OeNB Euro Survey country sample. However, on the basis of correlations at the country level between trust indicators and the corruption perception index of Transparency International (Transparency International, 2012), we can provide some preliminary indication that these results might also hold for CESEE countries.

**2.2 Association of Expected Economic Performance and Trust in the EU**

There is clear evidence from the literature that policymaking institutions will be assessed by their ability to foster beneficial economic results (see e.g. Blind, 2006). As a case in point, Roth et al. (2011) find that unemployment leads to a fall in trust in national and European institutions, especially during times of crisis and in particular in the EU-15 countries. In a similar vein, they detect that an increase in debt over GDP reduces trust both in national governments as well as in the EU in all 27 EU Member States. The authors conclude that solving the euro area crisis, helping the countries to lower their debt levels and increasing their employment rates would most likely stabilize citizens’ trust in institutions.

The OeNB Euro Survey contains a question on respondents’ expectations as regards the domestic economy.<sup>9</sup> The results show some positive correlation between an expected improvement in the country’s economic performance and respondents’ trust in the EU. A somewhat stronger correlation is found between citizens’ trust in their national governments and an expected improvement in the economic performance (see table 1).

<sup>9</sup> Respondents are asked whether they agree or disagree on a scale from 1 (fully agree) to 6 (disagree) with the following statement: “Over the next five years, the economic situation in my country will improve”.

### 2.3 Association of Trust in the Euro and Trust in the EU

Finally, citizens' confidence in the euro as a stable and trustworthy currency plays a crucial role for the future of European integration and for the political legitimacy of the euro (see Banducci et al., 2003; Bordo and Jonung, 2003). It may be assumed that trust in the euro is associated with trust in European institutions. In addition, for those countries in our sample which are not EU members, the euro plays an important role as a safe haven currency (Stix, 2010).

Roth et al. (2012) analyze the evolution of public support for the euro throughout the financial and sovereign debt crisis in twelve euro area countries and compare it with the development of trust in European institutions. They conclude that trust in the euro was hardly affected by the crisis, whereas there was a dramatic fall in trust and support for the EU, and in particular for the ECB<sup>10</sup> (see table A2 in the annex). Furthermore, Roth et al. (2012) find that in some EU Member States outside the euro area, namely in Denmark, Sweden and the U.K., the public attitude toward the euro has become significantly more critical.<sup>11</sup>

Given the important role of the euro in some CESEE households' portfolios, an association between trust in the EU and trust in the euro can be expected to hold for this region. Looking at Euro Survey results for CESEE as a whole, a positive – though rather weak – correlation between “trust in the EU” and “trust in the euro” can be found.<sup>12</sup> However, correlation coefficients for individual countries render a differentiated picture: For each of the five EU Member States, the respective correlation coefficient is around or slightly above 0.3. Furthermore, higher (lower) trust in the EU is associated with an earlier (later) expected adoption of the euro. This corroborates the above finding. For the EU Member States, it can be argued that the decrease of trust both in the EU and in the stability of the euro is related to hesitant EU crisis management and intense media coverage. By contrast, for the non-EU members of the Euro Survey sample the two variables are found to be hardly correlated at all. A possible explanation could be that in this region – in contrast to the EU Member States – trust in the euro is associated with the role of the euro as a safe haven asset, i.e. for respondents in non-EU Member States the euro is a safe haven asset irrespective of their trust in the EU institutions.

## 3 Trust in the EU over the Past Four Years

As the OeNB Euro Survey results on trust in the EU capture seven waves from spring 2009 to fall 2012, we can take a closer look at whether the levels of trust have changed markedly in the course of the sovereign debt crisis, thus pointing to a possible impact of the crisis on trust levels.

Chart 2 displays differences in trust levels found for each country, comparing the average levels observed in the three waves from spring 2009 to spring 2010 with those observed in the four waves from fall 2010 to fall 2012. Interestingly,

<sup>10</sup> Ehrmann et al. (2012) give three explanations for the level of trust in the ECB having fallen throughout the crisis: (1) the sharp deterioration of the economic situation during the crisis, (2) the overall fall in public trust in the European project, possibly because citizens saw Europe as being unable to prevent or solve the global crisis, and (3) the fact public opinion associated the ECB with the troubles of the financial sector.

<sup>11</sup> As regards the CESEE EU Member States that have not yet introduced the euro, Roth et al. (2012) find a comparably sharp loss of trust in the euro only for the Czech Republic.

<sup>12</sup> Since its launch in fall 2007, the OeNB Euro Survey has included questions about the expected stability and trustworthiness of the domestic currency and the euro (for Euro Survey results on trust in currencies, see e.g. Beckmann and Scheiber, 2012).

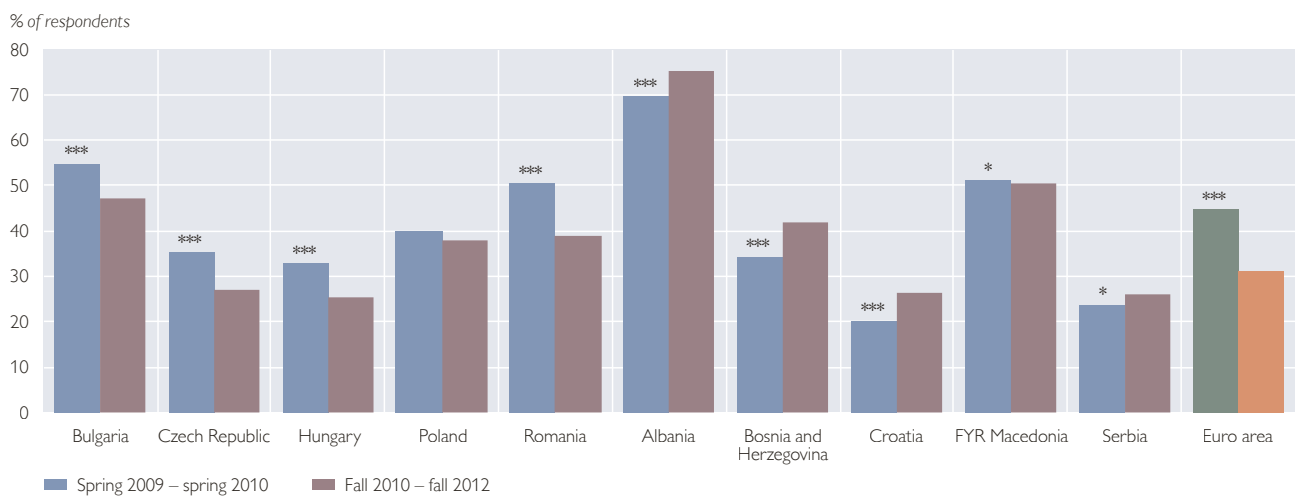
a clear dividing line seems to exist between EU Member States on the one hand and the non-EU member countries on the other.

### 3.1 Trust in the EU Declined in Member States during Sovereign Debt Crisis

In four of the five EU Member States of the sample, respondents' trust in the EU recorded a significant decline over the crisis period. This decline is in line with the Eurobarometer findings on the euro area countries (see chart 2, right-hand bar).

Chart 2

#### Trust in the EU and the Impact of the Sovereign Debt Crisis



Source: OeNB Euro Survey 2009–2012, Standard Eurobarometer 71–78.

Note: Respondents of the OeNB Euro Survey were asked "I would like to ask you a question about how much trust you have in certain institutions. Please tell me on a scale from 1 (trust completely) to 5 (do not trust at all) whether you trust the European Union." Figures show the average percentage share of respondents who "trust completely" or "somewhat trust" the EU for the respective time period. Respondents answering "Don't know" and "No answer" are excluded. Respondents of the Standard Eurobarometer were asked "I would like to ask a question about how much trust you have in certain institutions. Please tell me if you tend to trust or tend not to trust the European Union." The figures for the euro area refer to the Standard Eurobarometer 71–78 and represent the population weighted averages for the respective time period. Including Estonia from 2011 onwards. \*\*\*, \*\*, and \* indicate that the difference between the two time periods is significant at the 1%, 5%, and 10% level, respectively.

First, the unfavorable economic development related to the crisis may explain this loss in trust found for EU Member States. Roth et al. (2011), as mentioned earlier, find that recessions, in particular rising unemployment, weaken trust in governmental institutions both at the national as well as at the European level. In a similar vein, Rohrschneider and Loveless (2006) find from individual-level data that in the fairly "new" EU Member States of Central and Eastern Europe dissatisfaction with European institutions is even more strongly driven by economic concerns than in the "old" EU Member States. Second, this decrease in trust can be possibly attributed to citizens' rather negative perception of the EU's crisis management in recent years. Another factor potentially influencing trust in European institutions is that some euro area countries and two of the five EU Member States in our sample<sup>13</sup> received support under EU-IMF programs. It is beyond the scope of the current paper and the available data from the Euro Survey to investi-

<sup>13</sup> Romania received an EU-IMF Stand-By Arrangement (SBA) from May 2009 to May 2011, followed by an EU-IMF precautionary program. Hungary was under an EU-IMF SBA from November 2008 to November 2010.

gate whether such programs rather foster or undermine trust in the EU in the respective countries.

### 3.2 Trust in the EU Increased in Some Candidate and Potential Candidate Countries during 2009–12

By contrast, in four of the five non-EU Member States confidence in the EU increased significantly over the period of the sovereign debt crisis. While respondents may have approved of the EU's crisis management, it can be assumed that major steps in the integration process achieved since 2009 have also positively affected trust in the EU in candidate and potential candidate countries. Chart 2 seems to support this hypothesis for Albania, Bosnia and Herzegovina, Croatia and Serbia, although reported trust levels differ substantially between individual countries.

Table 2

#### Overview of Major EU Integration Steps

	Status	Major integration steps achieved since early 2009
Albania	Potential candidate	April 2009: application for EU membership December 2010: visa liberalization October 2012: candidate status recommended
Bosnia and Herzegovina	Potential candidate	June 2008: Stabilization and Association Agreement signed December 2010: visa liberalization
Croatia	Acceding country	October 2005: launch of accession negotiations December 2011: Accession Treaty signed
FYR Macedonia	Candidate country	October 2009: opening of accession negotiations recommended December 2009: visa liberalization
Serbia	Candidate country	Since 2009: application of European Partnership for Serbia December 2009: visa liberalization March 2012: candidate status granted

Source: European Commission (2013).

As table 2 shows, Croatia is the most advanced country in terms of EU integration, with EU accession scheduled for July 2013. Accordingly, the level of citizens' trust in the EU has increased significantly over the past five years. In this context, it is important to note that Croatia – as well as Serbia – traditionally displayed exceptionally low levels of trust in the EU as compared to the other CESEE countries (see e.g. Dvorsky, Scheiber and Stix, 2010). However, despite these low levels of trust according to the OeNB Euro Survey, Croatians obviously differentiate between their confidence in the EU on the one hand and their approval of Croatia's EU entry on the other hand, given the results of the referendum held on January 22, 2012, in which more than 66% of the Croatian electorate voted in favor of EU accession. These findings are in line with research by Arnold et al. (2012) showing that trust in EU institutions on the one hand and general support for EU membership and further integration on the other hand are two separate dimensions.

The levels of trust in the EU reported for potential candidate countries – whose perspective to join the EU is more distant – are substantially higher and have increased significantly over the past five years.



Additional explanations for the comparatively high levels of confidence in European institutions found for some countries, specifically for EU Member States, might be related to the compensation hypothesis or other factors at the country level as discussed above (Muñoz et al., 2012; Arnold et al., 2012).

#### 4 Who Trusts the EU – Socio-Demographic Evidence

Previous research has shown that the propensity to trust or distrust differs significantly across socio-demographic groups. The following section analyzes whether this result also holds for the OeNB Euro Survey. Studying trust in the EU across socio-demographic groups may also provide important insights for policymakers as to which groups have a particularly skeptical or an exceptionally positive attitude toward the EU.

Table 3 breaks down the results of the Euro Survey by age groups in line with previous research on trust, replies from the youngest age group (14 to 34-year olds) are clearly above the respective country average for all countries. The share of respondents who completely or somewhat trust the EU declines with age in all countries except Albania, with particularly high deviations from the respective average for Serbia and FYR Macedonia.

Breaking down the results by income shows that the reported level of trust in the EU for respondents reporting high incomes is above the respective average in

Table 3

#### Trust in the EU by Socio-Demographic Groups

	Bulgaria	Czech Republic	Hungary	Poland	Romania	Albania	Bosnia and Herzegovina	Croatia	FYR Macedonia	Serbia
% of respondents										
<b>Average</b>	49.3	29.4	27.6	38.4	42.3	73.7	39.8	24.6	50.6	25.3
<b>Age</b>										
14 to 34 years	53.6	35.6	30.8	41.0	44.4	71.9	43.4	28.2	56.8	32.7
35 to 54 years	49.8	27.4	26.4	37.4	41.6	75.3	38.9	24.5	50.5	24.6
55 years and over	42.8	24.3	26.2	35.7	40.6	74.0	37.2	20.9	41.6	17.7
<b>Net household income</b>										
Low income	42.0	23.9	24.0	37.6	42.3	73.4	38.2	21.0	49.1	18.6
Medium income	52.1	30.1	29.7	38.3	43.3	75.0	40.0	26.6	50.0	28.5
High income	53.5	35.8	31.4	43.2	47.8	75.5	39.8	28.4	52.2	34.8
<b>Current employment status</b>										
Self-employed	53.1	33.1	24.8	43.0	44.7	76.8	46.6	30.7	58.8	30.5
Employed	49.9	29.4	29.1	39.5	42.9	74.3	37.9	24.8	49.5	27.4
Unemployed	46.3	29.1	22.5	32.8	41.4	70.8	38.9	20.7	51.4	20.1
Student	61.4	40.1	38.3	41.9	47.4	73.1	47.5	34.0	60.4	41.4
Retired	41.8	23.2	26.3	32.6	40.3	74.6	39.3	21.6	39.4	16.6
<b>Education</b>										
Low	41.8	23.2	26.3	32.6	40.3	74.6	39.3	21.6	39.4	16.6
Medium	61.4	40.1	38.3	41.9	47.4	73.1	47.5	34.0	60.4	41.4
High	46.3	29.1	22.5	32.8	41.4	70.8	38.9	20.7	51.4	20.1

Source: OeNB Euro Survey, 2009–2012.

Note: Respondents were asked “I would like to ask you a question about how much trust you have in certain institutions. Please tell me on a scale from 1 (trust completely) to 5 (do not trust at all) whether you trust the European Union.” Figures show the percentage of respondents who “trust completely” or “somewhat trust” the EU in the respective socio-demographic group. The percentages are averages across survey waves for the indicated time period. Respondents answering “Don’t know” and “No answer” are excluded.

most countries. By contrast, even more substantial, albeit negative deviations from the respective country average level of trust in the EU can be found for people who report to have a low income. This phenomenon is particularly pronounced for the Czech Republic, Bulgaria and Serbia.

Grouping respondents by employment categories renders the following picture: Self-employed interviewees have a higher propensity to trust the EU (with Hungary being the only exception in this context), while unemployed respondents have substantially lower-than-average confidence in the EU. These results are broadly in line with research by Arnold et al. (2012), who find that a higher occupational status tends to make citizens more supportive of EU institutions.

Finally, the breakdown of results by respondents' education reveals that trust in the EU is highest in the category "medium education." Interestingly, trust levels below the respective country averages were found for both, respondents with a low level of education and those with high education. In line with this result, Arnold et al. (2012) provide evidence that higher levels of education decrease trust in the EU at the individual level. The authors explain that higher education may raise the awareness of the shortcomings of European institutions and make citizens more hesitant, or even unwilling, to trust them.

An interesting case is Albania, where the reported level of trust in the EU is by far the highest in the region. Furthermore, in contrast to all other countries, the levels of trust in the EU vary only weakly across respondents' socio-demographic attributes. Understanding in detail why trust in the EU seems to be a general and broadly based feature of the Albanian society would be an interesting case study for future research.

## 5 Summary and Conclusions

Results from the OeNB Euro Survey provide evidence on CESEE citizens' trust in the EU, complementing evidence on euro area countries, and render the following picture:

While trust in the EU differs largely across the CESEE countries of the sample, the results are broadly comparable to average levels obtained for euro area countries over the same period. Furthermore, trust in the EU is positively correlated with trust in national governments. This indicates some preliminary support for the congruence hypothesis, which suggests that because of limited information on policies at the European level, citizens use their opinions on their national government as a proxy for trust at the European level.

Euro Survey results regarding the correlation between "trust in the EU" and "trust in the euro" are highly differentiated: For each of the five EU Member States a positive correlation can be found. For the EU Member States, it can be argued that the decrease of trust both in the EU and in the stability of the euro is related to people's perception of the EU's crisis management and intense media coverage. By contrast, for the non-EU members of the Euro Survey sample the two variables are found to be hardly correlated at all. A possible explanation could be that in this region – in contrast to the EU Member States – trust in the euro is associated with the role of the euro as a safe haven asset.

A comparison of pre-crisis and post-crisis levels of citizens' trust in the EU reveals a similar divide: While trust in the EU declined significantly in the EU Member States of the sample during the sovereign debt crisis, an increase was

found for most of the non-EU Member countries over the same period. A number of major EU integration steps in the latter group of countries may explain this increase. Furthermore, the comparatively high levels of confidence in European institutions in (potential) candidate countries might be related to the compensation hypothesis – which suggests that living in a country with weakly trusted and badly-performing institutions will be associated with high individual trust in the EU – or to other factors at the country-level.

With regard to socio-demographic characteristics, our results are in line with previous research: Young respondents, respondents with medium education and respondents with high income have a higher propensity to trust the EU.

To conclude, prudent communication policies remain key in fostering not only citizens' general trust in European institutions, but also their understanding for necessary policy measures both in normal times and in particular in crisis times.

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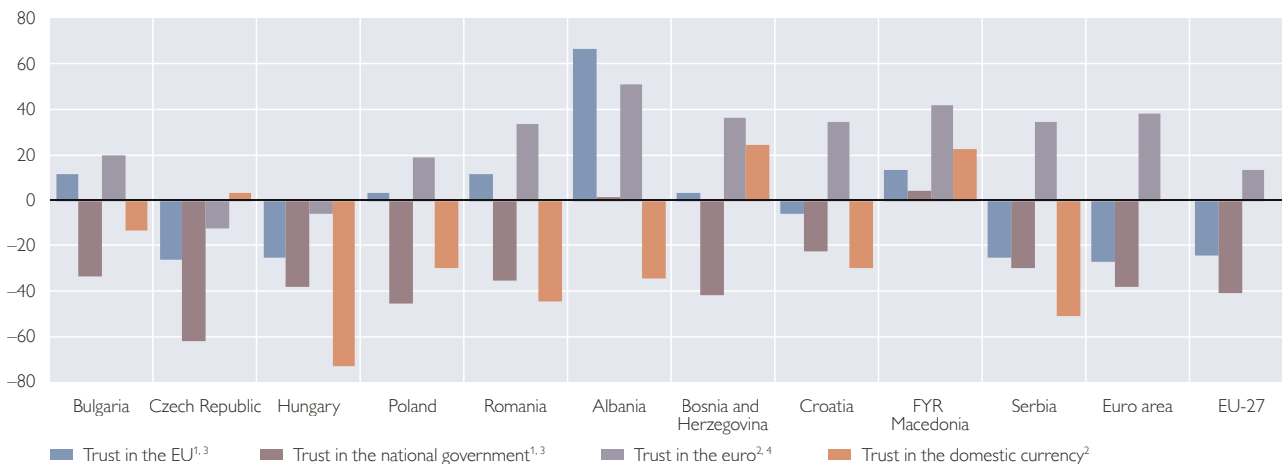
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## Annex

Chart A1

### Trust in the EU, the National Government, the Euro and the Domestic Currency

Balance statistics



Source: OeNB Euro Survey of fall 2012, Standard Eurobarometer 78.

<sup>1</sup> Respondents of the OeNB Euro Survey were asked "I would like to ask you a question about how much trust you have in certain institutions. Please tell me on a scale from 1 (trust completely) to 5 (do not trust at all) whether you trust ... the European Union/the national government or cabinet of ministers." Balance statistics are calculated as the percentage share of respondents answering category 1 or 2 minus the percentage share of respondents answering category 4 or 5. Respondents answering "Don't know" and "No answer" are excluded.

<sup>2</sup> Respondents of the OeNB Euro Survey were asked whether they agreed or disagreed on a scale from 1 (strongly agree) to 6 (strongly disagree) to the following statement: "Over the next five years the euro/domestic currency will be a very stable and trustworthy currency." Balance statistics are calculated as the percentage share of respondents answering categories 1 to 3 minus the percentage share of respondents answering categories 4 to 6. Respondents answering "Don't know" and "No answer" are excluded.

<sup>3</sup> Respondents of the Standard Eurobarometer were asked "I would like to ask a question about how much trust you have in certain institutions. Please tell me if you tend to trust or tend not to trust... the European Union/national government." The figures for the euro area and the EU-27 are population-weighted averages.

<sup>4</sup> Respondents of the Standard Eurobarometer were asked "What is your opinion on the following statement? Please tell me whether you are for it or against it: A European economic and monetary union with one single currency, the euro." The figures for the euro area and the EU-27 are population-weighted averages. No data available for trust in the domestic currency for the euro area and the EU-27.

Table A1

## Variable Description

Variable	Description
<b>OeNB Euro Survey</b>	
Trust in the EU	Categorical variable derived from the question: 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. 1 means "I trust completely", 2 means "I somewhat trust", 3 means "I neither trust nor distrust", 4 means "I somewhat distrust" and 5 means "I do not trust at all": the European Union.
Trust in the government	Categorical variable derived from the question: 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. 1 means "I trust completely", 2 means "I somewhat trust", 3 means "I neither trust nor distrust", 4 means "I somewhat distrust" and 5 means "I do not trust at all": government/cabinet of ministers.
Trust in the police	Categorical variable derived from the question: 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. 1 means "I trust completely", 2 means "I somewhat trust", 3 means "I neither trust nor distrust", 4 means "I somewhat distrust" and 5 means "I do not trust at all": police.
Trust in domestically-owned banks	Categorical variable derived from the question: 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. 1 means "I trust completely", 2 means "I somewhat trust", 3 means "I neither trust nor distrust", 4 means "I somewhat distrust" and 5 means "I do not trust at all": domestically-owned banks.
Trust in foreign-owned banks	Categorical variable derived from the question: 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. 1 means "I trust completely", 2 means "I somewhat trust", 3 means "I neither trust nor distrust", 4 means "I somewhat distrust" and 5 means "I do not trust at all": foreign-owned banks.
Expect domestic economy to improve	Categorical variable derived from the question: I am going to read you some general statements and would like to know whether you agree or disagree. Please indicate your judgment on a scale from 1 (strongly agree) to 6 (strongly disagree): Over the next five years, the economic situation of [MY COUNTRY] will improve.
Expect the euro to be stable	Categorical variable derived from the question: I am going to read you some general statements and would like to know whether you agree or disagree. Please indicate your judgment on a scale from 1 (strongly agree) to 6 (strongly disagree): Over the next five years, the euro will be very stable and trustworthy.
Expect the domestic currency to be stable	Categorical variable derived from the question: I am going to read you some general statements and would like to know whether you agree or disagree. Please indicate your judgment on a scale from 1 (strongly agree) to 6 (strongly disagree): Over the next five years, the [LOCAL CURRENCY] will be very stable and trustworthy.
Expected date of euro introduction in years	Respondents of the OeNB Euro Survey were asked: When, in which year, do you think the euro will be introduced in [YOUR COUNTRY]?
<b>Standard Eurobarometer</b>	
Trust in the EU	Respondents of the Standard Eurobarometer were asked: 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 European Union.
Trust in the national government	Respondents of the Standard Eurobarometer were asked: 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 (NATIONALITY) government.
Support for the single currency, the euro	Respondents of the Standard Eurobarometer were asked: What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it: a European economic and monetary union with one single currency, the euro.

Table A2

### Trust in the EU, National Government and the Euro

	Euro area	EA-4 (IE, EL, ES, PT)	EA-8 (BE, DE, FR, IT, LU, NL, AT, FI)	EU-27
<b>Trust in the EU<sup>1</sup></b>	% of respondents			
Average 2009–2012	40	39	40	40
Spring 2009–spring 2010	45	47	44	44
Fall 2010–fall 2012	31	25	33	33
Fall 2012	31	22	33	33
Trust in the national government, fall 2012 <sup>1</sup>	29	12	33	27
Trust in the euro, fall 2012 <sup>2</sup>	66	62	67	53

Source: Standard Eurobarometer 71–78.

<sup>1</sup> Respondents of the Standard Eurobarometer were asked “I would like to ask you a question about how much trust you have in certain institutions. Please tell me if you tend to trust or tend not to trust... the European Union/national government.” The entries for different aggregates and time periods are population-weighted averages. Including Estonia from 2011 onwards.

<sup>2</sup> Respondents of the Standard Eurobarometer were asked “What is your opinion on the following statement? Please tell me, whether you are for it or against it: A European economic and monetary union with one single currency, the euro.” The entries for different aggregates are population-weighted averages. Including Estonia.