THE EFFECT OF REDISTRIBUTIVE POLICY ON POLITICAL TRUST:

THE EUROZONE CRISIS, BAILOUTS, AND

PUBLIC TRUST IN EU INSTITUTIONS

by

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INTRODUCTION

Since the Global Financial Crisis in 2008, Europe has undergone multiple economic crises ranging from the banking and financial sector, to the real economy, to public finances. The latter has proven to be the most elusive for European leaders to convincingly address and has even threatened a break-up of the Eurozone's single currency. At the center of the debate is Germany, which recovered swiftly from the 2008 Global Recession and has since been the voice of austerity and stability for its heavily indebted southern neighbors. The 17 Eurozone members have been forced to use taxpayer money to back up bailout funds for Greece, Portugal, Ireland, and Spain with a large part falling on Germany to pay. Further, the European Central Bank (ECB) has been forced repeatedly to intervene in the economy in order to ease unstable bond markets through expansionary policies.

This paper examines how the Euro Crisis has affected citizen attitudes toward European Union (EU) institutions in light of redistributive policy (RP) during the past three years. I find that bailouts and loose monetary policy are not only unpopular, but are leading citizens to increasingly distrust EU institutions. These results have theoretical significance, helping elucidate the causal mechanisms between redistributive policy and trust variation. More importantly for policymakers, if distrust really is connected to such policies, this has negative implications for future public support of redistributive policy on a European scale. Also, my findings emphasize the political import of the cultural disparity and distrust between Northern and Southern Europeans; further political integration toward a united Europe cannot meaningfully advance without addressing these tensions.

In general, a better understanding of the determinants of political trust will help policy makers improve institutions to cultivate greater trust. The concept of trust has been linked to greater democratic legitimacy and political stability (Inglehart 1999, 98), policy effectiveness and compliance (Scholz 1998, 135), and policy support or scope (Hetherington 2005, 75). Although trust is often overly generalized to include these functions, to the extent at all that trust serves such theoretically prescient roles in the literature it warrants closer attention and study.

The literature review and theory to be tested follows. First, the concept of political trust is theoretically contextualized within the concept of identity, this allows for special consideration of the member states that make up the European Union. Second, the question of how political trust varies is addressed. Several schools of thought within trust theory are considered in order to identify possible causal mechanisms connecting redistributive policy during the Euro Crisis to trust in EU institutions. I have identified four dimensions of trust variation from the literature which serve as these causal mechanisms in my theory: performance (instrumental or rational), affect (emotions), values (morals, norms), and media (priming, framing).

Drawing from my theory, my hypotheses consider the effects of redistributive policy during the Euro Crisis, looking at both the aggregate case of the Euro Crisis with respect to trust in the Eurozone, and more specifically the case of Germany in order to ascertain the extent that redistributive policy, acting through the four causal mechanisms, is causing trust's decline. In general, my operationalization of trust is a single aggregated measure on the country level, this broad conceptualization ensures that my results do not assume that the variation of trust is due to a single scholarly interpretation of trust, but rather encapsulates a broad range of what ordinary people may be evaluating when asked about their trust in various institutions. I use more specific qualitative surveys to determine the presence of the causal mechanisms activating trust or distrust.

IDENTITYAND TRUST FORMATION

The simplest definition of political trust describes a process of evaluating the trustworthiness of a given institution. The extent of *perceived* trustworthiness is expressed as confidence, faith, reliance, or negatively as cynicism, distrust, dissatisfaction, or even malaise (Orren 1997, 86; Hardin 2006). While scholars have widely disparate notions of the more specific basis for evaluating trustworthiness (pg. 4), it is helpful to start by contextualizing trust broadly within the larger societal framework which it originates. Individuals do not exist in a vacuum and to understand trust formation requires understanding the broader and more stable concept of societal identity.

Societal or collective identity is a feeling of solidarity shared among a group based around fundamental similarities (Fligstein, Polyakova, and Sandholtz 2012, 108). While identity is socially constructed, it does not necessarily entail communitarian values; rather it includes the more permanent outcome of early development and is a result of parental influence. Scholars have termed political attitudes solidified early in life 'symbolic,' which includes such stable identity concepts as partisanship, ideology, and attitudes toward social groups (Hetherington 2005, 48; Krosnick 1991). These constants play a crucial role in influencing less stable concepts such as political trust.

Another important aspect of identity is its relation to long term elements of civil society, especially traditional skepticism, postmaterial values (Orren 1997, 88; Inglehart 1997), and civic nationalism (Fligstein et al 2012, 112). Here identity should be assessed to determine its historic and longstanding characteristics. Key in this evaluation is values, as these serve to directly link identity and trust. Values are socially shared goals and standards which tend to regulate and inform action (Braithwaite 1998, 48) and therefore comprise a significant portion of an individual's evaluation of an institution's trustworthiness.

There has been much scholarly work supporting the relationship between identity and trust. Braithwaite (1998) finds that emphasis on differing values like security and harmony influences how trust in institutions is determined. Tyler (1998) argues that people's psychological relation to authority, as well as concern with social status and reputation, plays a key role in establishing trust in institutions – especially with respect to gaining voluntary deference to authorities. Miller (1974) also argues that identification and symbolic attitudes matter in trust variation. Lipset and Schneider (1983) corroborate this view, arguing for a curvilinear relationship between partisanship and trust wherein the most partisan tend to be most distrustful on both ends of the political spectrum. This alludes to the influence of identity on trust, especially in the context of increased polarization of parties. In general, identity establishes the context of trust relations; it is within this context that more specific forms of evaluations occur.

EXPLAINING TRUST VARIATION

Hardin divides the concept of trust into three evaluative categories in the literature: moral commitments, encapsulated interest account and psychological disposition (Hardin 2006, 17). There are several significant departures I make from Hardin's conceptualization, but in general I keep within these three broad generalizations which can be better stated here as *values*, *performance,* and *affect*. I also consider the effect of *media* on trust (four dimensions). The measurement of institutional trust has been criticized for its heavy reliance on at best ordinal level survey data and at worst dichotomous measurements which risk miscategorization and unreliable results (Krosnick 1991; Lodge and Tursky 1979). In light of this, trust conceptualization should attempt to be as broad and generalized as possible to maintain its credibility in the context of what trust reasonably might mean to the person taking the survey.

Values

As is implied by the prior discussion of identity, values are a key determinant in how people evaluate the trustworthiness of an institution. Braithwaite (1998) outlines the importance of determining whether an institution is trusted along communal or exchange trust norms. Giving due deference to a certain amount of ambivalence, she does generally connect communal trust norms and harmony values (cooperation, peace, human dignity, equality, environment) as well as exchange trust norms and security values (protection, economic development, rule of law, national greatness) (49). If an institution is trusted along one set of norms, yet actually adheres to a different set of norms, that institution will tend to be distrusted (despite its performance). On a more fundamental level, Tyler's (1998) concept of "social trust" entails that socially determined and shared norms determine the extent to which individuals deem an institution trustworthy.

Other societal values embedded in identity can have significant effects on trust. These could include a desire for a certain balance of power between institutions or a countervailing effect, as the American system was intended to be by founder James Madison (Lipset and Schneider 1983, 256). Citrin (1974) emphasizes the role of common policy goals which transcend partisan distinctions (such as managing unemployment and inflation), leaning toward a more 'ritualistic' understanding of trust formation. Orren (1997) identifies 'probity,' or public opinion on ethical issues, as an important component of 'short-term' trust formation. Of the three trust categories, values are the closest to identity, though the link between trust and identity should not be ignored in considering the other two categories.

Performance

The performance category of trust variation is perhaps the most systematically developed. This characterization of trust focuses around knowledge or informational awareness and assessment of the trustworthiness of the institution in question (Hardin 1998). Here the truster has a rational and cognitive recognition that the trustee will *perform* an action which will benefit the truster, so long as he places his trust in him. An aspect of belief and reciprocity inhere in this categorization of trust wherein the truster believes that the risk he undertakes (by trusting) will bear rewards for himself in the long term (Hardin 2006).

While this is a more clearly defined category than values, there is still room for much subtlety. Citrin (1974) emphasizes the need for distinction between actual outcomes being met and merely unpopular policy positions (where it is thought that pursuing such policy would not lead to desired outcome). Brennan (1998) outlines a rational-choice theory of a democratic institution, defining it as trustworthy agents relied on to pursue citizen interest because this is what said agents have publicly undertaken to do (197). Bianco (1998) argues that leadership matters since actions contrary to demands will be opposed; trust is therefore based around knowledge, or perceptions, of the leader's act.

The most important aspect of performance based trust relates to economic performance. Several scholars have found promising evidence that the economy matters, though not in an anticipated manner. Weatherford (1984) argues from the evaluative criteria of competence and ability (as opposed to intention and commitment in the values categorization); he finds that political trust and economic policy influence each other as people both evaluate the effectiveness of new and old policy. Citrin and Green (1986) also found a convincing correlation between economic performance and trust, though they could not ascertain whether the correlation found resulted from objective economic conditions (real) or, more likely, subjective economic conditions (perceived). Lawrence (1997) finds similar evidence of a significant, but not sufficient relationship between economic performance and trust in institutions. Economic issues do seem to matter, but not in the straightforward fashion that may be first assumed (see discussion of media, pg. 9). Further, the other possible causes of trust variation must be accounted for.

Affect

Affect is the most abstruse yet the most important trust category, especially given the limits of survey measurement. Affect refers to an emotional response to the institution that has little informational or even cognitive content. Hetherington, citing empirical evidence from evolutionary psychologists (Hibbing and Theiss-Morse 2002; Hibbing and Alford 2004), contends that most people want to "avoid feeling like they are being played for suckers" and will resent being treated unfairly (Hetherington 49-50). In particular Hetherington stipulates that redistributive spending will contribute to this attitude since it involves taking money from the public and giving it to a minority; the public must trust that the government will effectively allocate such money in a way that will ultimately benefit all of society. Krosnick (1991) argues that the concept of trust is highly affective with little informational content going into its formation; this implies a high degree of 'sensing' trust as opposed to having specific reasons for deeming an institution trustworthy. Affect also contributes to public attitudes toward leadership, since there has been shown to be an effect of leadership impacting trust (Citrin and Green 1986), though generalized trust in institutions does not necessarily co-vary with support for individual leaders (Hetherington 2005, 9; Lipset and Schneider 1983, 62).

Media

While values, performance, and affect compose the substantive basis for trust variation, a fourth factor plays an independent role in activating these three dimensions within the psyche. Public media sources have been indicated by multiple scholars across disciplines to have a major effect on political trust (Coleman 1998; Citrin and Green 1986; Lipset and Schneider 1983; Hetherington 2005; Cappella and Jamieson 1997). Not only do media provide the public with reasons to distrust institutions, whether performance or values based, but it also has a subconscious affective role. Joseph N. Cappella and Kathleen Hall Jamieson build a mental model of the effect of media on public political judgments, showing how the process of consuming it gives media substantial influence in impacting an individual's affective relation to an institution (Cappella and Jamieson 1997). Media thereby has power in influencing the level of cynicism (distrust) activated in the recipient's mind – agenda setting, framing (context), and especially priming (a more negative or cynical presentation). Scholars have further noted that media have been rewarded for providing cynical news (Lipset and Schneider 1983) thus incentivizing a pattern of cynicism.

The trust literature is very broad in scope and depth, though almost all scholars draw from one or more of the four areas I have explained thus far, often using the same essential concepts in different combinations or words. This broad overview of the literature is necessary for this paper because it shows that trust variation should not necessarily be confined to any straightforward causation process, and if the concept of trust *as it is measured* is to mean anything, then it should be understood as being made up of complex and interrelated processes. The task of the researcher is to discern how media, values, performance, and affect all work to bring about a change in trust for any given situation within a certain societal identity. In my theory section, I show how these four dimensions of trust variations can be seen as *causal mechanisms* linking redistributive policy and a decline in political trust.

THEORY OF REDISTRIBUTIVE POLICY AND HYPOTHESIS FOR THE EURO CRISIS

The concept of redistributive policy (identified as RP for the remainder of the paper) refers to any policy in which the majority of citizens bear the cost and either a minority or an entirely separate group receive the benefits resulting from that cost. Such programs are justified on the grounds of society as a whole benefiting through promotion of ideals like social justice or economic solidarity despite aggregate losses for the majority of individuals. Examples of such policies include welfare programs, foreign aid, and central bank policies designed to assist banking sectors or illiquid sovereigns.

The theoretical argument adopted here is a variant of Hetherington's in his US case study looking at the effect of political trust on RP (2005). He treats trust as an independent variable whose consistent downward trend created a conservative shift in policy away from RP. For polities in which trust has been low or decreasing for long periods of time it is more appropriate to study trust as a cause; however in the short term it makes more sense to treat a dramatic movement up or down in trust as an effect. Endogeneity aside, Hetherington does show a relationship between trust and RP that deserves closer theoretical attention in considering short term effects on trust.

Hetherington argues that trust is required to draw support for RP. He further specifies the problems which people perceive with respect to RP: lack of direct benefits, lack of tangible success, and poor general reputations of those receiving the benefits (Hetherington 2005, 26). This suggests that it isn't necessarily RP alone that is the problem, but rather public perception of RP. This connects RP to the discussion of trust variation and the four dimensions. Public perceptions are highly dependent on media content. Do media closely associate government institutions with RP? How much of government spending is implied to go to RP based on how much media attention is brought on it? Does the RP concern a nationally important issue that is frequently in the news? Media can heighten the salience of RP issues and draw public attention toward it, making it a causal mechanism linking RP to a change in trust.

As people are exposed to more information they are able to make *performance* evaluations concerning RP, especially if the issue continues to be in the news for a long period of time. The question is asked, “Is this policy really working at all, why is the problem not going away?” Further, as people learn about what institutions are involved in implementing such policies, they begin to question the normative role that an institution assumes in taking on such policies. They begin to ask *value* based questions such as, “Is it really the job of [institution x] to help [minority/outside group] in this manner?”

Therefore, performance and values both provide a cognitive basis for evaluating institutions and making trustworthiness judgments with respect to RP; thus they are also causal mechanisms.

Finally there is a strong *affective* reaction to RP that influences trust. RP can be strongly linked to cultural and personal attitudes toward the group receiving benefits. A general lack of esteem for such groups could lead toward an inclination to see them as undeserving RP and thus questioning the institution associated with RP. Often affect works to strongly reinforce perceived performance issues as well, such as an emotional aversion to the idea of being 'played for suckers' by the institution; this antipathy toward being disrespected transcends a rational self-interest in attaining net benefits (Hetherington 2005, 49-50). In general, affect refers to this indisposition to being treated unfairly under any circumstances.

My theory therefore connects a change in RP to a change in political trust. Trust could change with appropriate performance, value, affect, and media variation. For instance: a *media* induced perception of a lack in *performance,* a failure to adhere to established *values,* or a reinforcement of negative *affect* would all potentially reduce trust. Critically, this means that it is not necessarily the RP itself which is leading to the decline in trust, but how the public is reacting to the RP based on their expectations and perceptions of it. These four causal mechanisms are driving the hypothesized decline in trust through the RP.

The contemporary case of the Euro Crisis presents an ideal context to test my theory. The Euro Crisis is set against an identity framework wherein citizens are aware of EU institutions and identify themselves as European alongside their national identity; this means they have a connection with EU institutions such as the Council, the Commission (COM), the European Parliament (EP), as well as the ECB. For the past three years the Euro Crisis has dominated the news cycle, repeatedly coming up in political commentary and debate. Furthermore, the only real policy response thus far has been RP in the form of bank bailouts, ECB secondary market purchases and long term refinancing operation (LTRO) (for banks as well as sovereigns indirectly), and the sovereign debt bailouts of Greece (twice), Portugal, Ireland, and Spain. The sovereign bailouts overtly involve aid to a group outside those receiving support as they include funds from the International Monetary Fund (IMF) as well as a collection of Eurozone and EU member states. The bank bailouts and the ECB actions also include an asymmetrical distribution of resources. Such policies, though intended to aid the economy as a whole, are largely perceived to directly help profit-maximizing institutions and only indirectly (if at all) help the society as a whole; also, if citizens perceive that the ECB's actions are imposing a cost on them (through threat of loss of monetary value), then they will further associate such actions with other RP programs.

Given the above discussion, my general hypothesis for the Euro Crisis as a whole is as follows.

I. <u>The Euro Crisis in the Eurozone precipitated an upward trend in political distrust in EU institutions.</u>

Note that since I expect a downward trend in trust associated with the crisis, I measure *distrust* since this will likely be more directly responsive. This general trend is driven by multiple factors operating within the concept of the Euro Crisis – economic mismanagement, poor leadership decisions, and social unrest. However, I argue that the most significant variable within the Euro Crisis affecting trust are the RP programs, which leads to the second hypothesis.

II. The introduction of Redistributive Policy (RP) decisions makes it more likely for political distrust to increase (strong positive relationship).

The causal mechanisms driving hypothesis II are derived from the theory above, that RP can trigger trust variation via affect, performance, and values largely through the conduit of the media. Therefore, in countries that are forced to bear the largest cost of RP, trust will likely decline the most since all four mechanisms will be activated and reinforced over time as the RP programs continue to be implemented and continue to lack tangible, immediately discernible results (performance). This allows media to continue to negatively frame the issue and for public perceptions to crystallize around the notion that such programs are the improper role for national governments, the COM, or the ECB to assume (values). Also, in the case of the Euro Crisis, there appears to be evidence that Northern Europeans view Southern Europeans negatively leading to the view that such allegedly profligate member states should not receive benefits at the expense of other richer, more responsible member states.

Affect also refers to fairness, that countries that played by the rules and responsibly managed their finances in the past should not have to pay for the overindulgent negligence of other countries, and that if they do, they are being 'played for suckers.' This is especially the case for Germany which in the past dramatically cut back on government labor programs in order to boost competitiveness and exports, only to now find that the 'hard-earned' benefits of economic resiliency mean it is expected to pay for the spendthrift betise of the Greeks. Therefore, I hypothesize that as RP channels the four dimensions of trust variation and reinforces such channels over time, trust will decline in those states bearing the largest cost and receiving the least benefit from the RP.

RESEARCH DESIGN

The troubles with Greece's public finances began in late 2009, becoming a European issue in early 2010 when the first Greek bailout was decided upon (March). The mainstream conception of the Euro Crisis is a subset of the ongoing Global Economic Crisis which originated in late 2007 (within the US financial system) and from there spread to the global economy; however, my parameter for the Euro Crisis will start in 2010 when the crisis began to create major problems for European public finances and policy action became imminent. This is not to say that the years prior had no effect on trust, but it is highly probable, given my theory of trust, that economic decline and government policies attempting to reverse that decline by aiding banks and large corporations initiated a downward trend in trust. However, the Euro Crisis represents a concentrated amount of specifically RP decisions associated with EU institutions making it more susceptible to my hypothesized decline in trust. Therefore both 2008 and 2010 could be seen as both possible starting dates for a trend of distrust, though I expect a stronger downward trend to occur in 2010 with the initiation of RP decisions on the EU level.

Spatially, the Euro Crisis involves the 17 Eurozone members: Austria, Belgium, Cyprus, Estonia (joining in 2011), Finland, France, Germany, Luxembourg, Malta, Netherlands, Slovakia, Slovenia, and the five most financially troubled, Greece, Ireland, Italy, Portugal, and Spain. While there have been bailout funds which draw from the EU-27 as a whole (European Financial Stablization Mechanism, EFSM) and even the international community (International Monetary Fund, IMF), the majority of the bailout funds come from Eurozone taxpayers (European Financial Stability Facility, EFSF), especially the largest Eurozone members of Germany and France. EU members outside the Eurozone and IMF donor countries do not have the close cultural and identity ties to the Euro or the institutions governing the policy made during the crisis, which means there is less of an opportunity for a trust relationship to develop and vary.

The operationalization of trust as a dependent variable requires utilizing public attitudes survey data. The European Commission's Eurobarometer surveys have dichotomous measures of trust in multiple government and EU institutions for all EU member states. While Eurobarometer is the main source of trust data, the disconnect between the scholarly concept of trust (see pgs. 3-14) and the surveyed public's variegated ideas of trust must be accounted for. Part of this is addressed in the conceptualization of trust adopted here, where it is sufficiently linked to readily observed psychological processes (especially concerning discussion of affect and media) as well as social contextual factors (identity, values)(pgs. 4-8).

Seven proxy variables are used to define “EU institutions” and to verify the strength and direction of trust's variation. There are seven measures of EU institutions in Eurobarometer: National Government, National Parliament, ECB, COM, European Parliament (EP), Council of Ministers, and the EU. The first two are included under 'EU institutions' because the EU's institutional structure gives significant power to national governments and allows them to have a voice in EU policy. The latter four are all related to the general idea of EU governance institutions, since they include the three main EU institutions as well as the EU itself. Notably, these institutions do not possess a high level of public awareness of their functions (or in some cases their existence). However, due to their evident connection to the EU, they serve as proxies for a generalized trust in EU institutions in the context of the Euro Crisis and the subsequent onslaught of media attention.

Hypothesis I is tested by assessing Eurobarometer surveys of trust across the 17 Eurozone members (EZ17) and seven institutions. Due to the general nature of Hypothesis I, a simple difference of means test is applied to the data in order to ascertain whether the time period of the crisis (2010 to 2012) seems to have been correlated with an increase in distrust. Since I hypothesize a decline in trust, I use the percentage of respondents giving the most *distrustful* answer. Using this data, I look for an increase in distrust, associated with the years 2010 to 2012. Taking the average of all the surveys from April 1999 (November 2003 for national government, parliament, and EU) to November 2009, I compare it to the average after 2009, starting with the June 2010 survey and ending with the most recent November 2011. Further, I measure the marginal difference between these two dates in order to determine the nature of the difference between the two measurements that mark the onset of the crisis. These results are assessed descriptively alongside graphs of the average variation in trust for each institution in order to determine whether there appears to be support for the hypothesis. The most critical control to be aware of at this level of analysis is the economic recession preceding the Euro Crisis in 2008. The Euro Crisis years should show a significant break from the pre-established trend in order to differentiate it from the recession.

Country differences in the Eurozone should ideally be taken into account as well. This includes level of economic development, trade relationships (integration), history with the EU (newer versus older members), and especially the level of knowledge and the relation to EU institutions and policy. The latter in particular refers to identity (pg. 3) which is an integral part of analyzing any country's trust variation. This could help explain why some countries experience larger trust variation than others within the Eurozone, even as the average trend corresponds with the hypothesis.

Hypothesis II is tested with a process tracing of Germany. Germany is the “crucial case” for this hypothesis; if the hypothesis is unsupported there, it is highly unlikely for it to be supported elsewhere. Germany arguably possesses “Stackelberg” leadership qualities within the Eurozone, meaning that other EU members tend to follow Germany in cultural and political trends due to its regional dominance. Significantly, Germany bore a large share of the cost of Euro Crisis RP. If there is a causal connection between trust and RP, it would likely be most strong for German citizens.

Not only has Germany borne the brunt of the cost for bailout packages, but it also has a social- political identity uniquely suited to responding to the Euro Crisis in terms of trust. German citizens are characterized by post-materialist values (Inglehart 1997), which refers to a tendency to be highly critical of government institutions and their policies. It also means that Germans do not isolate themselves from Europe, but are interested in engaging in community and unity across the continent. In 2006, 58% of Germans indicated they “sometimes” or “often” think of themselves as “not only German, but also European” (Eurobarometer 66). This is not to say that German nationalism defers to a European identity, but rather that Germans know that they can benefit from participating in Europe, even as they retain distinctly German traits and interests. For instance, the Eurobarometer survey asking “What does the European Union mean to you personally?”

reveals consistent top two answers of "Euro" and "Freedom to travel, study and work anywhere in the European Union" (last 9 years of Eurobarometer). As a result of these characteristics, Germans are relatively highly aware and critical of EU institutions in comparison to other EU member states. The average German may not be well-informed of European news, but is cognizant on some level of the existence of the EU and how he or she relates to it.

For the past few decades, Germans have adhered to a more conservative economic orthodoxy, especially with respect to monetary policy. It could be suggested that the 1920's period of hyper-inflation had a profound effect on German political culture, making Germans more adverse to loose monetary policy. James, in *A German Identity,* stresses the importance of perceptions of the economy to Germans, pointing out its historical roots: "In the 1980's the USA becomes the world's largest net debtor. It is now Germany which assumes the mantle of fiscal rectitude and preaches about spending restraint, realistic tax packages and balanced budgets" (James 208, 1989). Therefore, insofar as ECB actions taken during the crisis are seen as irresponsibly and unduly aiding profligate, debt-ridden countries this will contribute to an increase in German distrust of the ECB. I have characterized ECB actions which expand its balance sheet (buying bonds, extending credit to banks, expansionary monetary policy) as RP.

I have furthermore included in my RP decision points, decisions which created bailout funds such as the EFSF, the EFSM, and the European Stability Mechanism (ESM, the permanent replacement of the EFSF), as well as the dates when the German Bundestag voted on such measures. Finally, I have also included each of the five country bailouts decided upon so far: Greek I, Ireland, Portugal, Greek II, and Spain (see Table 1).

I	a	05/02/10	Greek 1 Bailout
	b	05/08/10	ECB intervention
	c	05/09/10	EFSF
II	a	11/21/10	Irish Bailout
	b	12/03/10	ECB intervention
	c	01/05/11	EFSM
III	a	03/12/11	EFSF expanded
	b	03/21/11	ESM
IV		05/16/11	Portuguese Bailout
V	a	07/21/11	Greek 2 Bailout
	b	09/30/11	EFSF at Bundestag
VI	a	11/30/11	ECB intervention
	b	12/22/11	ECB LTRO 1
	c	02/29/11	ECB LTRO 2
VII	a	06/09/12	Spanish Bailout
	b	06/29/12	ESM at Bundestag

Table 1: Redistributive Policy decision points during the Euro Crisis.

Deciding the date for the RP decisions is not a straightforward process, as many were heavily anticipated, and in some cases leaders would informally agree on a policy before making it official. In general, I opt for the earliest date that could be taken seriously to mean that the policy would be enacted (see references section for specific articles). The amount of time it takes for the public to react to a decision is also uncertain; it may take weeks or months before there is a reaction to any given policy. I have standardized (as much as is possible with the data available) one week from the decision point for the effect to be felt in public opinion polls and surveys. This has the advantage of being near enough to gauge a reaction, while not being too far off to be lumped in with other top news.

In addition to the Eurobarometer studies, vote intention, government satisfaction and confidence in Chancellor Angela Merkel are used as proxies for trust, hereafter referred to as “trust proxies.” The justification for such proxies are the close public association between Merkel, her political party (Christian Democratic Union, CDU) the German Government, and her policies at the time the poll was taken. This is not to suggest that confidence, satisfaction, and vote intention are the same as trust in EU institutions, but that a reaction to policy driving the decline in trust would temporarily manifest itself as a downward spike in such measures of public attitudes, thus pointing to a possible cause in the decline in trust. A pre-test and post-test are conducted just before and after each major RP decisions to gauge whether or not trust, or trust proxies responded to that action. Further, qualitative content analysis of surveys is assessed to determine the possible extent to which these bailouts activated the theoretical causal mechanisms outlined in the theory section (pgs. 9-14). This essentially means looking for evidence of a connection between the Euro Crisis and the various facets of performance, values, affect, and media.

The data and the evidence are weighed against competing explanations and uncontrolled factors such as the perceived state of the economy in general. Possible social tension resulting from mass protests, war, or other international events must also be considered. Similarly, the effect of scandals and resignations, such as Germany's president in Spring 2012 must be taken into account, since such events have been known to generate cynicism. The literature has consistently found that controlling for gender, race, age, education, and income usually does not have a major effect on trust formation (Lipset and Schneider 99-101, 1983). However, this study adopts a country unit of analysis, aggregating trust across the nation and inquiring into *overall* variation and not *individual* variation thus making such controls less relevant.

RESULTS FOR HYPOTHESIS I: LINKING TRUST AND THE EURO CRISIS

The overview results for the 17 Eurozone countries across the seven proxies for EU institutions indicate a clear and noticeable break from previous distrust trends in an upward direction. Qualifying the clear support for the hypothesis is a substantial spread from the mean (standard deviation) across Eurozone members, this was expected due to widely varying cultural identities and contexts across the Eurozone. Further, the use of the seven institutions as proxies for a generalized measure of "EU institutions" is well supported due to the close correlation between trust variation, with relatively small standard deviations from the mean. However, the two national institutions used tend to be less correlated with the other five supranational institutions, though still close enough to warrant their inclusion as "EU institutions."

Figures 1 and 2[1] summarize the results in graphical form, with a line drawn to represent the last measurement pre-crisis; every subsequent data point to the right occurs within the period of the Euro Crisis. Significantly, the graph shows *distrust,* the percentage that answered negatively to the question, "Do you tend to trust it or tend not to trust it?" A preliminary look reveals that there does appear to be a significant upward trend in distrust across the seven institutions, originating at the start of the crisis. The Greek bailout, ECB expansionary policy, and the setting up of the EFSF (main bailout fund) all occurred in May of 2010 with the measurement done in June. The average difference of means for all institutions was marked by a 31% increase in distrust, with 33.5 pre-crisis, and 43.9 during the crisis. The standard deviation is 11.2 and 10.6 for the

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1 Figures 1 and 2 and Tables 2-4 are adapted from European Commission. Standard Eurobarometer. Dec. 2011. Raw data. <Http://ec.europa.eu/public_opinion/archives/ab_arch_en.htm.>

two measures yet the difference in means has a standard deviation of 1.7, revealing a high concentration of the seven institutions around the average.

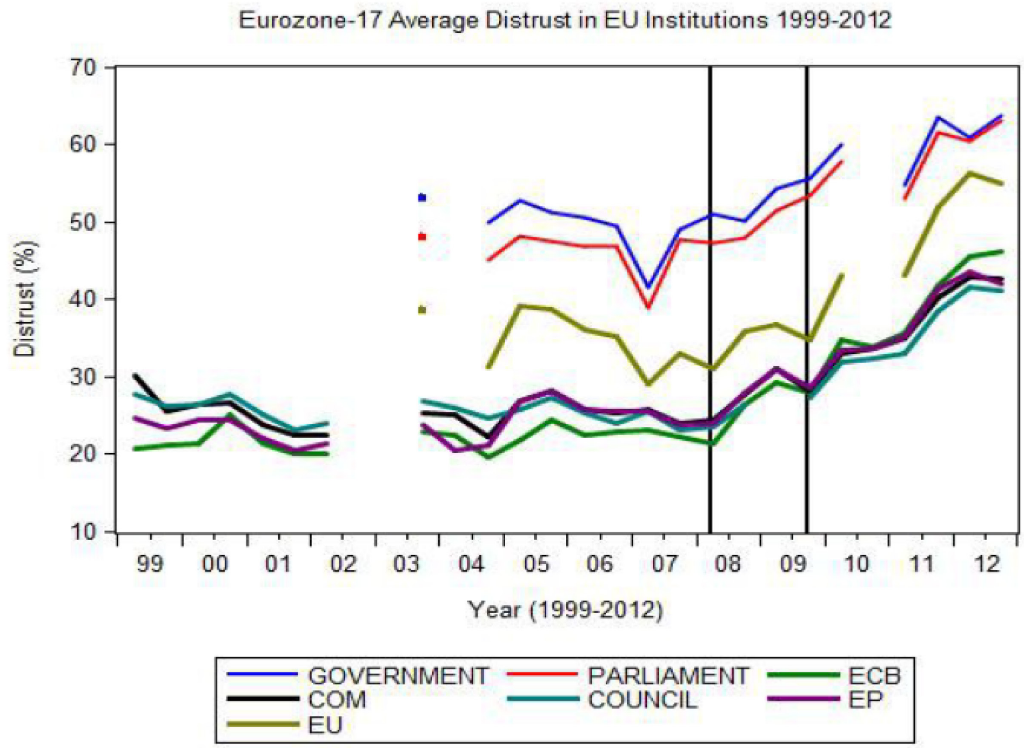

Figure 1: Eurozone 17 Distrust across 7 EU Institutions. Lines set at final pre-crisis data point for 2007 Recession and 2009 Euro Crisis (left to right respectively).

Table 2 shows a simple estimate of the slope pre-crisis versus crisis. Each of the measurement dates are spaced 1 unit apart, so that a slope of 2.8 means that, on average, distrust increases 2.8 percentage points for every six months during that period, in this case for the average of EU institutions over the Crisis period (11/2009 to 11/2011). The table indicates that for most institutions distrust was stable around 0, or slightly increasing. Part of this slight acclivity could be the effect of the Economic Recession in 2008 that is also noticeable in several of the Figure 2 graphs.

Figure 2: Eurozone 17 Distrust across 7 EU Institutions, lines set at final Euro Crisis pre-crisis data point.

Notice from Table 2 that the measure of EU trust generated a substantial 5.2 increase in distrust for every measurement period during the crisis (average slope). This suggests that it might be the association of the other institutions with the EU that is driving the overall increase in distrust. This supports my operationalization since I am seeking to measure "EU institutions." Therefore it makes sense that the EU should have the strongest effect. Also note the weakest response is in the national institutions, as well as the Council, the only major EU institution considered 'intergovernmental' instead of supranational due to their explicit deference to national interests.

	National Parliament	**National Gov't**	**ECB**	**COM**	**EP**	**Council**	**EU**	**EU Institutions Average**
Pre-Crisis Slope	.39	.12	.28	.089	.29	-.068	-.24	.12
Crisis Slope	2.0	1.9	2.8	2.6	2.8	2.3	5.2	2.8

Table 2: Comparison of Slopes Pre-Crisis versus Crisis showing change in Eurobarometer distrust over time. I utilize all pre-crisis data points to calculate linear regression and estimate slope. Each data point is set 1 unit apart in time - this is roughly six months (see Figure 1, x-axes).

Looking at data for each institution separately reveals more nuance, especially among countries. The national institutions had higher standard deviations for their difference of means (9.9 for Parliament, 9.2 for national government), but not by much. The average standard deviation for the five EU institutions was a lower 8.1. These standard deviations mean that while the trend across the Eurozone was decidedly in support of the thesis, there were countries that both offset the mean by showing large effects, and other countries that showed little effect creating a larger spread around the mean. For example, Greece registered a 26.7 difference in means for distrust in the ECB, whereas Finland actually decreased in distrust with a difference in means of -1.9. These outliers signify more complexity to the situation and significant differences among countries in their response to the crisis. This is to be expected as trust is highly dependent on the social context and identity between citizens and institutions, which in turn lead to differing perceptions and trust evaluations.

I also took a difference between the 6/2010 measurement and the 11/2009 measurement in order to determine if there was a significant marginal change upon the onset of the crisis. This also could be viewed as a preliminary test of hypothesis II, since three RP decisions were made in May of 2010 (Greek bailout, ECB bond purchases, and set up of the EFSF). Therefore, a large movement between these two measurements could signal an effect of these policies. Here again the results support both my hypotheses; all the institutions showed a jump in distrust between those two dates, an average 5.5 change with a 1.5 standard deviation. This low standard deviation across institutions was reflected in lower standard deviations across countries, though the national institutions still saw a larger spread from the mean (Table 3).

	National Parliament	**National Gov't**	**ECB**	**COM**	**EP**	**Council**	**EU**	**EU Institutions Average**
Average Change*	4.5	4.5	6.7	4.6	4.9	4.6	8.3	5.5
Standard Deviation	8.4	7.5	4.4	5.7	4.9	4.8	6.4	1.5

Table 3: Marginal change in distrust upon onset of Euro Crisis for EU Institutions (percentages). Average change is the Eurozone mean of the difference between 6/2010 and 11/2009 Eurobarometer Distrust.

The study of the marginal difference before and after the crisis illustrates an important finding in differentiating the Euro Crisis from the effects of the recession that began in 2008. A close study of figures 1 and 2 show that for most institutions the upward trend in distrust actually began closer to 2008. Nonetheless, a large jump arising from the onset of the Euro Crisis in most cases can be seen to have affected the trend by creating a noticeably steeper slope (Table 2), whereas previously it seemed that the effects of the recession were beginning to level off as countries' economies began to improve. Here again, which institutions are leading the change in distrust is evident, the ECB at 6.7 and the EU at 8.3 (Table 3). Citizen distrust appears centered mostly on the EU and the central bank. This finding makes sense since I'm measuring EU institutions and the ECB has taken on the largest RP role in the Euro Crisis.

The consistent differentiation between the national and supranational institutions of the EU deserves comment. The difference in general is not great enough to displace them as measures of 'EU institutions' (see pg. 15 for my justification). However the finding is interesting in that it reveals that the real crux of the drop in distrust does not originate with national governments in the Eurozone, but a broader concern with the EU itself. The national governments are only implicated anent their not insubstantial contribution to and association with EU governance. Another explanation for the variability of national institutions is the heightened familiarity they have for citizens leading to evaluations occurring outside of just the Euro Crisis and making trust fluctuate more.

To conclude this section, my hypothesis inquiring as to a correlation between the time period of the crisis and a significant increase in distrust is supported across significant parts of the Eurozone (especially those countries affected by the crisis). My operationalization of trust in EU institutions seems to also be well supported since trust variation is closely correlated (low standard deviation) across the seven institutions on average. Important caveats remain. Is the Euro Crisis truly the *cause* of this decline in trust or was it the Euro Crisis in combination with other events and processes occurring simultaneously with the crisis? The broad and amorphous nature of the Euro Crisis as a concept, with a slew of possible causal mechanisms, means that if the effect solely results from the Euro Crisis, such a finding has severely limited conclusions. The Hypothesis II results address these concerns, averring that RP is a leading cause for the measured drop in trust. Further, I look at how media, performance, values, and affect could be the driving influence behind the causal connection between RP and trust.

RESULTS FOR HYPOTHESIS II: LINKING RP AND TRUST WITHIN GERMANY

Preliminary Results (Eurobarometer)

The Eurobarometer results for Germany indicate two main points of an increase in distrust, in June 2010 and November 2011. While I expected more from the II and III RP decision points (mostly adjustment to the bailout funds and the Irish bailouts, see pg. 19 Table 1), these results do make sense when the timing of the surveys are considered, which were more ideal for measuring reactions for the two periods that yielded the expected results (closer to a month after specific decision events occurred).

Eurobarometer conducts trust measurements about every six months and therefore are troublesome for gauging reaction to specific policies. However, I did measure the differences between the trust values found for the pre-test and post-test in order to get a general view of how trust varied before and after the decision point (see Table 4).

	(I) Greek 1 Bailout, ECB intervention, EFSF (June 2010)	(IIa) Irish Bailout (Nov. 2010)	(IIbc/III) ECB intervention EFSM/EFSF/ESM (May 2011)	(IV/V)Portuguese, Greek 2 Bailouts, EFSF at Bundestag (Nov. 2011)
Pre-test	39	41.25	46.71	45.43
Post-Test	48.14	38.75	45.43	50.23
Difference	9.14	-2.5	-1.29	4.86

Table 4 Average change in Eurobarometer across 7 EU institutions. Distrust before and after RP decision points for Germany (percentage).

The results show a stronger reaction to the initial three RP decisions occurring in May of 2010, a noticeable 9.14 jump in distrust is the average across the 7 institutions. The November 2010 survey results only partially occurred in the time frame of interest (1 week after decision), and may reflect a measure of the relative dearth of RP decisions in the six months since May. Notice that distrust did decline, but not by enough to reverse the increase occurring for I. Similarly, the IIbc/III survey occurred in May 2011, possibly missing the full effect of the Portuguese bailout. The November 2011 survey could plausibly be the reaction to the second Greek bailout and ratification of EFSF by the Bundestag.

These preliminary results for the German case can be criticized from several angles. First is the long period of time between surveys. The only surveys that are ideally dated to measure the effects of the RP are the June 2010 survey and arguably the November 2011 survey, since it was closely after the September 30 EFSF ratification, as well as other Euro Crisis events that frequently made the news. The others are either too close to or too far away from the decision points to be convincing, and may also account for the those points' lack of correspondence with the hypothesis. This critique will be addressed in the next section with the use of more frequently taken public opinion polls on vote intention, government satisfaction, and confidence in Merkel (the trust proxies).

Another critique highlights the other news items occurring during this time period that could have warranted a change in trust and asks what makes the RP decision points so important? This critique can be addressed by looking at qualitative German surveys taken during this time period in order to ascertain what causal mechanisms might be leading the decline in trust. Some results that line up with my hypothesis and theory are found in a May 2012 Pew Survey.[2] For instance, a majority of Germans (51%) do not have a favorable opinion of the ECB as of Spring 2012 (Q80). A majority (56%) oppose the EU taking control of Member state budgets, this is a component of RP (Q11). In Spring 2010 a majority (56%) opposed providing financial assistance to member states (Q83). These survey results show that the German public is generally highly critical of the ECB and its RP policies.

Finally, to address the most likely competing explanation for the decline in trust, the economy should be evaluated for its potential role in bringing about a decline in trust. Although the pursuit of RP was often brought on by complex processes resulting from a poor economy, I argue that *RP* is the reason for the decline in trust, rather than poor economic performance in Germany. In other words, Germans are not less trustful of EU institutions because the *German* economy has higher unemployment, lower GDP, or high

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2 "Pew Global Attitudes Project." Survey by Pew Research Center. *Pewglobal.org*, 29 May 2012. Web. 9 Aug. 2012. <http://www.pewglobal.org/files/2012/05/Pew-Global-Attitudes-Project-European-Crisis-Topline-May-29-2012.pdf>.

inflation, they are less trustful because of the policies enacted to improve *European* economies.

Any pre-crisis shift in trust variation could arguably be attributed to the recession of 2008 (see hypothesis I discussion). However, starting in 2010, the German economy showed clear signs of recovery that showed in people's perceptions. The same Pew Survey shows that as early as Spring 2009, 74% of Germans considered their own personal economic situation either very or somewhat good and this remained at 74% for the Spring 2012 survey (Q18). In Spring of 2010 79% of Germans expected the economic situation in the country to improve a lot, little, or remain the same (Q15). The percentage of Germans describing the current economic situation as very or somewhat good moved from 28% in Spring 2009 to 73% by Spring of 2012, with a rapid jump from 28% in Fall 2009 to 44% in Spring 2010 (Q14); this is exactly the opposite trend that would be expected given the downward variation in trust during that period, indicating clearly that the German economy was *not* a causal factor in trust variation. As further evidence of an improved economy in the perceptions of German citizens, observe figure 3[3] showing a positive trend for economic sentiment throughout the period of the Euro Crisis with an especially large increase during 2010. This data suggests the unlikelihood that poor economic conditions contributed to the observed decline in German trust in EU institutions, strengthening hypothesis II that RP is the leading cause.

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3 Figure 3 is adapted from Infratest Dimap. "ARD Deutschland Trend." *Infratest-dimap.de*. Tagesschau.de, Jan. 2012. Web. 9 Aug. 2012. <http://www.infratest-dimap.de/uploads/media/dt1201_bericht_02.pdf>.

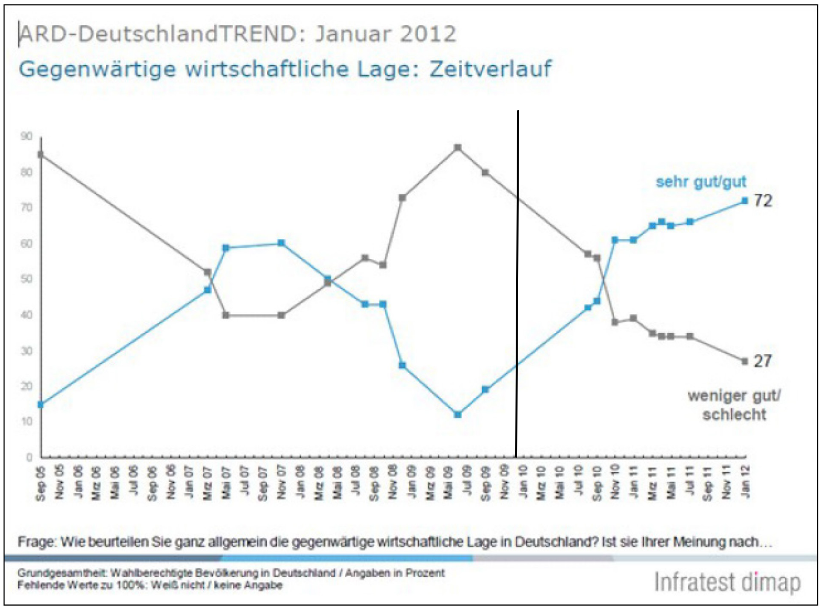

Figure 3: Current Economic Situation. Question: How do you asses the general economic situation in Germany currently? Very good/good versus less good/bad. Line marks the beginning of the Euro Crisis.

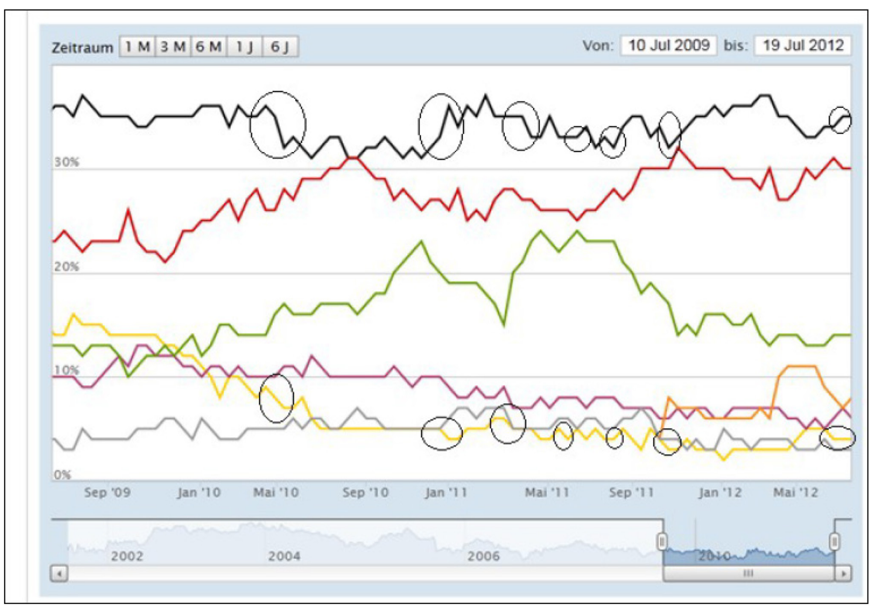

Figure 4: Vote Intention. Black=conservatives; gold=liberals. From left to right the circles mark: (I) Greek 1 Bailout, ECB intervention, EFSF, (II) Irish Bailout, ECB intervention, EFSM, (III) EFSF/ESM, (IV) Portuguese Bailout, (Va) Greek 2 Bailout, (Vb) EFSF at Bundestag, and (VII) Spanish Bailout and ESM at Bundestag.

Variation of Trust Proxies (German Public Opinion Polls)

The results for the trust proxies showed a strong connection only for the RP decision points touching national institutions. This means there was little discernible reaction to the setting up of bailout funds and ECB decisions. In general, the best results were for national votes on the bailout funds in the Bundestag, as well as the agreement to bailout Greece in both instances. That the other bailouts didn't register such a strong reaction – Ireland, Portugal, Spain – may indicate that there is not as strong negative affect toward those countries as there is toward Greece (this is supported by my survey data presented on pg. 42).

Vote intention refers to the party with which the respondent would most likely vote if the election were held on the day of the survey and like all the variables in this section, these results tend to fluctuate in terms of major political events and decisions and the public's reaction to them; they may not actually predict how well the party will do in an election, but they are a measure of public sentiment or attitudes at the time of the survey.

An ocular test of the data in Figure 4, looking specifically at the week following the RP decision point, shows some sign of a reaction.[4] The most obvious downward spike is in May of 2010. Beside identifying the circled downward trend, the difference between the 4/29/10 data point and the 5/14/10 data point is 3, a large difference given the relatively small amount of variation for vote intention (the entire time period of two and a half years is contained within a 30-40 range for conservatives, most of that below 35).

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4 Figure 4 adapted from Infratest Dimap. "Vote Intention." Chart. *Infratest-dimap.de*. 31 July 2012. Web. 9 Aug. 2012. <http://www.infratest-dimap.de/en/umfragen-analysen/bundesweit/sonntagsfrage/>.

Other RP decision points do not have such a clear reaction in this data. The three middle values, III, IV, and Va show signs of being part of a downward trend, with small downward spikes following the initiation of RP. I did register a moderate effect for Vb, the Bundestag ratification of the EFSF bailout fund, which was a prominent news item at the time. The difference between 9/26/11 reading and 10/6/11 is 2, again, a marked difference given the low amount of variation present; there is also an observable downward trend in the graph.

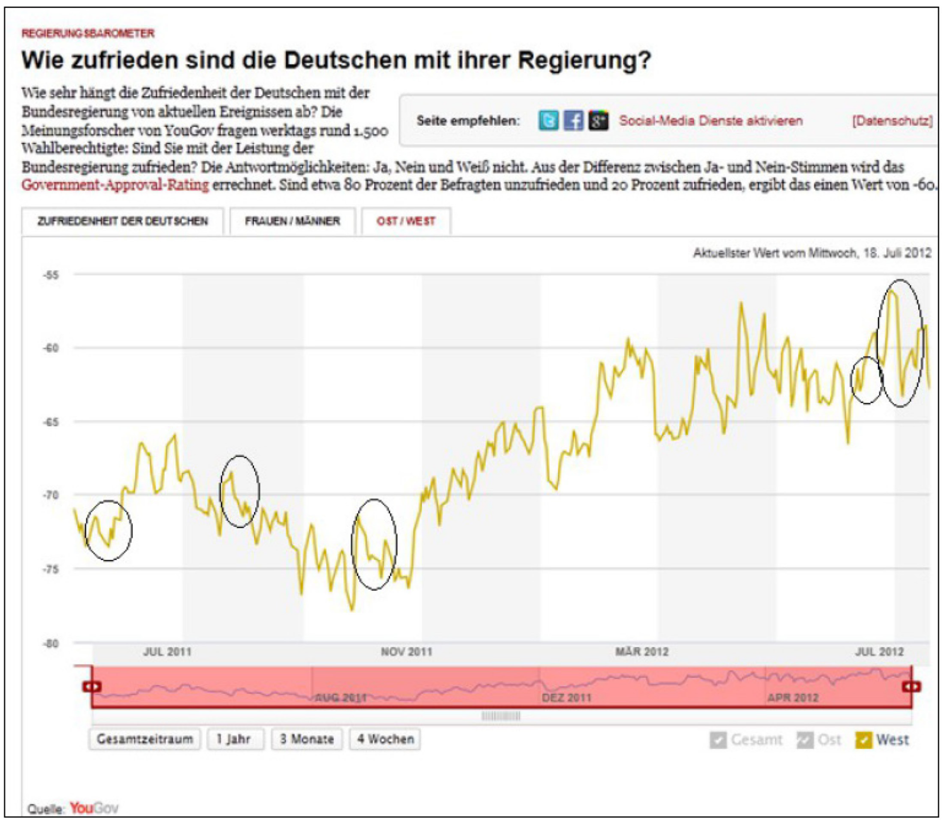

Figure 5: How Satisfied are the Germans with their Government? Question: Are you satisfied with the performance of the federal government? Shown is percentage of yes answers minus no. Circles from left to right: (IV) Portuguese Bailout, (Va) Greek 2 Bailout, (Vb) EFSF at Bundestag, (VIIa) Spanish Bailout, (VIIb) ESM at Bundestag.

	(IV)Portuguese Bailout (5/16/11-5/23/11	(Va) Greek 2 Bailout (7/21/11-7/28/11)	(Vb) EFSF at Bundestag (9/29/11 – 10/7/11)	(VIIa) Spanish Bailout (6/10/12 – 6/14/12	(VIIb) ESM at Bundestag (6/28/11 – 7/5/11)
Pre-test	-71.876	-69.244	-71.992	-62.799	-56.146
Post-Test	-73.513	-70.34	-74.243	-61.286	-61.598
Difference	1.637	1.096	2.251	-1.513	5.452

Table 5: Government satisfaction decline (those satisfied minus unsatisfied. Difference is the pre-test minus the post-test in order to measure satisfaction decline.

The government satisfaction poll[5] starts in mid-2011 (Figure 5 and Table 5). This is arguably a closer proxy to trust than vote intention, and in general it is easier to spot the downward spikes following major decisions. Table 4 shows the measured difference approximately one week following RP decision points. In most cases there was at least a small drop in satisfaction immediately following the RP decision. The results corroborate the strongest results from vote intention, with Vb showing a 2.3 difference and also VIIb, the Bundestag vote on the ESM (the Eurozone's more permanent bailout fund) shows a strong reaction at 5.5. The evidence thus far points to a public reaction to the Bundestag votes. Since these proxies are national measures is reasonable to observe more of a reaction to national policies and not so much EU measures (this is also why I didn't include ECB actions, VI). The weakest result here is the Spanish bailout (VIIa) which actually registered an improvement in satisfaction of 1.5. Looking at the graph there is a

5 Figure 5 and Table 5 adapted from Yougov. "Regierungsbarometer." Chart and raw data. *Zeit.de*. Zeit Online, Aug. 2012. Web. 9 Aug. 2012. <http://www.zeit.de/politik/regierungsbarometer>.

brief downward spike that isn't accounted for in the table, but otherwise the effect of the Spanish bailout seems to have been lagged until later in the month or not present at all as measured by Government Satisfaction. This may mean that people hadn't had time to react or didn't initially connect their aversion with the Spanish bailout to the national government (also it isn't a full Spanish government bailout, but merely aid for a Spanish bank bailout).

Satisfaction with Merkel is arguably the closest trust proxy of the three presented here, given the leadership role of Merkel in shaping Euro Crisis policy, as well as her conditional support for RP. Figure 6[6] shows the strongest evidence yet that certain RP decision points matter for the German public. As in all previous empirical studies, the biggest effect is in May after the three RP events Ia, Ib, Ic all occur within a week of each other; a large dip is seen that appears to span a considerable 15% gap. However, there appears to be less of a reaction to the Irish bailout (II), perhaps because Merkel was seen to have better represented Germany and exacted stringent enough conditions on Ireland to warrant the bailout or because there is less of an affective negative component in Germany against Ireland. There do seem to be small public opinion reactions to III and Va, with a general downward trend during this period of high media attention on the Euro Crisis. This data shows an unexpected upward spike in satisfaction following Vb, though that action involved the national parliament and not Merkel, so it is possible that she was not implicated for that RP decision.

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6 Figure 6 adapted from The Economist Newspaper."Angela Merkel, Swimming Instructor." *The Economist*. 09 June 2012. Web. 09 Aug. 2012. <http://www.economist.com/node/21556571>.

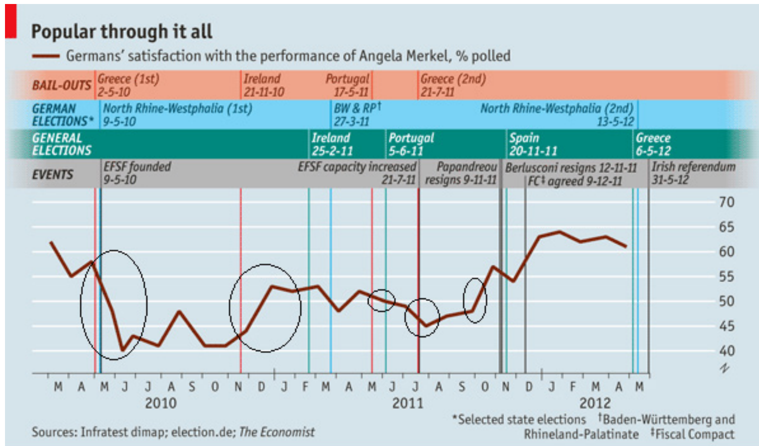

Figure 6: Satisfaction with Merkel. Circles from left to right: (I) Greek 1 Bailout, ECB intervention, EFSF, (II) Irish Bailout, ECB intervention, EFSM, (III) EFSF/ESM, (IV) Portuguese Bailout, (Va) Greek 2 Bailout, (Vb) EFSF at Bundestag.

To conclude this section, there is support for Hypothesis II in the sense that *some* RP decisions points are correlated with a negative spike in public opinion, meaning that the public took notice of such policies and thereby allowed them to influence their trust formation which is then seen in the Eurobarometer data as a loss in trust. It is also conceivable that various positive spikes represent the public taking notice of the policies, though with a favorable reaction to the specific institution in the polling question, with perhaps an unrecorded negative reaction to the EU institution more directly responsible for the RP; this reflects the difficulty in using national measurements.

The most responsive RP decision point was I (first Greek bailout, ECB intervention, and EFSF), which has a strong effect across all trust measurements and proxies. The Irish, Portuguese, and Spanish bailouts do not have such a strong effect. A moderate effect is observed for the second Greek bailout as well as Bundestag votes on both the EFSF and ESM. These results lead to the conclusion that RP matters, though the effect varies as the type of RP varies. Therefore, a short discussion of Euro Crisis RP and why some decisions might be more meaningful than others is warranted.

Euro Crisis Redistributive Policy and Trust

Essentially two economic strategies have been used thus far to address the crisis and both are RP. There have been expansionary monetary actions from the ECB and bailouts. The ECB has made Euros more available to banks and has attempted to hold sovereign debt bond yields down through its purchases on secondary markets. Several implications of these policies affect my trust causal mechanisms. In performance terms this means the ECB is risking inflation through increasing the supply of Euros in the macro economy, which is a problem many Germans are aware of and concerned with. In value terms, these actions change the ECB's role from that of currency stabilizer (keeping the Euro's value constant) to economic stabilizer, where it is now trying to resolve more complex economic problems it was not intended to resolve. Valerie Braithwaite (1998) might describe this as a case of an exchange trust norm institution attempting to adhere to communal trust norms (see pg. 5).

The second economic strategy has been the use of bailout funds to provide liquidity to hard-pressed government finances faced with unsustainable bond yields. These funds are backed by government budgets (taxpayer money) and are provided to the indigent governments on strong condition that they are used to pay back the debt they owe and reduce spending on government programs. From the taxpayer perspective *it therefore doesn't really matter whether your country is a recipient or a donor of funds*; the taxpayer sees him or herself as either losing public support because the money is going to another country or losing public support because the funds received are accepted strictly on the condition that they are not used to help ordinary citizens (paying off government debt usually means paying money to banks). Notably this discussion focuses on tangible and immediate (perceived) benefits and costs and not necessarily on possible long term effects of these policies. Yet clearly there are strong performance reasons for distrust growing out of this type of RP since there are no immediately discernible positive results for either side from the perspective of citizens.

In terms of values, the bailout funds are clearly intended to foster solidarity and community among EU member states, making Europeans feel responsible for each other. This is an EU value, but the problem here could be the divide created within the EU between the 17 Eurozone members and the other 10 non-Eurozone members. Euro Crisis policy-making has of necessity had to be conducted by the Eurozone 17 and not the EU 27; this exclusion contradicts the ideal of solidarity and may reinforce national sentiment as it becomes clear that national leaders like Merkel and Sarkozy are the real policy deciders instead of EU leaders like Barroso (COM) and Van Rompuy (Council).

Finally, the bailouts rouse affective negative sentiment against southern Europeans. This is perhaps why the Greek bailouts marked the greatest increase in German distrust. The idea that EU institutions are providing aid to countries that the public perceives as profligate, pleasure-seeking, and lazy sparks a visceral reaction that in turn contributes to a decline in trust. This helps explain the relative lack of response to the Irish bailout, since Ireland doesn't have such strong negative connotations for Germans as countries like Italy, Greece, and Spain (see pg. 42). Additionally, Southern Europeans don't tend to have fond perceptions of northern Europeans either, which perhaps explains their strong aversion to what they perceive as the harsh austerity conditions imposed on them by these countries.

Content Analysis in Germany: Looking for Causal Mechanisms

The empirical evidence and discussion suggests a link between RP and a single generalized, aggregated trust measure. The purpose of this section is to assess qualitative evidence from surveys and media sources in Germany to discern the presence and possible effect of the four causal mechanisms identified in my theory – media, performance, values, and affect. This tests the feasibility of arguing that RP activates these four dimensions of trust variation thus leading to the observed decline in trust. In general, the qualitative evidence supports the theory, though in many cases the citizenry are somewhat split, with only a slim majority espousing the expected attitude.

Media

Media serve a crucial role in informing the public of government policies, as indicated in the literature review (III); media often engage in agenda setting through giving certain attention to some items and not others. Therefore the degree to which people are concerned and view an issue as important is a reflection of media influence in reporting. For Germany, there is certainly evidence of this. The 2012 Pew Survey (Q41f) found that 71% of Germans think that the economic problems of Greece and Italy pose a major threat to the economic well-being of Germany. The June 2012 Yougov survey[7] shows that a majority (64%) believe the Euro crisis is the most important danger facing Germany (out of a possible ten different issues).

Coverage of EU issues is an important requirement in order for the public to be adequately informed about EU institutions and form a trust relationship with them. A

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7 "Yougov/Financial Times Survey." Survey by Yougov Deutschland. *Yougov.de*. June 2012. Web. 9 Aug. 2012. <http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/5jqplv600g/YG-Archives-FinancialTimes-GermanyEurozone-270612.pdf>.

November 2011 survey[8] done by Eurobarometer shows that 70% of Germans think EU issues are talked about 'enough' in the press (QD10.3). Interestingly, the same survey reports that 64% think the German Press presents the EU objectively (QD10.3). If the German press is seen as a credible source this implies that Germans will pay close attention to what it says, as well as be more susceptible to the psychological media effects described by Cappella and Jamieson (1997) (see pg. 8). Examples of possible framing of the Euro Crisis could include German language articles with headlines like Deutsche Welle's “ECB suffers credibility blow” (Blau and Edmonds 2010) or Neue Zürcher Zeitung's “German Aid for Spanish banks” (Schmid 2012) or tagesschau.de's “Is Germany liable for up to 465 Billion Euros” (Ifo-Institut Zur Euro-Krise 2012). These media articles tend to frame institutions such as the ECB in a negative light and place heavy emphasis on the financial cost of Germany's role in the crisis. Arguably this will have an effect on public perceptions of the crisis, which in turn affects trust.

Values

The articles cited above all refer to the role of Germany and the ECB, which is a values based argument for trust variation. An August 2010 Eurobarometer Survey[9] reveals that Germans are split with 46% agreeing that in times of crisis it is desirable for Germany to give financial help to another EU Member State facing difficulties and 45% disagreeing (QC10, 65). The survey further shows that of the respondents who believe that it is not desirable to give financial help to another EU Member State, 85% give the

8 “Europe 2020 – Media Habits.” Survey by European Commission. *Standard Eurobarometer 76.* December 2012. Web. 9 Aug. 2012. <http://ec.europa.eu/public_opinion/archives/eb/eb76/eb76_anx_bd_fr.pdf>

9 “Europeans and the crisis.” Survey by Directorate-General for Communication. *Special Eurobarometer 74.1. August* 2010. Web. 9 Aug. 2012. <http://ec.europa.eu/public_opinion/topics/eb741parl_en.pdf>

reason that citizens should not have to pay for the economic problems of the other EU member states (QC12, 73). This can be interpreted as saying it is not the *role* of Germany to pay for others' economic problems, indicating a values based argument for not supporting RP.

Performance

Germans are sometimes characterized as being calculating and logical, and there is survey evidence suggesting that German citizens like to see rational reasons for German policies toward other nations. The June 2012 Yougov survey shows that most agree that Germany should support other countries, but impose strict conditions (44%). And the second most held position is to not spend any more money on countries in difficulty (37%) (11). The first choice is a rational way of ensuring that RP are not merely handouts but will have substantive performance implications, whereas the second response reflects an animus against RP, without necessarily revealing a reason. This could mean it is an affect-related response.

The August 2010 Eurobarometer survey showed that of those who believed that countries facing economic and financial difficulties should receive German aid, 53% answered that they should do so for the reason that it is in the economic interest of Germany to do so (QC11), and only 43% answered that it should be done because of European solidarity between member states. A September 2011 Eurobarometer survey[10] showed that 71% of Germans believe setting aside a share of public debt to be held among all member states would only benefit the worst off member states (11) and 74%

10 "Europeans and the crisis." Survey by Directorate-General for Communication. *Special Eurobarometer 76.1. September* 2011. Web. 9 Aug. 2012. <http://ec.europa.eu/public_opinion/topics/eb76_europeans__and__the__crisis_analytical__summary_en.pdf>

believe it penalizes the better off states (12). In these surveys, opposition to RP seems to be framed rationally since it is only benefiting a minority and is creating disincentives for those that should be rewarded. Also, 73% are shown to support escalating financial penalties for EU Member states not complying with jointly defined rules on debt and public deficit (19). This is a very rational way to incentivise member states receiving aid in order to ensure better performance.

Affect

The final proposed causal mechanism relates to an emotional or 'gut' reaction to RP. In this context it is most likely centered around a dislike of Greeks or a fundamental distrustful attitude toward Southern Europeans and giving them money. The Spring 2012 Pew Survey found that 49% of Germans held a somewhat unfavorable view of Greeks (highest among the 8 countries surveyed), with only 25% somewhat favorable (Q8j). Asked which EU country, if any (these percentages are offset by those giving the 'none' answer), where people are the least hardworking, 42% of Germans responded with Greece, 13% Italy, and 7% Spain, the three highest (Q50a1). In a similar question which asked which EU country was most corrupt and 30% responded with Greece and 32% with Italy (Q51a1). Perhaps the most conclusive result was from the June 2012 Yougov Survey asking how much trust citizens have in the governments of various EU countries to 'take the right decisions about the future of the EU.' In the 'do not trust much/at all' category, Spain received 63%, Italy 68%, and Greece 83% (5). This cuts to the heart of the issue, a fundamental distrust in southern Europeans on an affective level which is a highly plausible reason for the decline in trust associated with RP. If RP is extended to national groups that are not trusted, then it makes sense that the EU institutions implementing the RP will in turn be distrusted.

CONCLUSION

In general, this study has been hampered by inadequate measurements and lack of availability of the tools to attain a higher level of certainty concerning the validity of the hypotheses. However, the evidence presented does support the hypotheses to a reasonable extent. There does appear to be a negative relationship between trust and the Euro Crisis as measured across the 17 Eurozone members, although not the same amount across countries. Further, opinion poll trust proxies show that some RP decisions explain why trust is declining for EU institutions, with a stronger result for the Greek bailouts and for Parliamentary ratification of bailout measures. Further, the causal mechanisms that RP is hypothesized by my theory to activate seem to be supported qualitatively by survey evidence. Media, values, performance, and affect all seem to play a role at some level in determining German citizens' aversion to RP in the context of the Euro Crisis. For Germany, the most prescient causal mechanism is arguably the negative affect toward Southern Europeans.

The subsequent question then is what level of external validity my findings represent outside of both Germany and the Euro Crisis. This is a topic for further research. I have attempted to frame my research in general terms so that subsequent studies of economic crises involving RP can use similar methods and look for similar results. Importantly, especially for my case study conclusions are the unique attributes of Germany that allow for the given conclusions – especially with respect to German identity. Possibly other Eurozone members that share similar identities would yield similar results (Finland for example would be another ideal case). Also the position of

Germany as bearing the brunt of the bailout expense makes it the foremost case for RP being the cause of a trust decline, since the only other country with similar cost levels would be France. Also, this study only briefly touches on the effect of RP on recipient countries' trust. It would be more difficult in these cases to control for social unrest and economic decline; however, the fact that trust declined so dramatically for *EU* institutions indicates that EU RP might be a major cause, especially anent the austerity conditions imposed on recipient countries like Greece (which would be viewed by Greeks as RP).

Given the internal and external validity summarized above, my findings have both theoretical and policy implications. For theory, my findings support Marc Hetherington in revealing the importance of the relationship between RP and trust. In my case RP is a cause instead of an effect, but nevertheless there is a significant endogenous relationship that should attract scholars to further research in order to ascertain the extent and applicability of this link to other countries and political situations.

There are several clear policy implications for my findings. The first involves addressing the cultural divide between Northern and Southern Europeans that seems to be a major cause behind why RP caused such a decline in trust in EU institutions (affect). The fundamental distrust between regions in the EU is causing citizens to lose trust in EU institutions as those institutions seek to help the distrusted. In Germany, citizens apparently fear being treated unfairly and have the emotional conviction that 'those lazy southerners' brought this on themselves by their own ineptitude and laziness while Germans were behaving responsibly. This regional tension bears major implications for expansion of the EU and the Eurozone. If the EU aspires to represent a united Europe, it must first recognize that, at this time, such an entity far from exists on a cultural and affective level (See Ray 2004 for more detailed discussion of sources of EU political conflict). This also reveals the lack of depth behind a so-called European identity (see Calhoun 2003). Even for those expressing such an identity, when it comes to their country sending their money to another social group which they don't trust; they are going to express their malcontent as distrust in the institutions facilitating such help.

Further, my findings emphasize the political dangers of adopting RP policies, and the need to justify and account for objections from the media as well as performance, values, and affect based arguments against adopting such policies. In other words, a more sound basis for *trusting* the minority group receiving help should be established before RP is pursued; otherwise – as Hetherington's findings portend (2005) – the subsequent longer term loss in trust could in turn cause policymakers to lose all public support for such programs and thus lose valuable policy space to resolve pressing international issues. On a more general level, it is possible that a decline in trust will result in a loss in democratic legitimacy for EU institutions (Inglehart 1999), as well as a decline in compliance and hence effectiveness of EU policies (Scholz 1998). Trust is an issue that is ignored at great peril, and if the short term decline in trust in EU institutions resulting from the Euro Crisis is not dealt with, a more permanent EU malaise may contribute to a difficult policy environment for those intent on ending a prolonged crisis.

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ABSTRACT

Over the past few decades, political trust has become an increasingly important topic for scholars interested in how public attitudes influence democracies. This paper takes a qualitative approach to the Euro Crisis in order to assay whether the multiple succession of redistributive programs (bailouts and central bank expansionary policy) has had an impact on trust variation in EU institutions. In determining trust variation, the literature emphasizes the general importance of identity (cultural context) as well as the specific influence of societal *values* and norms; institutional *performance* and rational calculation; *affect* and emotions; and the reinforcing role of *media* as facilitator. These four dimensions of trust I develop into causal mechanisms driving a downward trend in EU institutional trust as a result of redistributive policy. Looking at an overview of the Eurozone as well as a close look at Germany – the country bearing the highest costs – I find that not only has trust declined during the Euro Crisis, but that redistributive policy is a leading cause, activated by the four causal mechanisms. The strongest causal mechanism appears to be affect, revealing the social tension between Northern and Southern Europeans and the emotional aversion to sharing financial responsibility. This has implications for both future support of redistributive policy and the success of further political integration in Europe. The findings here elucidate the nature of a possible causal relationship between redistributive policy and trust.