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The Collateral Effects of the Economic Crisis Towards the Europeanization of Public Attitudes about the Economy

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Three years into what many analysts have considered the deepest economic crisis since 1929, Europeans have started to think that the worst is over. Economic indicators clearly show trends of recovery, while data on public opinion indicate a new optimism. Although these changes give rise to renewed hope for a future of stability, we are far from apprehending the full effects of the crisis. Furthermore, the enormous political and economic turmoil in Greece and Ireland (and the suspicion that something similar could happen in other countries) took the initial crisis into a second stage. The Euro as a common currency seemed to be in danger, and policy packages had to be prepared, but this time not in order to rescue savings banks or private firms from failure, but entire national budgets and economies.

While the outcome of the crisis remains uncertain most observers would agree that citizens remain key players. Thus, measuring public opinion in times of crisis becomes of utmost importance to decision makers. Questions such as "What is the heritage of the crisis?", "How do European citizens perceive the state of the economy after the crisis?" and "What are the effects of the second phase which brought the Greek, Irish, Spanish and Portuguese economies to the forefront of public attention" are most relevant and need – at least tentative – answers.

A descriptive analysis of both negative and positive trends in future economic expectations[1] reveals at least two prominent aspects. First, the percentage of those who believe that 'the worst has still to come' has decreased consistently both at the national and the European levels. After a peak at the beginning of 2009, when more than 50% of citzens in Europe expected the economic situation to be worse in the near future, this percentage dropped by late 2010 to 34% with regard to the national economy and to 30% for the European one. These values are still slightly higher than in 2007, but we can say that evaluations of the economic situation have returned to pre-crisis levels (evaluations of the European economy remain worse than before the crisis, though not by much).[2] In other words, a normalization in expectations of the economic future hast set in.

[1] The exact wording of the question in the Eurobarometer questionnaire is as follows: 'What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to.. a) the state of (country) economy; b) the economic situation in the EU?'

[2] On this point see also TNS Report on Standard Eurobarometer 74.2 "Economic Governance in the European Union", January 2011, http://ec.europa.eu/public_opinion/archives/eb/eb74/eb74_en.htm.

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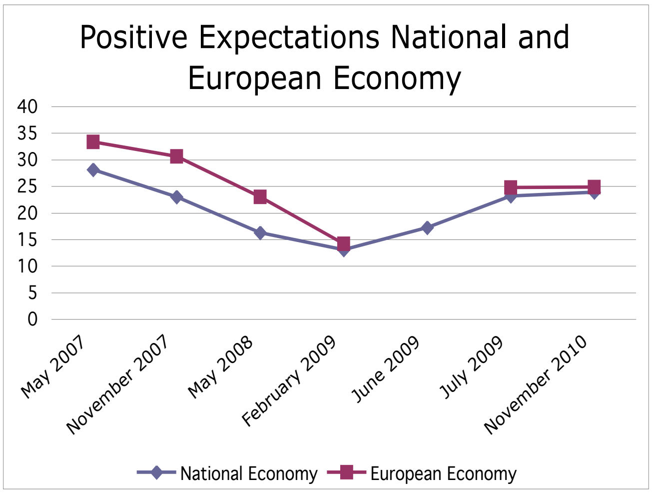


Figure 1. Positive Expectations on National and European Economy (2007-2010)
Source: Our elaboration on the Eurobarometers 67.2, 68.1, 69.2, 71.1, 71.2, 71.3 and 74.2

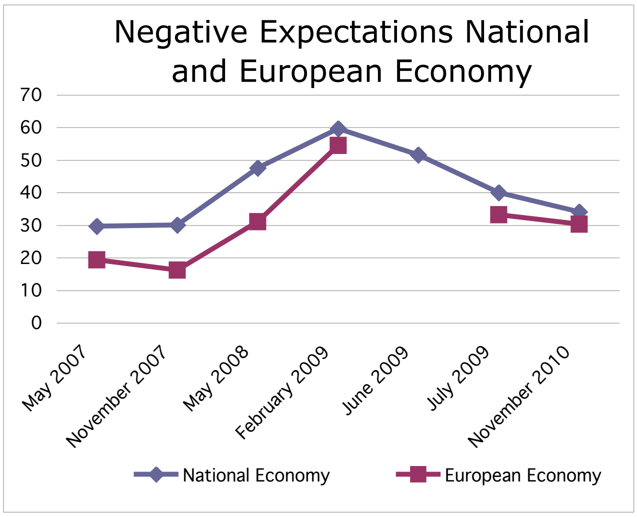
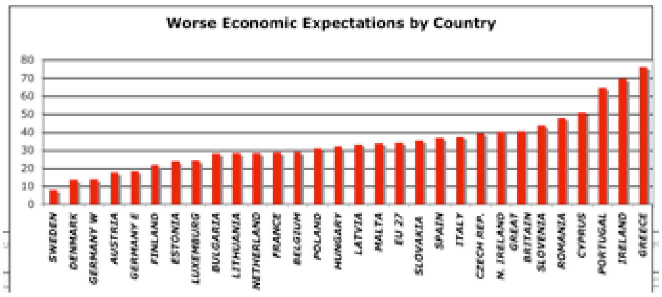


Figure 2. Negative Expectations on National and European Economy (2007-2010)
Source: Our elaboration on the Eurobarometers 67.2, 68.1, 69.2, 71.1, 71.2, 71.3 and 74.2

Second, future expectations regarding national and European economies have convergeed. In the aftermath of the peak of the economic crisis in 2009, the data show a Europeanization of public attitudes towards the economy – a statistical manifestation of the manifest fact that Europeans share a common economic destiny, and one that might possibly be used to spread the conviction that European economies are interdependent. Thus, a somewhat unexpected side-effect of the crisis has been to make public opinion regarding economic conditions seem less national and more European than it had seemed in the past.

A deeper analysis of the data reveals that this general tendency is not homogeneous across countries. Figure 3 displays the percentage of people expecting the economic situation to become worse in their respective countries. While many EU Member States are close to the European average (32%), both ends of the graph contain two distinct groups. On the left side of the graph we find more optimist countries, such as Sweden, Denmark, Austria and Germany. Note that in these countries the economy is growing, despite the crisis. The group on the right side of the graph represents rather pessimistic countries, such as Cyprus, Portugal, Ireland and Greece. These are the countries that have been most strongly affected by the crisis, as has become particularly visible in the current second phase. Greece and Ireland have even become symbols of the crisis as such. These national differentiations in the attitudes help us to understand that – despite the general trend towards a Europeanization of the future expectations about the economy – the performance of the national economy still remains an important factor which can explain country differences.



Source: Our own elaboration on EB0742

Why did the people's expectations about the national economies converge with the European one?

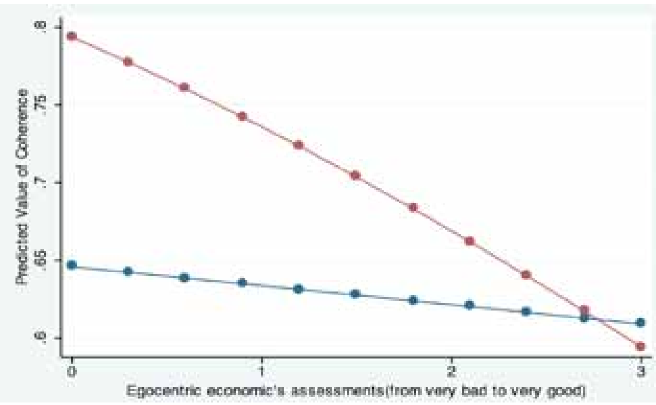
By using the most recent Standard Eurobarometer Survey (EB 74.2), we created a measure of coherence of the expectations on national and European economies, respectively.[3] Almost two thirds of the respondents (63.6%) give a consistent answer, validating our perception of the Europeanization of views about economic performance.

[3] We created a dummy variable by assigning a value 1 to respondents that have the same economic expectations for the national and European economy and 0 if the expectations were different for the national and the European level.

In a subsequent statistical analysis, we assessed the relation between our measure of coherence and a wide range of variables both at the aggregate and individual levels, such as socio-demographic characteristics of the individual respondents and the economic conditions of the single countries.

Table 1 contains the most significant[4] results based on three different models. The Europeanization of economic expectations is explained by a growing sense of pessimism due to the effects of the crisis. Citizens who are most concerned about their own personal economic situation have a higher propensity for similar perceptions of the national and European economic future. This is particularly widespread in the group of countries mostly affected by the crisis – namely Greece, Portugal, Ireland and Cyprus: here, pessimism about one's own future has the strongest impact on the level of coherence. In other words, people living in the countries that were most affected by the crisis do not only have a more pessimist evaluation of their own future and of the future of their national economies, but they also think that the European economy follows the same trend. In particular, Model 3 shows that the effects of respondents' own personal financial situations on the coherence of their views regarding the future of the national and the European economies are much higher for citizens living in the group of countries that are most affected by the crisis. This is better illustrated in Figure 4, which shows that pessimism with regard to one's own personal financial situation correlates positively with coherent national and European economic expectations. Whereas this relationship is modest for citizens living in countries less directly affected by the crisis (blue line), it is strong for those citizens living in countries particularly affected by the crisis (red line).

[4] Other models based on economic indicators, such as the GDP growth rate, the inflation rate and the unemployment rate did not produce any statistically significant coefficient.



Blue line indicates non specifically affected countries; red line indicates specifically affected countries.

Figure 4. Estimated percentages of having a coherent view about the national and the European economic future by subjective evaluations of the personal economic situation. Europe, 2010
Source: Our own elaboration on EB0742

Learning from the crisis: Is there a positive element in the Europeanization of the attitudes towards the economy?

Paradoxically enough, although the Europeanization of public views on the economy has been generated by pessimism due to the effects of the economic crisis, it could represent an occasion to promote a positive vision of European integration. After the peak of the crisis, EU public opinion manifests the high degree of economic interdependence existing at the European level. This fact might provide an opportunity for the EU institutions to initiate a more vivid discussion about their policies. As we showed previously,[5] public attitudes towards the economy are particularly related to support for Europe and its institutions. More than in the past, public discourse considers the European Union to be the principal actor of economic policies. As a result, a renewed Europeanized vision of the economy, if linked to a high level of information provided by the EU institutions, could contribute to enhanced legitimacy of EU actions, reducing thus the atavistic gap between European citizens and EU institutions.

[5] See the Spotlight report 'The Economic Crisis and Public Opinion About Europe': http://www.eui.eu/Projects/EUDO-PublicOpinion/EUDOSpotlight.aspx

In conclusion

In brief, we can conclude that (1) public expectations about the economic future of their own nations and of Europe as a whole has largely recovered, and that the peak of the economic crisis is perceived to be over; (2) there is a convergence in the expectations about the economic future of citizens' own countries and of the EU as a whole (i.e., that economic expectations have become Europeanized); (3) that this Europeanization is more visible where countries and individuals have been much affected by the crisis, above all during its current second phase; and (4) that the Europeanization of public awareness of interdependent economies also represents a notable opportunity for European institutions to enhance the legitimacy of their own actions.

Table 1. Factors determining coherent views about the national and European economic situation in the future (next 12 months)

European economic situation in the future (next 12 months)

Variables	Model 1	Model 2	Model 3
Education	-0.13***	-0.15***	-0.15***
	0.02	0.02	0.02
Men	-0.15***	-0.13***	-0.13***
	0.03	0.03	0.03
Age	-0.004***	-0.004***	-0.004***
	0.00	0.00	0.00
Eurozone[6]	0.12***		
	0.03		
Ideology[7]:			
Left	0.06		
	0.04		
Right	0.04		
	0.04		
Egocentric economic views[8]	-0.12***	-0.09***	-0.05*
	0.02	0.02	0.02
Most affected countries		0.31***	0.70***
		0.04	0.10
Egocentric*Affected			-0.27***
			0.06
Intercept	1.16***	1.23***	1.18***
	0.08	0.08	0.08
Number of observations			
	19042	22903	22903

Binary Logit models
Source: our own elaboration on EB0742
Legend: * p<.05; ** p<.01; *** p<.001

[6] Countries within the Eurozone.

[7] Category of reference: centre

[8] The exact wording of the question in the Eurobarometer questionnaire is as follows: 'How would you judge the current situation in each of the following? The financial situation of your household'.