

Covid-19, Policy Response and Trust to the EU

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Increasing Divergence and Changing Social
Trends in Europe? Longer-term
Developments and Consequences of the
Pandemic



Introduction

The experience an individual has with the EU shapes her support for the EU

E.g. F. Lauterbach and C. E. De Vries (2019); K. Armingeon and K. Guthmann (2014)

Evidence that episodes of fiscal consolidation had a detrimental effect on trust in institutions (both national and supranational) through Europe in the period of the Great Recession

E.g. T. Fetzner (2019); K. Drakos, C. Kallandranis and S. Caridis (2019)

COVID-19 pandemic is a make-or-break moment for the European Union, crisis test the relevance and legitimacy of institutions and are crucial in shaping public support as argued by Z. Lefkofridi and P. C. Schmitter (2015)

We study the effect of the proposal of **Next Generation EU**, done by the European Commission on May 27th and anticipated by the Franco-German plan a week earlier, had on trust to the EU

Unlike what happened during the Great Recession, this time the EU responded with a financial fiscal stimulus

Data

The study uses data from the Eurofound *“Living, working and Covid-19” e-survey*

- The dataset consists in two waves carried out in April and July
- It has a cross-sectional and a panel component including 96,793 and 28,510 respondents respectively
- Participants were recruited using a non-probability sampling method, combining snowball sampling methods to social media advertising

Data from the *European Social Survey (ESS)* round of 2018, 2016 and 2014 are used to check validity of data and robustness of results

Data from the *Oxford COVID-19 Government Response Tracker* were used to control for stringency of lockdown policies, while data on COVID-19 mortality are taken from the *European Centre for Disease Prevention and Control*.

Method

In order to analyze the effect of Next Generation EU's proposal we propose two Difference in Differences specifications

Age Model

Compares a treatment group of younger respondents (age < 30) to a control group of older individuals (age \geq 30) before and after the proposal of Next Generation EU (in the first and second round of the survey)

Country Model

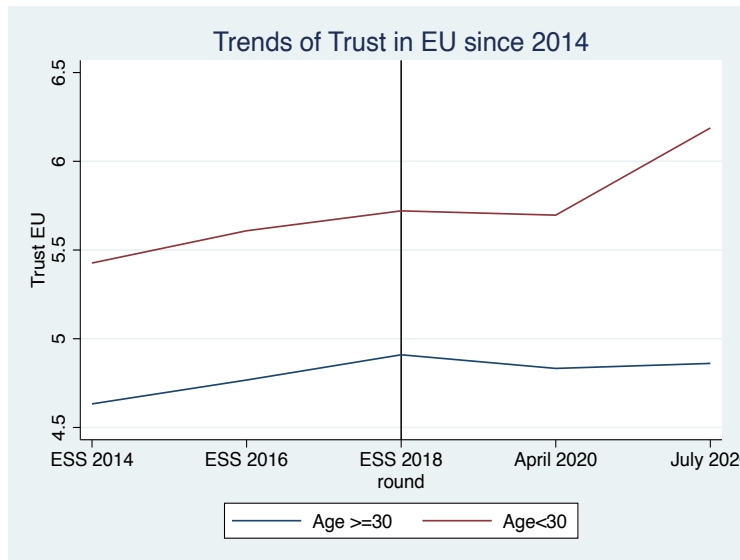
Compares a treatment group of periphery countries (Greece, Ireland, Italy, Portugal and Spain) to a control of frugal countries (Austria, Denmark, Finland, Netherlands and Sweden) before and after the proposal of Next Generation EU (in the first and second round of the survey)

In both cases the control group is more likely to be responsive to the proposal of the Commission

Regression models include controls for the stringency of lockdown policies, number of COVID-19 related deaths in the 7 days before the respondent took the survey and trust in national institutions to control for alternative mechanisms

Results Age Model

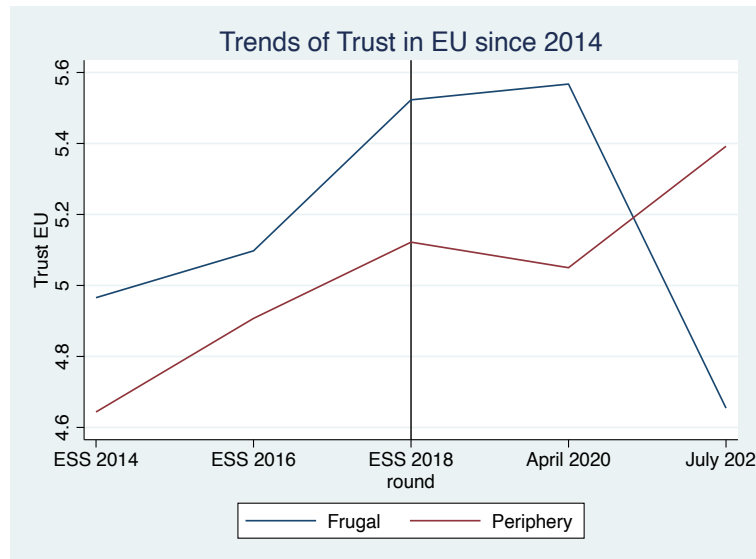
Younger respondents show significantly higher trust in July, supporting the idea that the proposal of Next Generation EU increased trust to the EU



VARIABLES	(1) Trust EU	(2) Trust EU	(3) Trust EU	(4) Trust EU	(5) Trust EU
Young	0.0739 (0.0587)	0.0246 (0.0509)	0.0757 (0.0591)	0.0768 (0.0590)	0.0313 (0.0512)
July 2020	-0.155 (0.145)	0.200* (0.121)	0.245 (0.207)	-0.0566 (0.145)	0.542*** (0.172)
Young#July 2020	0.439*** (0.102)	0.341*** (0.0901)	0.427*** (0.103)	0.438*** (0.102)	0.341*** (0.0907)
Alternative theories					
Trust national gov.t		0.459*** (0.00402)			0.459*** (0.00405)
Stringency			0.0132*** (0.00490)		0.00983** (0.00412)
7 days mort. rate				0.0926*** (0.0111)	0.0445*** (0.00883)
Observations	61,592	61,383	61,079	61,079	60,874
Country-Round F.E.	YES	YES	YES	YES	YES
R-squared	0.132	0.344	0.133	0.134	0.345

Results Country Model

The country model still supports the idea that Next Generation EU has shaped public opinion increasing support to the Union



VARIABLES	(1) Trust EU	(2) Trust EU	(3) Trust EU	(4) Trust EU	(5) Trust EU
Periphery	-0.803*** (0.0975)	0.339*** (0.0867)	-0.859*** (0.113)	-1.077*** (0.149)	0.315** (0.137)
July 2020	-0.126 (0.145)	0.303** (0.120)	0.0762 (0.254)	-0.0847 (0.146)	0.329* (0.195)
Periphery#July 2020	1.844*** (0.210)	0.904*** (0.188)	1.842*** (0.210)	2.117*** (0.239)	0.921*** (0.211)
Alternative theories					
Trust national gov.		0.567*** (0.00505)			0.567*** (0.00505)
Stringency			0.00674 (0.00693)		0.000769 (0.00519)
7 days mort. rate				0.0398** (0.0163)	0.00255 (0.0138)
Observations	24,831	24,777	24,831	24,831	24,777
Country-Round F.E.	YES	YES	YES	YES	YES
R-squared	0.182	0.502	0.182	0.182	0.502

Conclusion

Results show that trust in European Institutions increased following the proposal of Next Generation EU and exclude that the effect could have been driven by a spill over effect of trust in national institutions, the easing of lockdown policies or the reduced impact of the pandemic

Furthermore, it seems that countries which benefit the most from Next Generation EU experienced a sharper decline in trust at first, when the EU response to face the economic impact of the pandemic was weak, followed by an increase in July, frugal countries had a completely opposite trend

A policy suggestion that can be derived is that even though political institutions can benefit from a *rally around the flag* effect in times of crisis, these periods are pivotal in generating trust to political institutions, this can be achieved by implementing policy instruments that seem disrupting and adequate to the crisis as Next Generation EU and the *lockdown effect* demonstrate. This is particularly important for a supranational institutions, such as the European Union, that has been perceived as having a democratic deficit. As one of EU's founding father Jean Monnet said: "Europe will be forged in crisis"