

# Has the financial crisis resulted in a demand for stronger state regulation?<sup>1</sup>

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The following paper analyzes whether the financial crisis has affected citizens' confidence in the free market economy and whether this decrease has triggered citizens' demand for stronger state regulations. Using panel data the paper confirms that citizens' confidence levels in the free market economy have decreased in most of the largest economies and demand for stronger state regulation has increased on both sides of the Atlantic. When analyzing the determinants for citizens' confidence in the free market economy and demand for stronger state regulation the paper comes to the conclusion that ... (*this econometric exercise will be conducted once the paper is accepted*). The theoretical tension between the demand for stronger state intervention and the upcoming cuts in social spending to tackle oversized public deficits will be discussed.

## Introduction

Research has shown that a *certain* level of trust in and approval of the market economy is an important ingredient in ensuring the smooth running of the economic, political and social system. A key question is thus now to what extent has the financial crisis undermined trust in both markets and institutions and with what consequences? The purpose of the following paper is to address these crucial issues for the large economies in Europe and on the other side of the Atlantic. Based on panel data from the GlobeScan survey, which covers the time frame before and after the financial crisis for the large European economies, US and Canada, this analysis shows first evidence to the question whether the financial crisis has negatively affected citizens' approval for market economy. Furthermore, it investigates whether this decrease in confidence is accompanied by an increasing demand for more redistributive policies and state intervention. The damage inflicted by declining rates of approval of the free market economy might represent one of the most costly consequences of the crisis.

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<sup>1</sup> I wish to thank the Austrian Ministry of Finance who financed the study „Who can be trusted after this financial crisis“ in which most of the data utilized in this paper was gathered.

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