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# INSTITUTIONAL TRUST IN HUNGARY AND THE COUNTRIES OF THE EU

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Most studies on trust, and especially trust in institutions, express concern about the declining (or at best stagnating) trends of public confidence in government, the EU and other institutions (such as the law, the courts or the police). Recent decades have been characterized by observers as a period of ‘crisis of trust’ in European societies (see e.g. Hosking, 2017). The erosion of trust is worrisome because it may signal legitimacy problems and a declining willingness on the part of citizens to cooperate with state institutions. This may bring about a radicalization of politics or a weakening of law-abiding attitudes (Boda, 2013). The economic crisis of 2007–09 had a clear and negative effect on trust; and since confidence in the EU has been particularly affected, the supporters of the European project have expressed some fear concerning the future of the European Union.

Our chapter analyses the trends of institutional trust in Europe using data from the Eurobarometer (European Commission, 2007–16) and the European Quality of Life Survey (Eurofound, 2018b). We build on our research done for Eurofound (Eurofound, 2018a), but this paper focuses more on Hungary. One of our conclusions is that in the past few years trust in institutions has been slowly increasing in the countries of the EU. This offers a glimmer of hope, because it suggests that the crisis of trust is not irreversible.

## **1. The concept of institutional trust**

Trust in institutions is an essentially complex, context-dependent and dynamic phenomenon. Trust is relatively easy to measure, since most people can answer the question ‘How much do you trust the government on a five-point scale where 1 means no trust at all, and 5 means I trust it completely?’ The concept of trust does not seem to be a complicated construct, and we all believe we know the attitude it refers to.

However, it is much harder to establish exactly what it is we are measuring and what this attitude expresses. Trust is often defined as an expectation that in the future the object of trust (person, institution, organization, etc.) will behave in a proper manner. But this expectation is influenced by past experience, rational considerations, moral evaluations and also more temporary sentiments. Moreover, trust is also partly a macro-level phenomenon expressing cultural patterns based on a society's past experiences (see Fukuyama, 1995); and – especially in European countries where the various indicators of living standards and well-being are strongly correlated – trust is also related to the country's level of income and level of inequality (Medve-Bálint and Boda, 2014). Trust is also linked to individual-level variables: older people, those with higher status, religious and more optimistic people generally have higher levels of trust. Individual trust in institutions is also positively influenced if the parties in government correspond to a citizen's political preferences – although interestingly, the effect of political preference is stronger in Central and Eastern European countries than in Western Europe (Boda and Medve-Bálint, 2013). An additional challenge in the study of trust is that it can generate positive feedbacks: more trust towards the institutions might lead to better institutional performance, which again increases trust. There are two aspects that make the study of trust particularly interesting and important. First, trust depends on the evaluation people make about the performance of the institutions, which makes trust a suitable indicator for assessing the legitimacy of the institutions. Second, institutional trust seems to be correlated with specific patterns of behaviour (e.g. voting for populist parties, tax compliance), which strengthens the policy relevance of studying institutional trust.

The performance of the institutions is important at two levels. First, assessment of the more general functioning of the institutions is important for institutional trust. Those who think that the country is going in the right direction are more inclined to trust specific institutions as well. It is noteworthy that this effect prevails even if the situation of the individual is actually deteriorating (Medve-Bálint and Boda, 2014). A relationship between perception of institutional performance and trust has been found at the micro-level: based on our analysis of changes in institutional trust between 2011 and 2016, we found that perception of the quality of public services was the strongest individual-level predictor of institutional trust. This relationship has also been shown to prevail at the macro-level: indicators of quality of government (quality of democracy, rule of law) are strongly correlated with levels of institutional trust.

Trust is, of course, also influenced by assessment of the performance of the given institution. This is why institutional trust seems to be more volatile than trust in persons. The efficiency and professionalism of the given institution

are obviously important: citizens are not inclined to trust an institution that they think is not fulfilling its task. It is thus not surprising that the economic crisis of 2007–09 eroded trust in national governments, and to some extent the EU. Research has also demonstrated, however, that moral expectations are equally important. For example, analysis of the corruption scandal in the Hungarian Tax Authority in 2014 demonstrates that the scandal damaged trust in the institution, while its perceived performance and efficiency did not decline (Bartha and Boda, 2016).

Institutional trust as an indicator of the legitimacy of institutions has practical relevance. The most important functions of institutions are to stabilize social interactions, reduce uncertainty and augment predictability. Lack of trust destabilizes interactions and can trigger a self-fulfilling prophecy. For instance, one sign of low trust in Hungary is that people often put their savings into banks abroad (Barát, 2015; Én Pénzem, 2016); another is that the actual performance of companies is lower than it could potentially be, as owners are hesitant to reinvest profits made (Reszegi and Juhász, 2017). Low or declining investment, however, tends to aggravate the situation that prompted company owners to spend their profits instead of reinvesting them.

Institutional trust can play an important role in securing support for government decisions that are costly in the short term, but that might prove beneficial in the long term. Dóra Gyórfly argues that in Europe countries with higher levels of institutional trust were able to carry out efficient monetary stabilization programmes during the crisis years (Gyórfly, 2017). Of course, the experience of Hungarian citizens of ill-founded public policies and government decisions that require ever greater sacrifices from the population may also lie behind the low levels of trust in institutions. Nevertheless, our results, based on the Eurobarometer study (European Commission, 2007–16), show a positive relationship between trust in the EU and support for reforms in the EU.

Last, but not least: institutional trust as an indicator of institutional legitimacy is able to predict support for government decisions and compliance with government regulations or general cooperation with institutions. In his seminal work, Tom R. Tyler argued that compliance with the law is a result not of fear of punishment, but rather of trust in institutions and the law (Tyler, 1990).<sup>1</sup> Analysing the corruption Hungarian Tax Authority scandal, Bartha and Boda (2016) found – in line with international research results – that trust in the tax authority has a positive effect on tax compliance. As will be demonstrated

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<sup>1</sup> Another important thesis of Tyler's is that trust depends heavily on normative considerations, especially on the perception of procedural fairness related to institutional functioning.

below, the correlation between institutional trust and tax compliance also prevails at the macro-level.

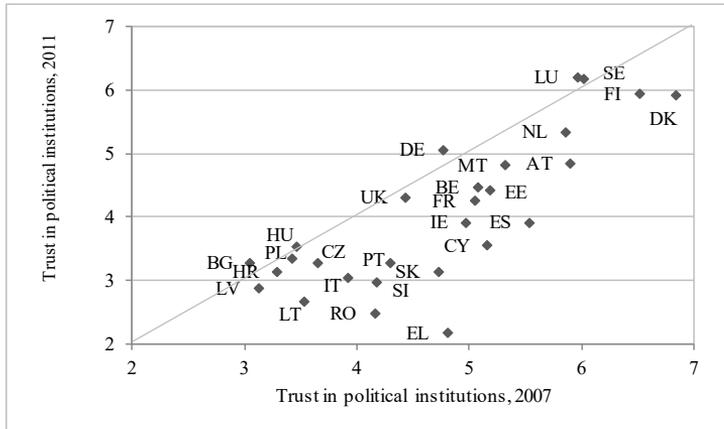
To sum up: institutional trust is a complex phenomenon, and as such is better approached from a dynamic perspective that takes account of the different contexts when interpreting differences and changes. Institutional trust is worth studying as an indicator of institutional legitimacy, and also because of the direct policy implications. In the following, we summarize our results on trends in institutional trust, and discuss the causes and consequences of changes in trust.

## **2. The change in institutional trust in Europe and Hungary**

Most of the analysis presented below uses the European Quality of Life Survey (EQLS) (Eurofound, 2018b). Here, institutional trust is measured on a 10-point scale (where 1 indicates no trust at all and 10 means complete trust), which allows more precise measurement of trusting attitudes. This is important, as this finer measurement scale makes it easier to construct composite indicators. The analysis of overall trust in institutions might mask differences between trust in different institutions. There might be a difference between attitudes towards political institutions (like the government) that are held to be responsible for the problems people face, and others (like the courts) that might be judged more in the light of normative values. Trust in some institutions may be more politicized and express general legitimacy attitudes, while confidence in other institutions may stem from personal experience and be more outcome oriented. Based on EQLS data, variables reflecting trust in two types of institutions were created: trust in political institutions (measured by the average of trust in national parliament and in national government, see *Figures 1 and 2*) and trust in non-political state institutions (measured by the average of trust in the legal system and the police, see *Figures 3 and 4*).

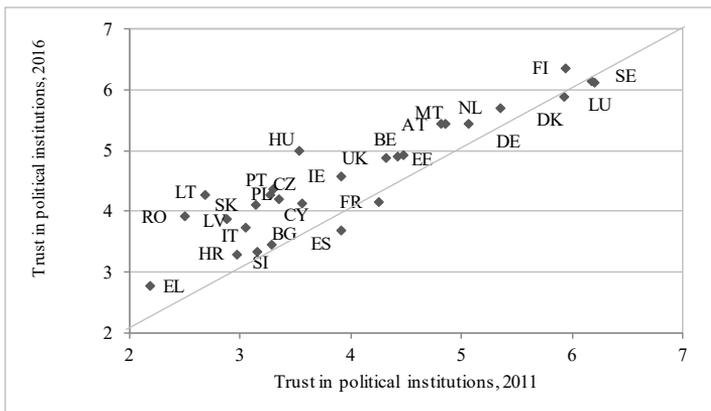
As *Figures 1 and 2* show, trust in national political institutions (parliament and government) declined significantly between 2007 and 2011. Although countries with the most significant decline (Greece, Romania, Slovakia, Cyprus and Spain) were among the countries with low or mid-level political trust at the beginning of the period, the decline affected countries at all initial levels of trust. Even countries with high levels of political trust (such as Denmark and Finland) saw declining trust in this period. On the other hand, a few countries – like Sweden, Luxembourg, Germany, the UK, Hungary, Poland and Bulgaria – saw no (or only minimal) decline in trust in political institutions during the crisis years.

Figure 1 *Evolution of trust in political institutions in EU countries, 2007–11*



Note: Institutional trust measured on a 10-point scale: 1 – no trust at all; 10 –complete trust. Abbreviations: AT: Austria, BE: Belgium, BG: Bulgaria, CY: Cyprus, CZ: Czech Republic, DE: Germany, DK: Denmark, EE: Estonia, EL: Greece, ES: Spain, FI: Finland, FR: France , HR: Croatia, HU: Hungary, IE: Ireland, IT: Italy, LT: Lithuania, LU: Luxembourg, LV: Latvia, MT: Malta, NL: The Netherlands, PL: Poland, PT: Portugal, RO: Romania, SE : Sweden, SI: Slovenia, SK: Slovakia, UK: the United Kingdom. Source: own calculation based on EQS 2007 and 2011 waves (EQS, 2007–16).

Figure 2 *Evolution of trust in political institutions in EU countries, 2011–16*

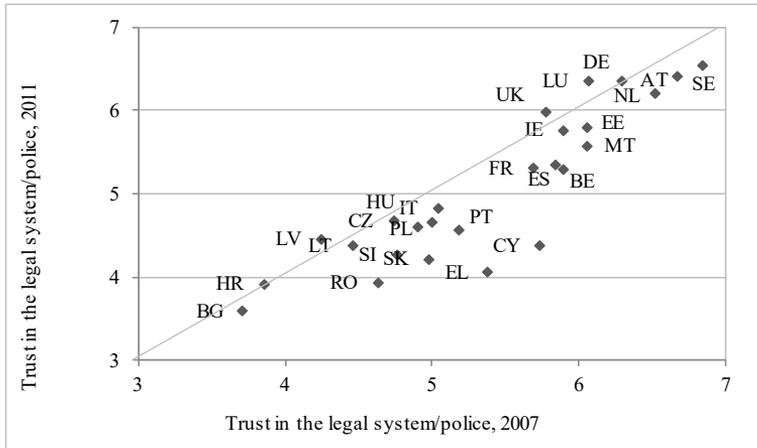


Note: Institutional trust measured on a 10-point scale: 1 – no trust at all; 10 –complete trust. Source: own calculation based on EQS 2011 and 2016 waves (EQS, 2007–16).

The decline in confidence in political institutions in the recession years did not, however, persist in the majority of the Member States. Between 2011 and 2016, trust in the government and parliament began to grow. In many countries, however, growth has been more moderate than before, and so in 2016 the level of confidence in political institutions remained below the 2007 level. These include Greece, Spain, Ireland, Slovenia, Slovakia and Denmark, which were heavily affected by the economic crisis. In Hungary, confidence in political institutions also increased during this period and significantly exceeded the pre-crisis situation, resulting in the 9th highest level of political trust among EU Member States.

Trust in the legal system and the police in EU countries is somewhat higher than trust in political institutions, and the changes are more moderate (*Figures 3 and 4*). During the crisis years, the fall in trust in non-political state institutions was smaller than in political institutions; but during the second sub-period (between 2011 and 2016) the rise in trust was also more moderate – most countries appear close to the diagonal in the figure. During the period 2007–11, Greece and Cyprus suffered the greatest decline in confidence, while in the post-crisis years Lithuania and Hungary recorded the largest increases. Hungary is in the midfield of the European country rankings (12th place).

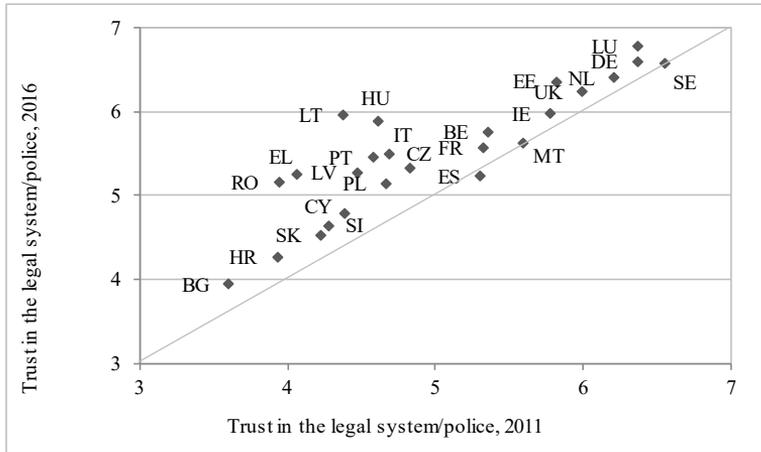
Figure 3 *Evolution of trust in the legal system/police in EU countries, 2007–11*



Note: Institutional trust measured on a 10-point scale: 1 – no trust at all; 10 – complete trust.

Source: own calculation based on EQLS 2007 and 2011 waves (EQLS, 2007–16).

Figure 4 *Evolution of trust in the legal system/police in EU countries, 2011–16*



Note: Institutional trust measured on a 10-point scale: 1 – no trust at all; 10 – complete trust.

Source: own calculation based on EQLS 2011 and 2016 waves (EQLS, 2007–16).

### 3. Change in institutional trust among social groups

According to the literature, institutional trust is most importantly determined by the performance of institutions and also by the degree to which they fulfil the more normative expectations about their functioning, e.g. regarding the fairness of the procedures applied (van der Meer, 2017; Murtin et al., 2018). In the present study, the dimension of institutional performance will be measured by the perceived quality of public services, since these have been shown in previous research to predict the levels of institutional trust (Eurofound, 2013). On the other hand, the EQLS is not suitable for measuring the normative dimension, as no information is available in the study about the respondents' assessment of institutional fairness. At the country level, however, it is possible to analyse the correlation between changes in perception of corruption and changes in institutional trust.

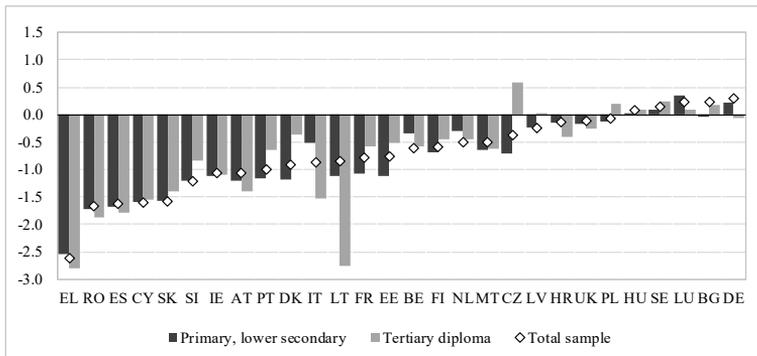
In addition, changes in institutional trust were analysed according to basic socio-economic variables, such as gender, age, education, employment status and income. It is assumed that people with declining trust are not necessarily those whose trust level (and social status) is generally low, but rather those who perceive a threat to their social status. Specific attention will also be devoted to the situation of the middle class, assuming that some economic and

political problems have created growing anxieties among middle-class people. Making use of the concept of social cohesion (Acket et al., 2011), it is also assumed that people who perceive growing social tensions and feel isolated experience a greater loss of confidence in institutions.

### 3.1 Determinants of changes in institutional trust in comparative perspective

During the economic crisis period, institutional trust diminished in most countries. This decline was detected in most social groups, with some variation in the magnitude of change. If we compare the role of different factors behind the changes in institutional trust between 2007 and 2011, most visible are the differences according to social status. *Figure 5* shows the differences in trust in political institutions by level of education. In six countries (the Czech Republic, Denmark, Estonia, Portugal, France and Slovenia), the level of trust diminished to a lesser degree among the low-educated. At the same time, the decline in political confidence in Lithuania and Italy was higher among graduates.

Figure 5 *Change in trust in political institutions by education level, 2007–11*



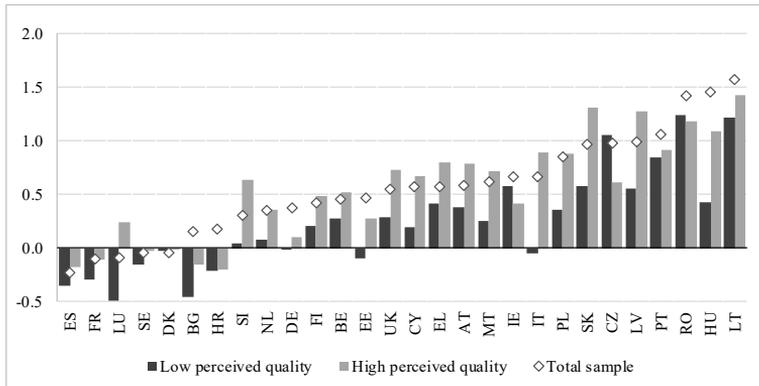
Note: countries have been ordered according to the magnitude of change in trust in the entire sample.  
 Source: own calculation based on EQLS 2007, 2011 and 2016 waves (EQLS, 2007–16).

During the period following the crisis (between 2011 and 2016), changes in institutional trust are most often related to the level of the perceived quality of public services. To investigate the impact of this factor, three categories of respondents were created on the basis of the EQLS items related to perceptions of service quality. The EQLS asks respondents about their evaluation of the

quality of health care, education, public transport, childcare and the state pension services (responses are coded on a 10-point scale) in Waves 2, 3 and 4. Respondents were categorized on the basis of their average perception of service quality regarding these items: those who perceived low service quality are those who scored lower than the 33rd percentile in Wave 2; while those who perceived high service quality are those who had a higher score than the 66th percentile in Wave 2.

The results (shown in *Figure 6*) demonstrate that changes in institutional trust differ significantly between those who perceived low service quality and those who perceived high service quality. Among those who perceived high-quality public services, trust in the political institutions increased more (or decreased less) in 18 countries. The most important differences were seen in Italy, Luxembourg and Slovakia. There are only two countries (Czech Republic and Ireland) where trust in political institutions increased more among those who perceive low public service quality. As here we are studying bivariate relationships, other confounding factors related to institutional trust may be behind these results.

Figure 6 *Change in trust in political institutions by perceived quality of public services, 2011–16*



Note: countries have been ordered according to the magnitude of change in trust in the entire sample.

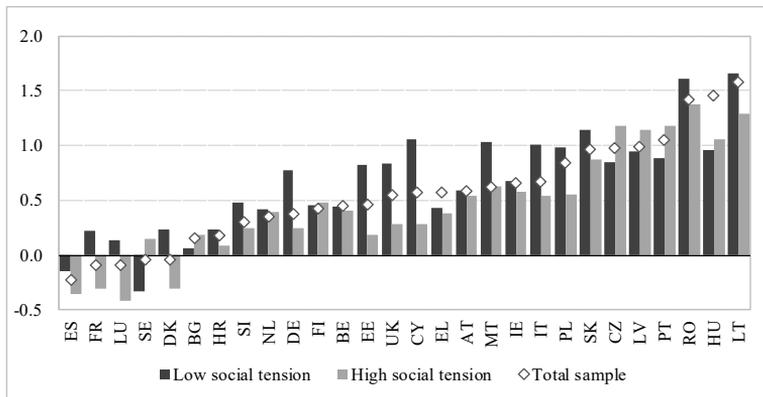
Source: own calculation based on EQLS 2007, 2011 and 2016 waves (EQLS, 2007–16).

The grouping based on the perception of social tensions draws on a set of items which ask respondents whether they perceive tensions (‘no tension’, ‘some tension’, ‘lot of tension’) in society between the poor and the rich, workers and employers, men and women, old and young, different racial and ethnic

groups, and different religious groups. Respondents were categorized according to their average perceived tension for the various items. Those who perceived low social tension are those who had a lower score than the 33rd percentile in Wave 2; those who perceived high social tension are those who had a higher score than the 66th percentile in Wave 2.

The results show (*Figure 7*) that in 14 countries, confidence in political institutions grew more (or decreased less) among those who perceived low social tension. The biggest differences were in Cyprus, Estonia and the United Kingdom. In Sweden, the Czech Republic and Portugal, however, institutional confidence increased more among those who had experienced more social tension.

Figure 7 Change in trust in political institutions according to perceived level of social tensions, 2011–16

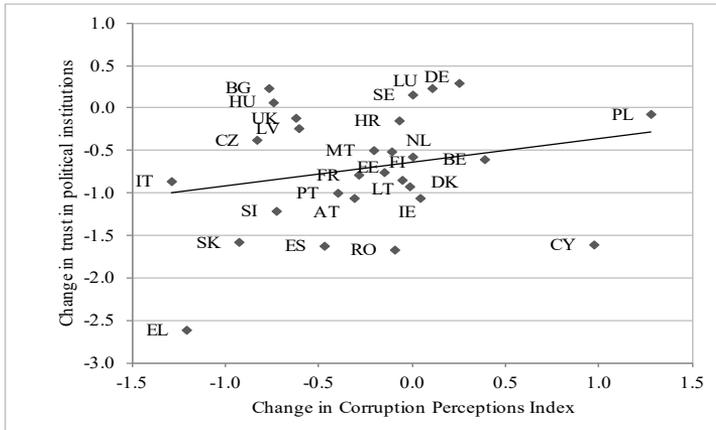


Note: countries have been ordered according to the magnitude of change in the total sample.

Source: own calculation based on EQLS 2007, 2011 and 2016 waves (EQLS, 2007–16).

Perceptions of institutional performance were evaluated on an individual basis by the EQLS questionnaire, but at the same time the role of government integrity cannot be examined individually, and so we use macro data to illustrate the relationship. As shown in *Figure 8*, there is a correlation between government integrity and institutional trust at the country level. To measure government integrity, we use Transparency International’s Corruption Perceptions Index (CPI), the value of which increases with the level of government integrity and decreases with corruption. It can be seen that both the period of the economic crisis and subsequent years have witnessed a rise in the level of confidence in political institutions in those countries where the level of government integrity has increased and corruption has declined.

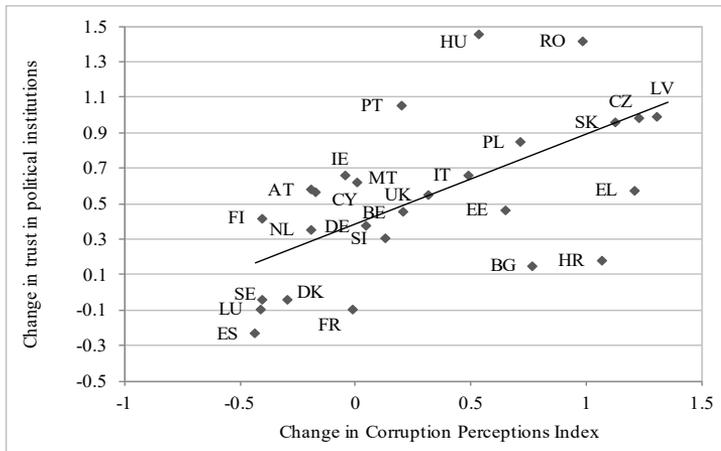
Figure 8 *Relationship between change in corruption and change in political trust, 2007–11*



Note: higher values for the Corruption Perceptions Index correspond to lower levels of perceived corruption.

Source: EQLS (2007–16), Transparency International (2007–16).

Figure 9 *Relationship between change in corruption and change in political trust, 2011–16*



Note: higher values for the Corruption Perceptions Index correspond to lower levels of perceived corruption.

Source: EQLS (2007–16), Transparency International (2007–16).

### 3.2. *Determinants of changes in institutional trust in Hungary*

In the case of Hungary, the results for the factors behind the change in institutional trust are summarized in *Table 1* of the Appendix. As has already been stated, institutional trust remained practically unchanged during the crisis years in Hungary. Between 2007 and 2011, no change was detected either in the country average of trust in political institutions or in trust in the legal system/police. Some differences can, however, be found between social groups. For example, trust in political institutions increased by 13 per cent in the highest income quartile, whereas in the lowest income quartile there was a 3 per cent decline.

The period between 2011 and 2016 was characterized by a strong increase in trust in political institutions in Hungary. Despite the general trend of rising trust, differences in the magnitude of the increase can be found between social groups. The rise in trust in political institutions exceeded the average increase among the middle aged (35–64 years), while it was below average among the elderly. Differences by social status show that the increase was greater among those with low status, and not so great among those with high status. For example, in the case of unemployed/inactive people and those in the lowest income quartile, the rise in political trust was higher than average, whereas it was below average among those in the highest income quartile and among those with tertiary education.

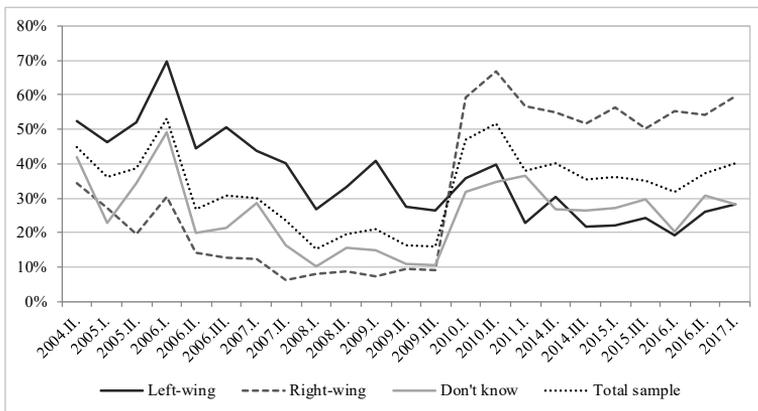
Similar differences between social groups were found for trust in the legal system and the police, although the magnitude of the differences seem to be more moderate. Trust in the legal system and the police seems to increase more strongly among the middle aged and those on low income, while the elderly, those with a tertiary degree and high earners show a smaller increase in trust. Those with a mid-level perception of the quality of public services and social tensions also show a higher-than-average increase in both types of institutional trust.

In light of previous research (e.g. Keller, 2014), the differences in institutional trust according to political preference were also investigated. Previous research indicates that the deep political polarization of the country means that any evaluation of institutions – particularly political institutions – is heavily dependent on the political preferences of the respondent. Survey respondents have greater trust in the government when the government includes their party of preference.

The role of political polarization was studied using data from Eurobarometer (European Commission, 2007–16), since the EQLS dataset does not include information on respondents' political preferences. In addition to the

questions regarding institutional trust, Eurobarometer also includes the survey item used most frequently to measure respondents' political preferences. The question asks respondents to position themselves on a 10-point scale. Our variable of political preference was based on this item: those choosing 1–5 on this scale were categorized as having left-wing political views, while those choosing 6–10 were regraded as having right-wing political preferences (those who did not respond to the question were considered as a separate category, as non-response is relatively important for this survey item). In the Eurobarometer, institutional trust is coded with a dichotomous item, where respondents have to choose whether they tend to trust the given institution or tend not to trust it.<sup>2</sup>

Figure 10 *Percentage of those trusting the government, by political preference*



Source: own calculation based on Eurobarometer data (Eurobarometer, 2007–16).

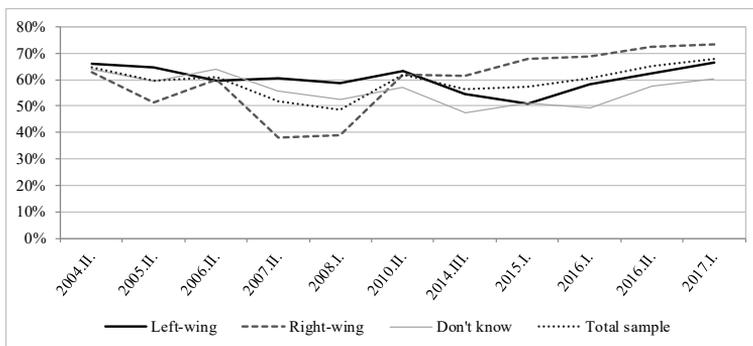
Figure 10 shows how trust in government changed according to the political preference of respondents, using data from Eurobarometer. The graph shows that the increase in trust in the government after 2010 is due to the fact that

<sup>2</sup> Despite the differences between the Eurobarometer and the EQLS in the measurement scales of institutional trust variables and other methodological details, survey results on the direction of change in institutional confidence are similar, especially for the economic crisis period. For trust in the national government, surveys show decreasing confidence in most countries between 2007 and 2011. Between 2011 and 2016, the number of countries with rising and with declining trust was roughly the same in the Eurobarometer, while EQLS suggests that confidence in institutions has increased in most countries.

after the 2010 elections the percentage of those who tend to trust the government increased strongly – from 10 per cent to 60 per cent – among those with right-wing political preferences. This resulted in an increase in the country-level value of the indicator, because trust in government dropped to very low levels during the crisis years among those with right-wing and left-wing political views alike.

*Figure 11* shows trust in the legal system and the police by political preference of the respondent. The graph shows some differences in trust depending on political persuasion, but the differences are much smaller than the variations in trust in government. Although in some years there was a 20-point difference in trust in the police between those with left-wing and those with right-wing political preferences, this difference had fallen to 10 points by the middle of the current decade. By contrast, in the case of trust in the government there was a 30-point difference between the two groups in 2017, and the variation was even larger in previous years.

Figure 11 *Percentage of those trusting the police, by political preference*



Source: own calculation based on Eurobarometer data (Eurobarometer, 2007–16).

#### 4. Conclusion

In the years of the economic crisis, institutional trust declined in many EU Member States, especially in relation to political institutions. This tendency has been interpreted by many commentators as a ‘crisis of confidence’ and a sign of the declining legitimacy of democratic institutions. At the same time, however, the decline in confidence did not last long, and institutional confidence increased during the years after recession, even in countries severely hit by the economic downturn (e.g. Greece). Despite this rise in trust, in most EU

countries institutional confidence in 2016 remained at below the levels seen before the economic crisis. Growth of trust in the post-crisis period is related to the performance of the institutions, the degree of government integrity and social cohesion. Confidence growth was higher among those who considered public services to be of high quality and among those who felt less tension between social groups. Growth in trust increased in countries where economic growth was more favourable and in those where corruption rates were lower. In Hungary, trust in political institutions did not diminish between 2007 and 2011, but that is mainly because the economic downturn here started earlier, in 2006, leading to a significant drop in trust in the government even before the 2008 crisis. According to EQLS data, trust in political institutions increased in Hungary between 2011 and 2016, most importantly thanks to rising trust among those with right-wing political views after the 2010 elections. Looking at differences by social groups, confidence in lower-status (low-income, unemployed/inactive) groups increased more than average, while in higher-status groups (higher education, high-income) the increase was smaller.

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ANNEX

Table A1 *Change in institutional trust in Hungary by social groups, 2007, 2011, 2016*

	Trust in political institutions					Trust in the legal system/police				
	2007	2011	2016	Change (%)		2007	2011	2016	Change (%)	
				2007–2011	2011–2016				2007–2011	2011–2016
<i>Gender</i>										
Men	3.3	3.5	5.0	106	140	4.9	4.5	5.8	93	128
Women	3.6	3.5	5.0	99	142	4.9	4.7	5.9	96	127
<i>Age</i>										
18–34	3.3	3.5	4.9	107	140	5.1	4.7	5.8	93	124
35–64	3.3	3.3	4.8	99	146	4.7	4.4	5.8	94	133
65+	4.2	4.2	5.5	101	131	5.2	5.0	6.1	96	121
<i>Education level</i>										
Below upper secondary	3.4	3.4	4.9	101	145	4.8	4.5	5.8	93	129
Upper secondary	3.5	3.5	5.2	101	148	4.9	4.5	5.9	93	131
Tertiary	4.0	4.1	5.1	102	125	5.2	5.1	6.2	99	120
<i>Labour market status</i>										
Working	3.3	3.5	4.9	106	142	4.9	4.6	6.0	94	129
Retired	3.9	3.9	5.2	100	134	5.0	4.8	5.9	96	123
Unemployed, inactive	3.2	3.2	4.8	98	152	4.7	4.3	5.6	91	130
<i>Income situation</i>										
Lowest quartile	3.1	3.1	4.6	97	150	4.5	4.4	5.7	97	131
Middle 50%	3.3	3.6	5.2	107	145	4.7	4.6	5.9	98	128
Highest quartile	3.6	4.1	5.2	113	129	4.9	5.0	6.1	101	122
<i>Perceived quality of public services</i>										
Low	2.3	2.4	2.8	105	118	3.8	3.5	3.9	93	113
Middle	3.5	3.6	4.9	102	134	4.8	4.8	5.8	99	121
High	4.6	4.9	6.0	107	122	6.1	5.8	6.8	96	116
<i>Perceived social tensions</i>										
Low	4.4	4.6	5.6	105	121	5.9	5.5	6.6	94	120
Middle	3.4	3.4	5.2	102	153	5.0	4.6	6.0	93	131
High	3.1	3.0	4.1	99	135	4.3	4.1	5.0	95	123

Source: own calculation based on EQLS 2007, 2011 and 2016 waves (EQLS, 2007–16).