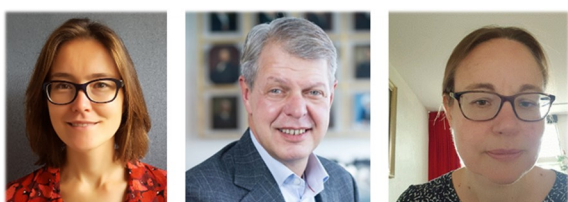


## Public trust only partly immune to COVID-19 pandemic<sup>1</sup>



By Carin van der Cruijssen, Jakob de Haan and Nicole Jonker<sup>2</sup>

*Keywords: Trust, COVID-19, financial institutions, BigTechs, health, consumer survey.*

*Public trust in banks, insurers, and BigTechs is key. It is crucial for the adoption of financial products and services. Moreover, low trust in financial institutions may undermine financial stability. Public trust is especially important in turbulent times. However, little is known about the impact of the COVID-19 pandemic on public trust. Using two large-scale surveys among households in the United States and the Netherlands, we shed light on this topic. Our results suggest that the pandemic did not have much effect on trust in banks and insurers. However, trust in BigTechs and trust in other people declined, especially in the US.*

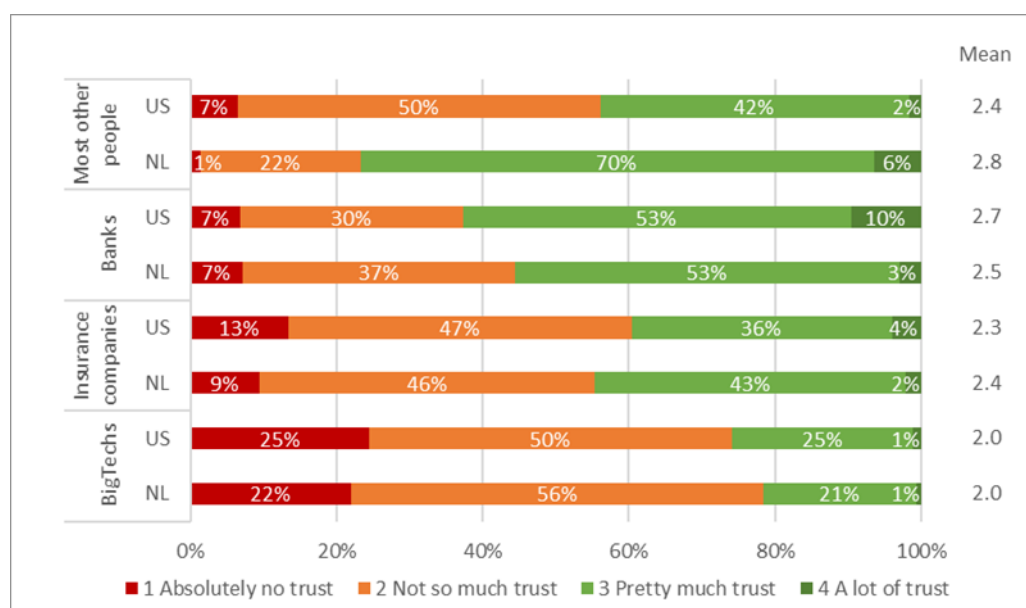
<sup>1</sup> This policy brief is based on De Nederlandsche Bank Working Paper 723 "[Has the COVID-19 pandemic affected public trust? Evidence for the US and the Netherlands](#)" by Carin van der Cruijssen, Jakob de Haan and Nicole Jonker.

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## Trust in BigTechs is low

Trust in BigTechs is lower than trust in banks, insurers and other people, see Figure 1. Trust is measured on a scale from 1 “Absolutely no trust” to 4 “A lot of trust”. In both the US and the Netherlands trust in BigTechs is on average 2 (i.e., “Not so much trust”). Only 26% of the Americans and 22% of the Dutch have pretty much or a lot of trust in BigTechs. In the US, trust in banks ranks first. 63% of the people have trust in banks, whereas fewer people have trust in other people (generalised trust) and in insurers. In the Netherlands, generalised trust ranks first. 77% of Dutch people have trust in other people, while only 44% of Americans have trust in other people. It is key to research generalised trust because it is related to a wide array of micro- and macro-economic variables, such as the use of peer platform markets (van der Crujisen et al., 2019) and the size of the shadow economy (D’Heroncourt and Méon, 2012), to mention just a few.

**Figure 1. Trust in BigTechs is lower than trust in banks, insurers and other people**

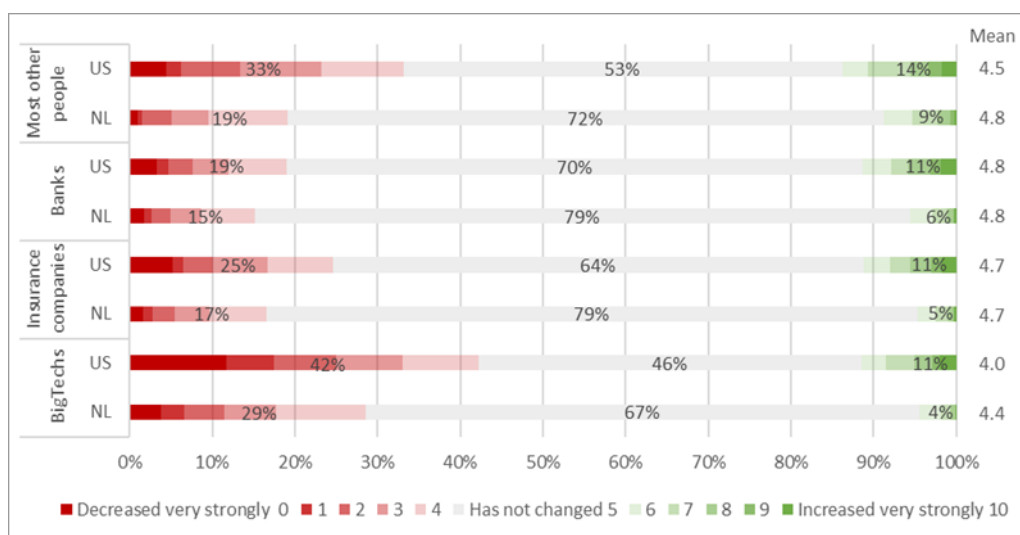


Source: RAND American Life Panel (ALP) (2021) and DNB Trust Survey (DTS) (2021).

Note: 2,076 weighted observations for the US and 2,563 weighted observations for the Netherlands.

## Trust in BigTechs and other people not immune

The COVID-19 pandemic reduced trust in BigTechs and other people, especially in the US (Figure 2). To measure the impact of the pandemic on trust, we asked respondents: “Has the COVID-19 pandemic affected your level of trust? Using a scale from 0 to 10, where 0 indicates “trust has decreased very strongly” and 10 “trust increased very strongly”, please indicate how your level of trust has changed during the pandemic.” Some 42% of the American and 29% of the Dutch respondents indicated a decline of trust in BigTechs. The COVID-19 pandemic affected generalised trust very differently in both countries, although its impact was negative on average in both countries. Some 33% of Americans experienced a decline of trust in other people, whereas 14% experienced an increase. These figures are 19% and 9%, respectively, for the Netherlands.

**Figure 2. Trust was only partly immune to the COVID-19 pandemic**

Source: RAND ALP (2021) and DTS (2021).

Note: 2,075 weighted observations for the US and 2,558 weighted observations for the Netherlands.

## Trust in financial institutions barely affected by pandemic

The pandemic did not have much effect on trust in financial institutions in the US and the Netherlands. In both countries the average answer to the question of whether the COVID-19 pandemic has affected respondents' trust is 4.8 for banks and 4.7 for insurance companies, so very close to the "Has not changed" score of 5.

## People with poor health have lower trust

For both countries, we find evidence that people with poor health have lower levels of trust than healthy people, and that trust among less healthy people dropped more during the pandemic. Apparently, concerns about one's health, which may have become more aggravated during the COVID-19 pandemic, affect public trust. For example, we find that Americans who assess their health to be fair or poor are 16 percentage points less likely to have pretty much or a lot of trust in other people than Americans who assess their health to be good, very good or excellent. For the Netherlands, the likelihood of trusting other people is 11 percentage points lower for people with fair to poor health than for people with good or excellent health.

## Country-specific relationships

The relationship between various other personal characteristics and trust differs across the US and the Netherlands. For instance, our results suggest that in the US, trust in other people, banks, insurers and BigTechs is lower for males than females, where the strongest gender effect is visible for trust in BigTechs. For the Netherlands, the gender effect is only present for generalised trust and trust in BigTechs.

## Conclusions

First, we find that the pandemic barely affected trust in financial institutions, whereas trust in BigTechs and trust in other people declined, especially in the US. An explanation why trust in financial institutions was barely affected by the pandemic is that these institutions helped absorb a large part of the potential negative impact of the pandemic, supported by measures taken by banking supervisors and central banks. Financial institutions started the pandemic in good health, which enabled them to continue providing credit to households and firms and carrying out other important financial services during the largest global economic downturn ever. Possible explanations for the stronger negative impact of the COVID-19 pandemic on trust of Americans in other people are the stronger job loss in the US and the less generous social assistance offered for those who lost their job.

Second, further research on the importance of individual health for public trust seems warranted. We find that people with good health have higher trust than people with poor health. This finding suggests that government policies that aim to improve public health and combat pandemics may also be beneficial from a trust perspective.

Third, we find low trust in BigTechs, which may raise financial stability concerns in view of the increasing role of BigTechs in financial services. Due to network effects, the role of BigTechs may grow rapidly and lead to various concentration risks: 1) in the provision of financial services, 2) the distribution of financial services and 3) concentration risks in consumer data. However, the existing regulatory frameworks are not yet adapted to respond to the possible consequences of the augmenting role of BigTechs in financial markets (DNB, 2021). Therefore, regulators may need to adjust the relevant regulatory frameworks to address these risks. International cooperation will be necessary as BigTechs operate across borders.

Finally, in designing communication policies to improve trust it is important to consider that demographic drivers of (changes in) trust are country-specific, as our research shows. ■

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