Public support for European fiscal integration in times of crisis

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This is the authors' accepted, refereed and final manuscript to the article published in

Publisher's version available at http://dx.doi.org/10.1080/13501763.2014.988639

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ABSTRACT

The current economic crisis has triggered fierce debates among policy-makers and the media across and within European countries about the need for a closer European Fiscal Union. Using a novel dataset derived from the Eurobarometer surveys, this article investigates European *citizens*' opinions towards such fiscal integration. We find that *both country*-level variables (such as expected country-level costs/benefits) *and individual*-level variables (such as distrust towards EU institutions, ideology and altruism) have significant explanatory power. We also uncover a notable intra-generational divide across young citizens of Euro creditor and Euro debtor countries, and show that this reflects their varying expectations regarding the future costs and benefits of fiscal integration. This demonstrates that the same demographic groups in different countries may have widely varying positions towards fiscal integration.

KEYWORDS: Eurobarometer, European integration, Fiscal union, Public opinion.

INTRODUCTION

Following the 'widening' of the European Union (EU) via several accession waves, recent discussions about the European integration project revolve more around a 'deepening' of the Union (Hobolt, 2014). This is not only seen in advances of the EU into foreign policy with the establishment of the European External Action Service (Murdoch, 2012; Juncos and Pomorska, 2013; Murdoch and Geys, 2014), but also in proposals towards "substantially reinforced *fiscal* surveillance and policy coordination" (European Commission, 2011a, p. 4, italics added). Two recent examples in this direction include the Treaty on Stability, Coordination and Governance – in force since 1 January 2013 and colloquially known as the 'Fiscal Compact' (European Council, 2012) – and the so-called EU economic governance 'Sixpack' – which entered into force on 13 December 2011 (European Commission, 2011b).

While a progressive deepening of European fiscal integration thus appears to be taking place, little is known about (the determinants of) European *citizens*' opinions towards such fiscal integration. Nonetheless, elite and public opinions towards European integration need not overlap (Hooghe, 2003). Moreover, Kuhn and Stoeckel (2014) recently illustrated that (the determinants of) support for the EU in general may substantially differ from (the determinants of) support for specific policy transfers to the European level. Since broad-based public support is essential to legitimize the process of integration across EU Member States, the aim of this paper is to evaluate the driving forces behind public opinion towards European *fiscal* integration. This intends to add to our knowledge of public opinion towards the EU in a setting where EU policy-making moves into what is arguably a core competence of the nation state (i.e. national budgetary policies).

Our empirical analysis predominantly relies on the September 2011 Eurobarometer survey (N=26,856 individuals). This wave is unique in including a series of questions about *i)* closer fiscal integration (i.e. national budget consultations at EU level and automatic penalties for failing the criteria of the Stability and Growth Pact), *ii)* financial help to Member States in economic crisis (which reflects one instance of joint European-level public expenditures), and *iii)* the introduction of Eurobonds (which imply joint EU-level guarantees; European Commission, 2011a). Our analysis highlights two central results. First, *individual-level* variables – such as individuals' altruism, political ideology and distrust towards EU institutions – shape opinions about European fiscal integration alongside *country-level* variables such as the expected costs/benefits for one's country. This suggests that discussions based on country-level costs/benefits may not sufficiently account for deeply divided public opinion on fiscal integration *within* EU countries (for related findings, see Bechtel et al., 2014; Braun and Tausendpfund, 2014; Tosun et al., 2014).

Second, we find that young residents of Euro debtor countries (i.e. GIIPS: Greece, Italy, Ireland, Portugal and Spain) are generally less supportive of fiscal integration than older generations, whereas the opposite tendency arises in Euro creditor countries. Further analysis shows that this intra-generational divide reflects varying expectations regarding the costs and benefits of fiscal integration across European regions. This not only demonstrates that the same demographic groups may have varying positions towards fiscal integration in different countries, but also that younger generations in Euro debtor countries are becoming more sceptical towards the EU project. As such countries have traditionally been pro-EU, this may have important implications for the future course of European integration.

THEORETICAL BACKGROUND AND HYPOTHESES

From a theoretical perspective, we build on the vast foregoing literature examining individuals' opinions towards the EU. Some authors have thereby relied on a *utilitarian* perspective to argue that citizens' perceptions towards European integration are shaped by the expected costs and benefits from this process (Hobolt, 2014; Kuhn and Stoeckel, 2014). Other studies rather focus on the effect of individual-level attitudes (such as their social identification; e.g. Carey, 2002; McLaren, 2004; Chacha, 2013) or, based on the idea that many citizens simply follow the guidance of their party of reference, individuals' political partisanship and ideology (Gabel and Scheve, 2007; Stoeckel, 2013). We borrow insights from this literature to derive testable hypotheses with respect to European citizens' opinions towards European *fiscal* integration.

Utility-based theories consider citizens' preferences as being shaped by the expected costs/benefits of public policies. It thus predicts that (groups of) individuals adversely affected by a specific policy will disapprove of it, and vice versa (Scheve and Slaughter, 2001; Mayda and Rodrik, 2005). In our setting, it is important to observe that all steps taken (or proposed) towards deeper European fiscal integration aim directly or indirectly at addressing the instability of European financial markets. The introduction of Eurobonds (European Commission, 2011a), for instance, would have a more direct effect than the Fiscal Compact (European Commission 2011b), which foremost aims to foster budgetary discipline through stricter fiscal coordination. These measures would thus immediately affect owners of financial assets, since it buttresses the security of their investments. This is likely to induce support for the introduction of Eurobonds and stricter EU-level fiscal coordination. As owners of financial assets are likely to be wealthier, high-income individuals, a slight generalisation of this argument suggests that individuals with high income levels would likewise be more supportive of European fiscal integration. Bechtel et al. (2014) found mixed evidence for such hypothesis

regarding German citizens' opinions towards intra-European financial bailouts. This may, however, derive from the narrow and specific nature of their sample (i.e., a country that is one of the largest net-contributors to the EU budget). We evaluate both hypotheses on a broader dataset covering all EU Member States.

H1a. Owners of financial assets are more in favour of European fiscal integration.

H1b. High-income individuals are more in favour of European fiscal integration.

A reinforced fiscal union is likely to affect different Member States to varying degrees because they face different macroeconomic scenarios. From a utilitarian perspective, it is intuitive that policy-makers in high-interest countries will be more likely to approve Eurobonds as this will create an immediate decrease of their borrowing costs. The reverse expectation holds for countries that already pay low interest rates.[1] Consequently, though at the risk of some simplification, we might picture policy-makers' likelihood to approve a deepening European fiscal union as dependent upon their country's public finances. Whether citizens share the views of their policy-makers remains an empirical question. Clearly, however, since such expectations do not concern individuals as components of a specific socio-economic category, but rather as citizens of a specific country, this would be structured as a country-level hypothesis.[2]

H2. Citizens of Euro debtor countries and countries more affected by the crisis are more in favour of European fiscal integration.

Similarly, various studies have highlighted the role of a country's welfare-state typology in shaping EU support (e.g. Ray, 2004). The underlying idea is that further European integration

may be alarming to countries with more advanced welfare systems, since citizens of such countries fear a dilution of their welfare entitlements through a process of 'mean-reversion'. Since stronger fiscal coordination implies a reduction of national-level fiscal autonomy, citizens in advanced welfare states might be particularly hesitant about them. Conversely, European integration is expected to be favourably looked upon in countries with relatively less developed welfare states, since citizens might expect this to entail social improvements.

H3. Citizens in more advanced welfare states are less in favour of European fiscal integration.

While providing key insights into people's motivations and actions, utilitarian theory is evidently not the only show in town. Social norms, social identification or political ideology may likewise play a critical role for individuals' opinion towards EU fiscal integration. It is, for instance, widely accepted that if citizens perceive an institution as corrupt, they will trust it less – or not at all. In line with this view, Sanchez-Cuenca (2000) shows that citizens are less reluctant to delegate more power to the EU if they trust it – and its institutions – relatively more than their national institutions. This directly leads to the prediction that perceptions of EU institutions likewise shape European fiscal integration approval across European citizens. If citizens consider EU institutions as corrupted, they will be less likely to endorse a further delegation of power to a European authority.

H4. Corruption perceptions of EU institutions discourage support for European fiscal integration.

Moreover, there is a large literature linking political ideology to individuals' policy preferences. The traditional view here is that left-leaning parties (and partisans) are relatively less in favour

of European integration as this process involves some degree of market liberalization (Budge et al., 1987). In our specific setting, the left may also oppose increased fiscal integration because it threatens domestic welfare programs – and left-leaning parties tend to be more in favour of an equitable (inter)national redistribution of welfare (see also Quinn and Toyoda, 2007; Bechtel et al., 2014). However, right-leaning parties might similarly oppose closer EU-level fiscal coordination because of their inherently more nationalist orientation. Furthermore, since closer EU-level fiscal coordination implies a clear case of government intervention, right-wing parties – being generally more in favour of market liberalization (Budge et al., 1987) – are less likely to support it. Overall, therefore, it may well be those in the ideological centre that are *most* supportive of further European fiscal integration.

H5. Political identification has a non-linear relation to support for European fiscal integration.

Preference heterogeneity within socio-demographic groups

The theoretical discussion thus far follows previous scholarship by implicitly assuming that, regardless of their country of residence, similar citizens have similar preferences towards EU integration. However, this assumption may be overly restrictive. One reason why the same socio-demographic groups across countries might feel differently about European *fiscal* integration is that the cost and benefits of the current economic crisis – and thereby also of measures leading to a closer fiscal union – are distributed differently depending on the country of residence. Figure 1 illustrates this point. It represents the share of respondents in Euro debtor and Euro creditor countries agreeing that a certain social category has been most severely affected by the current financial crisis *in their own country* (data taken from Eurobarometer 76.2). Although these perceptions look similar for most groups, there are also clear exceptions: i.e. unemployed and young adults are perceived as more strongly affected by respondents in

Euro debtor countries, whereas single parents (and, to a lesser extent, children) are perceived as more affected by respondents in Euro creditor countries.

Figure 1 about here

To the extent that such perceptions reflect real differences in the distribution of the burden of the crisis across socio-demographic groups in different EU countries, Figure 1 implies that the same socio-demographic groups may have varying evaluations of EU fiscal integration measures across countries. Particularly, Figure 1 suggests that young residents in Euro debtor countries will be more sensitive to EU-imposed fiscal austerity measures compared to young residents in Euro creditor countries. Assuming that older generations do not view a European fiscal union differently across countries[3], this leads to the proposition that young people in Euro debtor countries will be relatively less in favour of further fiscal integration relative to those in Euro creditor countries. For the same reason, a similar proposition would arise for the unemployed across both sets of countries, while the reverse would be expected for single parents.

H6. Young and unemployed individuals as well as single parents differ significantly in their opinion towards EU fiscal integration across Euro debtor and Euro creditor countries.

DATA

Dependent Variables

The Eurobarometer surveys document the evolution of public opinion across EU Member States on a regular basis. Its September 2011 wave is of particular relevance to our analysis. It was presented to 26,856 respondents aged 15 and older between 3 and 18 September 2011, and

allows us to define a set of four dependent variables to empirically investigate the hypotheses derived above.

Our first dependent variable measures individuals' opinions concerning Eurobonds. This exploits the fact that the introduction of Eurobonds was to be linked to tighter fiscal surveillance of, and policy coordination across, Member States (European Commission, 2011a). In such framework, Eurobonds effectively become an instrument of European fiscal integration. We operationalize this first dependent variable based on the following question:

"It has been suggested that a share of the public debt of the EU Member States, particularly those in the euro zone, should be held jointly. This will allow them to borrow at same rate on the financial markets. Please tell me to what extent you agree or disagree (Totally agree; Tend to agree; Tend to disagree; Totally disagree) with each of the following statements on this topic. Setting aside a share of the public debt of all Member States to be held jointly..."

1- Would reinforce the financial stability of the Member States.

2- Would allow to reduce the cost of the crisis.

3- Would penalise those Member States which are not in difficulty.

4- Would benefit only those Member States which are in the worst difficulties.

Since these four statements tap into different, though closely related, aspects of the Eurobonds debate, we generate a composite measure that catches a respondent's overall approval of Eurobonds by adding that person's responses to questions 1 and 2 to the inverse of his/her responses to questions 3 and 4 (since questions 1 and 2 reflect a positive position, while questions 3 and 4 reflect a negative position). The resulting variable ranges from a lowest value of 4 (reflecting total disapproval) to a highest value of 16 (indicating total approval). To evaluate the robustness of our results to this specific operationalisation, we also created two separate measures including, respectively, only the positive items related to financial stability

(i.e. items 1 and 2) and the negative items related to the targeted nature of Eurobonds' benefits/costs (items 3 and 4). This alternative operationalisation indicates that our main results arise equally for both sub-scales, though they are qualitatively and quantitatively somewhat stronger for the 'positive' scale (details upon request).

Our next three dependent variables more directly investigate Europeans' opinions towards fiscal integration. Both the Fiscal Compact (European Council, 2012) and the EU economic governance 'Sixpack' (European Commission, 2011b) include measures that restrict national fiscal sovereignty – and thus transfer authority to the EU level. Two such interventions relate to the introduction of automatic penalties for countries failing pre-defined budgetary standards, and the establishment of European consultations before the approval of national budgets. A third measure concerns the so-called European Stability Mechanism, in which all Member States contribute to a joint budget that can be employed to provide financial help to Member States in financial difficulties (subject to restrictions on national fiscal policies). Questions regarding all three issues were included in the September 2011 wave of the Eurobarometer. Specifically, the question regarding the former two measures reads:

"To reinforce European economic governance and help fight the crisis, EU Member States have decided that their financial, economic, monetary, budgetary and social policies should be brought closer together. Specifically regarding the convergence between the budgetary policies of the EU Member States, tell me if you are in favour of or opposed to each of the following measures:"

i) Including a preliminary consultation between European institutions and national political institutions in the drafting process of national budgets.

ii) Automatic application of escalating financial penalties for EU Member States which fail to comply with jointly defined rules on debt and public deficit.

The exact question regarding the latter measure reads:

"To what extent do you agree or disagree with the following statement: In times of crisis, it is desirable for (OUR COUNTRY) to give financial help to another EU Member State facing severe economic and financial difficulties."

In all cases, respondents were asked to provide their opinion on 4-point scale from "*Totally Opposed*" (1) to "*Totally in Favour*" (4), which is the scale employed in the analysis below.

Before turning to the empirical model, it is important to point out that the question wording in all cases tends to be fairly complex. In combination with the absence of a middle category in the answers options, this may lead to the measurement of non-attitudes: i.e. respondents without knowledge of, or opinions on, the topic(s) at hand feeling forced by the survey format to give an answer that suggests the presence of a specific viewpoint.[4] To evaluate whether our inferences are affected by these limitations in the survey design, we looked into two additional survey questions. The first asks respondents: "*Have you ever heard of Eurobonds?*", and has three answer options: "*Yes, and you know what they are*", "*Yes, but you don't really know what they are*", and "*No*". The former two groups are subsequently asked to provide their opinion on a 4-point scale from "*Totally Opposed*" (1) to "*Totally in Favour*" (4) on the question: "*Would you say that you are in favour of, or opposed to, the creation of Eurobonds, on the basis of what you know about them?*". This set of questions not only allows assessing the robustness of our results with respect to the Eurobonds question presented above, but furthermore provides the opportunity to compare the results from two mutually exclusive subsamples of the respondent population: i.e. respondents *with* and *without* detailed knowledge of Eurobonds (N≈2000 in both cases). The former subsample is least affected by possible non-attitude measurement, such that it can provide robust evidence regarding the validity of the findings in the main analysis.

Methodology and empirical model

Our analysis builds on a multilevel empirical approach. This has two justifications. First, our data are hierarchically organized in two levels – i.e. individuals (level 1) in countries (level 2). Second, our hypotheses concern effects that play out at both the individual- and country-level, requiring us to explicitly model the variation at both levels (Snijders and Bosker, 1999). The specification of the individual-level equation is:

$$Y_{ij} = \beta_{0j} + \beta_1 INC_{ij} + \beta_2 ASSETS_{ij} + \beta_3 EU\ CORRUPT_{ij} + \beta_4 IDEO_{ij} + \beta_5\ Controls_{ij}$$

Where Y_{ij} is the set of dependent variables discussed above for individual i in country j. Note that the intercept (β_{0j}) has a subscript j, indicating that each country has its own intercept that we model in more detail below. To assess hypotheses H1a,b, we include two measures evaluating the importance of individual-level utilitarian means-end reasoning: i.e. INC_{ij} is a self-placement item where individuals rank themselves on a ten-point scale from the top to the bottom decile in the country's income distribution, while $ASSETS_{ij}$ is an indicator variable equal to 1 for respondents owning bonds or shares. We expect $\beta_1>0$ and $\beta_2>0$. Then, we add a variables tapping into respondents' trust in the EU institutions. $EU\ CORRUPT_{ij}$ equals 1 for those *dis*agreeing to the following statement: "*There is corruption within the institutions of the EU*". As corruption perceptions will undermine trust in the EU, and thereby support for European fiscal integration (see H4), we expect $\beta_3>0$.[5] Finally, $IDEO_{ij}$ builds on the question: "*In political matters people talk of 'the left' and 'the right'. How would you place your views on this scale?*". The scale goes from 1 (left) to 10 (right). In light of hypothesis H5, we also include the squared value of $IDEO_{ij}$ and expect a non-linear relation with preferences towards European fiscal integration.

Our set of control variables at the individual level first of all includes socio-demographic variables. AGE_{ij} is an indicator variable equal to 1 for respondents under 30 years, 0 otherwise.[6] $MALE_{ij}$, $MARRIED_{ij}$ and $UNEMP_{ij}$ are self-explanatory dummy variables. EDU_{ij} reflects the respondent's number of years of education in four categories (i.e. less than 14 years, 16-19 years, more than 20 years and 'ongoing'), and we include indicator variables for all but the first category in the estimation model. As an individuals' general inclination towards costly, pro-social behavior irrespective of in-group/out-group considerations might affect opinions towards intra-European financial support (Bechtel et al., 2014), we include a measure $ALTRUISM_{ij}$ equal to 1 for respondents replying positively to: "*Would you be prepared to pay more for groceries or other products from developing countries to support people living in these countries (for instance for fair-trade products)?*". Note that by not referring to the European context, we believe this question is more likely to reflect a general sense of altruism towards the less well-off, and will not be contaminated by respondents' potential feelings towards fiscally distressed EU countries. Finally, since people's evaluation of the costs and benefits of enhanced fiscal integration is likely to be driven by their perception of the need for such measures, we control for their expectations about the future development of the European (and global) economy. $OPTIMIST_{ij}$ is a variable that catches expectations about the end of the crisis in a four-point scale, where 1 stands for the most pessimist and 4 is the most optimist. Specifically, respondents can choose between: *We are already returning to growth (4); A return to growth will start in the coming months (3); A return to growth will start in the coming years (2); The crisis is going to last for many years (1).*[7]

Unfortunately, data limitations do not allow us to include direct measures of individuals' national and/or European identification (Carey, 2002; McLaren, 2004; Chacha, 2013; Kuhn

and Stoeckel, 2014). Still, in a series of auxiliary regressions, we experimented with a proxy set equal to 1 if a respondent feels his/her country is *not* corrupt while the EU is and -1 when a respondent feels his/her country *is* corrupt while the EU is *not* (0 otherwise). This proxy is based on the idea that people identifying with a certain social group tend to display more positive dispositions towards this group compared to an out-group (i.e. in-group/out-group opposition known from social identity theory and social categorization theory; Turner, 1975; Tajfel and Turner, 1986). Given the indirect nature of this variable and the fact that its inclusion leaves all main effects unaffected, we do not include it in our analysis below (details available upon request) and refer the interested reader to recent studies by Chacha (2013) and Kuhn and Stoeckel (2014) for a more in-depth treatment of the potential role of (supra)national identification.

The specification of the country-level model is:

$$\beta_{0j} = \gamma_{00} + +\gamma_{01}DEBT_j + \gamma_{02}DEFICIT_j + \gamma_{03}GIIPS_j + \gamma_{04}SOCEXP_j + \gamma_{05}TRUSTEU_j + u_{0j}$$

Where total national public debt ($DEBT_j$), deficit ($DEFICIT_j$) and expenditures on social protection ($SOCEXP_j$) are measured as a share of GDP and obtained from Eurostat. $GIIPS_j$ is an indicator variable for respondents in Euro debtor countries (i.e. Greece, Ireland, Italy, Portugal and Spain). Referring back to hypothesis H2, we expect γ_{01}-γ_{03}>0, while hypothesis H3 suggests that γ_{04}<0. We also control the average support at the national level for the European Union ($TRUSTEU_j$), which is calculated from the most recent European Value Survey (2008).[8] For reasons of space, detailed summary statistics for all relevant variables are available on the first authors' website.

RESULTS

Baseline estimation results

We use Stata13 to estimate our multilevel model with the maximum-likelihood method. The main results are reported in Table 1, where each column focuses on one of our four central dependent variables. The final two columns use the alternative measure of Eurobond approval presented above, and are constrained to subsamples of respondents *with* (Column (5)) and *without* (Column (6)) detailed knowledge of Eurobonds. As mentioned, this is critical to assess any bias in our findings due to non-attitude measurement. It is also important to note that we estimate a linear multilevel model in column (1), whereas columns (2) to (6) present results from multilevel ordered logit models to accommodate the four-category answer scales for the remaining dependent variables.

Table 1 about here

Looking first at the variables addressing the self-interest hypotheses (H1a, H1b, H2 and H3), we find some evidence for the proposition that owners of financial assets (H1a) and individuals with higher incomes (H1b) are more likely to support European fiscal integration (H1a). Specifically, they are more supportive of financial help to other Member States during financial crises and of the authority transfers linked to fiscal coordination within the EU (as reflected in EU-level consultation on national budgets and automatic penalties for breaching European debt and deficit regulations). This is at odds with Kuhn and Stoeckel's (2014) finding that individual-level cost-benefit calculations do *not* affect preferences towards European economic governance. One potential explanation might be that 'economic governance' suggests active EU-level involvement, whereas our measures of fiscal authority transfers imply some degree of automaticity (e.g., 'automatic penalties'). The latter might thus be perceived as less

influenced by (short-term) political motives, which is likely to be beneficial when it comes to individual-level cost-benefit calculations. Clearly, however, this tentative explanation would require further substantiation.

Interestingly, neither high-income individuals, nor owners of financial assets stand out as more supportive of Eurobonds' introduction – a finding that mirrors recent evidence on opinions regarding European bailout measures among German respondents (Bechtel et al., 2014). One explanation might be that Eurobonds (and direct bailout measures more generally) could induce moral hazard problems, and thereby encourage prolonged (or excessive) instability of European financial markets. As this would be particularly harmful for high-income owners of financial assets, it might counteract their inherent supportive attitude towards a closer fiscal union.

Our two country-level self-interest hypotheses (H2 and H3) receive mixed support.[9] Starting with H3, we find that citizens in countries with higher levels of social expenditures ($SOCEXP_j$) are significantly less likely to support Eurobonds. This is in line with H3, and suggests that further European fiscal integration may be linked to fears of a dilution of existing welfare entitlements through a process of 'mean-reversion'. Respondents in countries with a higher level of social expenditures are, however, significantly more likely to support automatic penalties for fiscal irresponsibility, as well as financial help to Member States in financial difficulties. While this is at odds with H3, the former may be driven by the fact that automatic penalties are arguably the least invasive way of imposing fiscal discipline. Indeed, whereas enforced EU-level budget consultations may directly impact the level and composition of public spending, this is not the case for automatic penalties – which could make them more appealing to citizens in countries fearing mean-reversion in welfare entitlements from more

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direct forms of EU fiscal integration. The latter effect most likely relates to the fact that extensive welfare state provisions at least partly reflect the more altruistic preferences of inhabitants of such countries.

With respect to H2, our results suggest that respondents in countries with higher levels of public debt as well as residents of Euro debtor countries tend to be more supportive of Eurobonds and financial bailouts (in line with H2). Similarly, respondents in Euro debtor countries and countries with higher deficits are *less* supportive of EU-level consultations of the national budgets. Taken together, the general tenor of these findings could reflect a (natural?) tendency to desire the availability of bailout funds without restrictions on national sovereignty. While not fully reflective of our initial hypothesis H2, these findings do indicate that the current borrowing costs of one's country bear not only on politicians', but also on citizens', opinions towards European fiscal integration.

Our remaining hypotheses are related to the role of individuals' EU-level corruption perceptions and political ideology (H4 and H5). Here, we cannot reject the proposition that citizens' opinions on fiscal integration are shaped by underlying beliefs in the EU's integrity (H4; see also Sanchez-Cuenca, 2000). The coefficient estimate (*EU CORRUPT$_{ij}$*) is positive and statistically significant in three of four models. Note that these results arise despite the fact that we control for trust in the EU at the country-level (*TRUSTEU$_j$*), which shows a consistent positive relation to individual-level opinions towards European fiscal integration (though statistical significance at conventional levels is reached in only two of four estimations). Finally, our results suggest that individuals' political leaning plays an interesting role (H5). Specifically, we find that individuals towards the extremes of the political spectrum are significantly *more* likely to approve Eurobonds, while respondents on the left are somewhat *more* likely to

approve financial help to other Member States. This is closely in line with the customary economic policy preferences of left- versus right-wing parties (Budge et al., 1987; Quinn and Toyoda, 2007; Bechtel et al., 2014).

Preference heterogeneity within socio-demographic groups across countries

Thus far, the slopes of the regression lines representing individual-level characteristics have been kept constant across countries. Hypothesis H6, however, suggests that this might be inappropriate where it concerns young and unemployed individuals, as well as single parents. In Table 2, we therefore treat the variables AGE_{ij} and $UNEMP_{ij}$ as random terms and extend our estimation model with a cross-level interaction between $GIIPS_{ij}$ and the variables AGE_{ij} and $UNEMP_{ij}$. The results are reported in the same format as Table 1.[10]

Table 2 about here

Table 2 illustrates that, while leaving our previous findings unaffected, the interaction term between $UNEMP_{ij}$ and $GIIPS_{ij}$ never reaches statistical significance. Hence, there appears to be no significant difference between unemployed individuals in Euro debtor and Euro creditor countries when it comes to their opinions towards European fiscal integration. In contrast, the interaction between $GIIPS_{ij}$ and AGE_{ij} is statistically significant at conventional levels in three of four models. In those models (i.e. Eurobonds, Automatic Penalties and Financial Help), its coefficient estimate is also substantially larger (in absolute terms) than the non-interacted coefficient of AGE_{ij}. This suggests the presence of an important intra-generational divide across young citizens of Euro debtor and Euro creditor countries: i.e. young generations in Euro debtor countries are relatively *less* in favour of European fiscal integration compared to adults, while the reverse holds in Euro creditor countries. Importantly, when comparing Columns (5) and (6)

in Table 2 this effect appears substantially and statistically stronger among the subsample *with* detailed knowledge of Eurobonds, suggesting that this finding is *not* driven by non-attitude measurement.

We should also point out that young generations in Euro debtor countries are relatively *more* in favour automatic penalties. While this initially appears peculiar, a potential explanation might again reside in the fact that automatic penalties are the least invasive way of imposing some degree of fiscal discipline. Young generations in Euro debtor countries may prefer this route, because it leaves substantial autonomy with respect to the level and composition of public spending. Overall, however, our findings not only demonstrate that the same demographic groups may have varying positions towards fiscal unification in different countries, but also that younger generations in Euro debtor countries are becoming more sceptical towards the EU project. As citizens of Euro debtor countries have traditionally been pro-EU, this may have important implications for the future of European integration.

Finally, does this variation in younger individuals' opinions across countries (observed in Table 2) really work through their diverging evaluation of the cost of EU-level fiscal austerity and coordination (i.e. our main line of argument above)? We assess this by analysing public support for the actions undertaken so far by the EU to deal with the crisis – using Eurobarometer 75.3 from May 2011 (no relevant questions regarding this issue were included in the September 2011 wave employed thus far). Eurobarometer 75.3 includes a question gauging respondents' opinion towards the EU's handling of the economic crisis: i.e. *Would you say that [the European Union] has acted effectively to combat the crisis up till now?".* Answers go from "No, not at all effectively" (1) to "Yes, very effectively" (4). This admittedly does not constitute a direct measure of the cost of EU-level fiscal austerity and coordination. Yet, assuming that a

higher evaluation of such costs will translate into lower evaluations of EU's handling of the crisis, it provides a valid proxy thereof. Hence, we re-estimate equation (1) with this alternative dependent variable, again using a multilevel ordered logit model to deal with the specific nature of the dependent variable and data-structure. The results are reported in Table 3.[11]

Table 3 about here

The significant interaction between $GIIPS_{ij}$ and AGE_{ij} suggests that young people in Euro debtor countries are significantly less likely to support EU's actions undertaken in the light of the crisis (compared to young people in Euro creditor countries). This provides suggestive evidence in line with the idea that the higher disapproval of direct and invasive measures of fiscal integration by younger citizens in Euro debtor countries (observed in Table 2) is driven at least in part by their higher apprehension towards the EU's crisis-policies. Hence, the intra-generational divide across young citizens of Euro debtor and Euro creditor countries observed in Table 2 indeed appears to reflect their diverging expectations regarding the costs and benefits of further European fiscal integration. Note that in this case we also observe a significant *Unemployed*GIIPS* interaction. Hence, there appears also to be a difference between unemployed individuals in Euro debtor and Euro creditor countries in the evaluation of the EU's handling of the crisis.

CONCLUSION

European fiscal integration has been high on the political agenda in recent years. While often generating fierce debates and lengthy negotiation periods, several agreements – including the Treaty on Stability, Coordination and Governance (European Council, 2012) as well as the strengthening of the Stability and Growth Pact (European Commission, 2011b) – have meant

a steady progression towards a closer fiscal union. This article investigated how European *citizens* view such development. Our analysis highlights two central results. First, we found that public opinion towards European fiscal integration measures is determined both by *individual*-level and *country*-level variables. This confirms results in a quickly emerging academic literature that the debate over fiscal integration is *not* only a debate among countries, but is also characterised by a deeply divided public opinion within countries (Bechtel et al., 2014; Braun and Tausendpfund, 2014; Tosun et al., 2014).

Second, our analyses uncovered a substantial intra-generational divide across young citizens of Euro debtor and Euro creditor countries. The latter are much *more hesitant* than the former with regard to further measures of European fiscal integration (such as Eurobonds or national budget consultations), though they are *less opposed* to less invasive means of ensuring fiscal discipline (such as automatic penalties for fiscal irresponsibility). This divergence of young Europeans' opinions appears driven in part by the asymmetric impact of the expected costs of EU-imposed fiscal austerity measures across countries. As citizens of Euro debtor countries have traditionally been pro-EU, this shift in its younger generations towards a more sceptical attitude may have important implications for the future of European integration.

8166 words

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NOTES

1 One crucial aspect thereby is the expected rating of such Eurobonds by international rating agencies. Assuming this rating will reflect some weighted average of the ratings of Member States' national bonds, there will obviously be winners and losers.

2 Such country-level hypotheses have likewise been brought forward in the broader literature analysing public support for European integration. Previous studies, for instance, show that citizens in countries that are net-recipients of EU cohesion policies favour European integration more than those in net-contributor countries (Brinegar et al., 2004).

3 Figure 1 suggests that older residents are perceived as more strongly affected by a slightly larger share of respondents in Euro creditor than Euro debtor countries. This makes our assumption of no difference probably a conservative standpoint, as any difference would bias our results against the hypothesis derived here.

4 It should be noted that this concern is at least partially mitigated by the fact that a relatively high share of respondents (i.e. 9% to 15%) replied "do not know" to the questions on fiscal integration and Eurobonds (and are thereby excluded from the analyses below). Such non-response is substantially lower for more accessible questions in the same survey, which suggests that those who answered our central questions are likely to have effectively had an opinion.

5 One might be concerned about the potential endogeneity of this variable. To assuage such fears, we repeated the analysis without it. This had no substantive effect on our main inferences (details upon request).

6 We experimented with three alternatives – i.e. age as a continuous variable; in three age groups (<30; 30-50 and >50); in five age groups (<30; 30-40; 40-50; 50-60 and >60). These all indicated a clear discontinuity around the 30-years threshold, but very limited differences afterwards. To maintain the most parsimonious model, we use the simple below/over 30 years indicator variable (details of alternatives available upon request).

[7] When investigating support for public debt-sharing at the European level, we add an additional control for individuals' knowledge about Eurobonds. This is operationalized via an indicator variable – $KNOWBONDS_{ij}$ – equal to 1 when a respondent has heard about Eurobonds (0 otherwise).

[8] Although we would have preferred to include this control also at the individual level, this question was unfortunately not included in the Eurobarometer survey employed here.

[9] The coefficient estimates and significance levels of the individual-level variables do not differ when we exclude the country-level variables (details upon request). Nevertheless, the addition of country-level variables substantially improves the model fit ($p<0.001$).

[10] Unfortunately, we do not have information about single parents, such that our empirical verification of H6 is necessarily restricted to young and unemployed respondents.

[11] The May 2011 wave of the Eurobarometer is less extensive in terms of the background characteristics asked of respondents. Hence, some of the explanatory variables included in Tables 1 and 2 are unavailable here.

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Figure 1: Individuals most affected by public-sector austerity measures
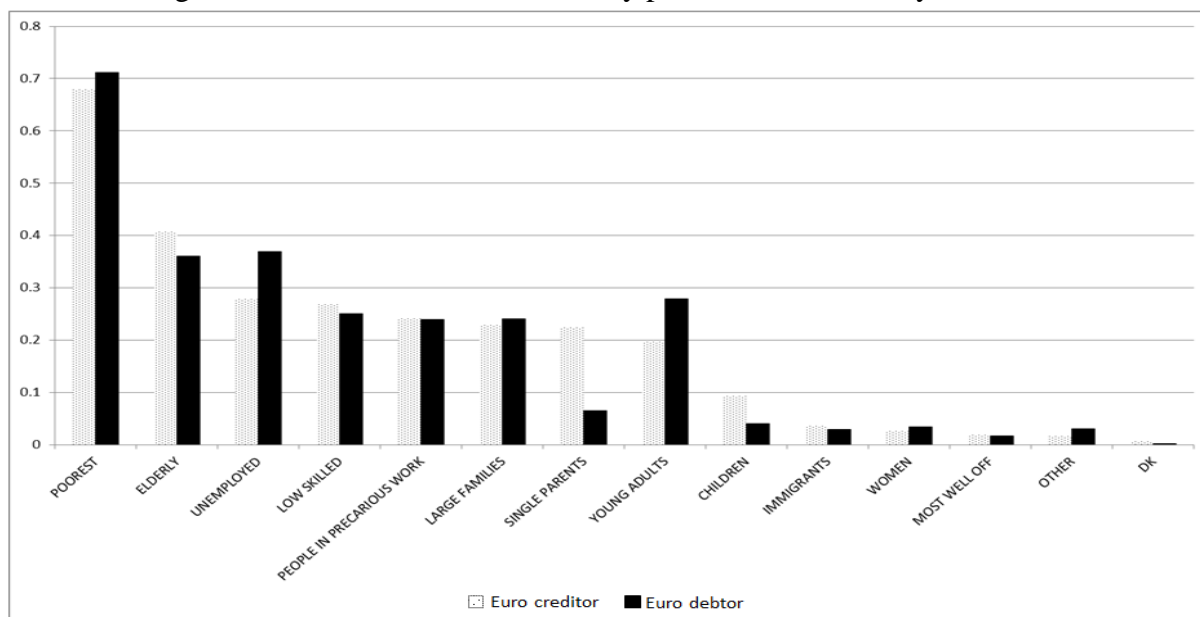
Note: N=22,288. Respondents are allowed to provide maximally three answers to the question: *"Who do you think have been affected most by public spending cuts and other austerity measures in (our country)?"*. Source: Eurobarometer 76.2 (November 2011).

Table 1: Main estimation results

	Eurobonds	National Budget Consultation	Automatic Penalties	Financial Help	Bond approval (Full knowledge)	Bond approval (Ltd knowledge)
Individual-level variables						
H1a: ASSETS	-0.123	0.136**	0.202***	0.157**	0.113	0.194
	(-1.28)	(1.97)	(3.60)	(2.12)	(0.71)	(1.17)
H1b: INC	0.026	0.030	0.043**	0.050***	0.039	0.064**
	(1.57)	(1.25)	(2.41)	(2.88)	(1.17)	(2.03)
H5: EU CORRUPT (1 if NO)	0.394***	0.156**	-0.095*	0.376***	0.426***	0.299***
	(5.03)	(2.57)	(-1.89)	(7.35)	(2.82)	(2.94)
H6: IDEO	-0.095**	0.018	-0.017	-0.060*	-0.113	0.047
	(-2.62)	(0.47)	(-0.04)	(-1.69)	(-1.09)	(0.39)
H6: IDEO^2	0.006 **	-0.001	0.002	0.002	0.006	-0.004
	(2.03)	(-0.40)	(0.46)	(0.77)	(0.67)	(-0.40)
Individual-level controls						
AGE (dummy under 30)	0.150**	0.035	-0.074	-0.004	-0.085	0.106
	(2.03)	(0.48)	(-1.31)	(-0.08)	(-0.45)	(0.75)
MALE	0.021	0.099***	0.107***	0.091***	0.014	0.195***
	(0.55)	(3.12)	(3.10)	(2.60)	(0.10)	(2.94)
MARRIED	0.099***	-0.010	0.028	-0.007	-0.049	0.076
	(2.63)	(-0.29)	(0.93)	(-0.20)	(-0.67)	(1.03)
EDU: 16-19 Years	0.028	0.177**	0.095*	0.113	0.209	0.297***
	(0.50)	(2.53)	(1.67)	(1.52)	(1.47)	(2.91)
EDU: 20+ Years	0.175***	0.231***	-0.017	0.365***	0.349**	0.650***
	(2.66)	(3.42)	(-0.23)	(3.53)	(2.16)	(6.15)
EDU: ONGOING	0.413***	0.421***	-0.056	0.381**	0.652***	0.773***
	(3.79)	(4.05)	(-0.51)	(2.45)	(3.12)	(3.18)
UNEMP	0.092	-0.029	-0.043	0.059	0.156	0.804***
	(1.32)	(-0.55)	(-0.60)	(0.95)	(0.61)	(4.06)
SOLIDARITY	0.329***	0.152***	0.057**	0.471***	0.267***	0.197***
	(9.03)	(4.64)	(1.99)	(14.59)	(4.46)	(2.94)
OPTIMIST	-0.159***	-0.050*	0.008	-0.296***	-0.175***	-0.265***
	(-5.09)	(-1.78)	(0.33)	(-9.34)	(-3.87)	(-4.40)
KNOWBONDS	0.049	-	-	-	-	-
	(0.68)					
Country-level variables						
H2: DEBT	0.012**	0.005*	-0.004	0.0005	0.008*	0.007*
	(2.28)	(1.86)	(-1.13)	(0.28)	(1.79)	(1.64)
H2: DEFICIT	0.001	-0.013*	-0.017*	-0.001	0.014	-0.002
	(0.09)	(-1.80)	(-1.71)	(-0.20)	(1.07)	(-0.20)
H2: GIIPS	0.829***	-0.358	0.021	0.515***	0.362	0.883***
	(2.93)	(-1.06)	(0.04)	(4.52)	(1.11)	(4.17)
H3: SOCEXP	-0.064**	-0.003	0.045**	0.031***	-0.025	-0.042*
	(-2.08)	(-0.43)	(3.87)	(3.24)	(-0.81)	(-1.82)
Country-level controls						
TRUSTEU	0.316	2.009 ***	0.755	0.487**	2.349**	1.395
	(0.46)	(12.80)	(1.15)	(2.19)	(2.05)	(1.05)
Log Pseudolikelihood	-30760.18	-17360.95	-18023.11	-20153.35	-2455.59	-2236.99
Wald Chi^2	492.29***	1270.13***	308.09***	1740.06***	-	-
Countries	27	27	27	27	17	17
N	14,083	15,280	15,522	16,323	1,990	2,161
Random-Effects Parameters						
Country	0.543***	0.081***	0.552***	0.573***	0.192 ***	0.183 ***
Residual	2.142 ***	-	-	-	-	-
Cut 1	-	-0.862*	-1.028	-0.031	-2.937***	-4.003***
Cut 2	-	0.522	0.462	1.282***	-0.896	-0.693
Cut 3	-	2.953***	2.452***	3.53 ***	0.281	1.461

Note: Higher values on the dependent variables correspond to higher support (for details, see main text). Coefficient estimates in column 1 derive from a linear multilevel model, while multilevel ordered logit models are applied in columns 2 to 6 (where individuals (level 1) are clustered in countries (level 2)). T-statistics based on robust standard errors reported between brackets. * *p*<0.10; ***p*<0.05; *** *p*<0.01.

Table 2: Estimation results including cross-level interactions for Age and Unemployment

	Eurobonds	National Budget Consultation	Automatic Penalties	Financial Help	Bond approval (Full knowledge)	Bond approval (Ltd knowledge)
Age (dummy under 30)	0.202**	0.023	-0.137 *	0.070	0.250	0.195
	(2.26)	(0.31)	(-1.87)	(1.11)	(0.82)	(1.20)
Unemployed	0.109	-0.049	-0.035	0.039	0.123	0.763***
	(1.27)	(-0.68)	(-0.47)	(0.52)	(0.40)	(3.29)
GIIPS	0.872***	0.171	-0.170	0.569***	0.422	0.970***
	(2.90)	(-1.16)	(-0.97)	(5.11)	(1.26)	(4.23)
Age (dummy under 30) * GIIPS	-0.325***	0.022	0.285*	-0.487***	-0.654**	-0.332
	(-2.82)	(0.20)	(1.82)	(-3.36)	(-2.13)	(-1.12)
Unemployed * GIIPS	-0.047	0.067	-0.067	0.003	0.142	0.099
	(-0.38)	(0.50)	(-0.44)	(0.02)	(0.34)	(0.25)
Log Pseudolikelihood	-30754.74	-17377.16	-18002.53	-20131.16	-2452.80	-2238.31
Wald Chi²	871.66***	1212.39***	294.88***	6786.48***	-	-
Countries	27	27	27	27	17	17
N	14,083	15,280	15,522	16,323	1,990	2,167
Random-Effects Parameters						
Country	0.545 ***	0.507 ***	0.418 ***	0.245 ***	0.192 ***	0.201 ***
Residual	2.141 ***	-	-	-	-	-
Age (dummy under 30)	0.545 ***	0.032 **	0.015 ***	0.029**	0.084**	0.047**
Unemployed	0.000	0.037	0.001	0.031	0.065**	0.001
Cut 1	-	-1.283 ***	-1.044**	-0.110	-3.031 ***	-4.222***
Cut 2	-	.0100	0.454	1.207***	-0.981	-0.969
Cut 3	-	2.568 ***	2.486***	3.464***	0.199	1.100

Note: Higher values on the dependent variables correspond to higher support (for details, see main text). Coefficient estimates in column 1 derive from a linear multilevel model, while multilevel ordered logit models are applied in columns 2 to 6 (where individuals (level 1) are clustered in countries (level 2)). T-statistics based on robust standard errors reported between brackets. * $p<0.10$; **$p<0.05$; *** $p<0.01$. Full set of control variables included as in Table 1 (but not reported for reasons of space).

Table 3: Estimation results regarding EU's handling of the economic crisis

	EU effective in economic crisis	EU effective in economic crisis	EU effective in economic crisis
Age (dummy under 30)	-	0.184***	0.210***
		(2.59)	(2.61)
Unemployment	-	0.082	0.145
		(0.86)	(1.60)
GIIPS	-	-0.052	0.673***
		(-0.24)	(5.06)
Age (dummy under 30)*GIIPS	-	-	-0.317**
			(-2.09)
Unemployed * GIIPS	-	-	-0.406***
			(-2.69)
Log pseudolikelihood	-19341.72	-17493.22	-17438.36
Wald Chi²	-	2787.34***	4357.96***
Countries	27	27	27
N	18,450	18,398	18,398
Random-Effects Parameters			
Country	0.229 ***	1.004 ***	0.529 ***
Age (dummy under 30)	-	0.063 **	0.042 **
Unemployed	-	0.099 **	0.031 **
Cut1	-2.647 ***	-2.458 ***	-2.774 ***
Cut2	-0.134 ***	0.439	0.131
Cut3	2.902 ***	3.808 ***	3.507 ***

Note: The dependent variable reflects respondents' answers on a 4-point scale from "No, not at all effectively" (1) to "Yes, very effectively" (4) to: "Would you say that [the European Union] has acted effectively to combat the crisis up till now?". Coefficient estimates are obtained using a multilevel ordered logit model with individuals (level 1) clustered in countries (level 2). Robust standard errors presented between brackets. Control variables in this model include gender, marital status, education level, income, employment status, ideology, optimism about crisis, public debt and deficit, social spending, trust in EU and EU identification (full details upon request). * $p<0.10$; **$p<0.05$; *** $p<0.01$.