Public opinion on the Eurozone fiscal union: Evidence from survey experiments in Italy

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ABSTRACT

We investigate public attitudes toward the fiscal union: a policy advocated in official European Union documents and designed to address asynchronous economic fluctuations in the Eurozone. We employ survey questions and conjoint analyses embedded in population-based panel surveys in Italy, and draw expectations from theories of tax-and-transfer schemes, public insurance, ideology, diffuse support, identity and trust. High income right-wing individuals with weak European identity and negative assessment of EU membership are more likely to oppose the measure. However, high income respondents display greater willingness to pay, especially in order to keep the euro, whereas lower income participants are readier to ditch the currency if the monetary union does not deliver good economic performance. The political feasibility of this policy seems therefore to rest on the willingness to contribute by the core constituency supporting the euro. We also investigate the preferences for the institutional design of the policy.

KEYWORDS: Conjoint analysis; economic policy; Eurozone fiscal union; Italy; political economy; public opinion

Introduction

The sovereign debt crisis that began at the end of 2009, soon after the global financial crisis, and unfolded over the following five years has been the most prolonged and severe recession that European countries have experienced since the end of the Second World War. The crisis has hastened a flurry of measures, from the reform of fiscal governance rules, the establishment of support instruments for countries experiencing financial difficulties to an overhaul of bank regulation. If these measures have satisfactorily addressed the serious design flaws of the Eurozone and created the conditions for its political and economic sustainability remains to be seen, but the drama surrounding the negotiations in the first half of 2015 on the Greek government's bailout indicates otherwise. Indeed, given several recent official documents that call for the completion of the economic and monetary union (European Commission 2012; Juncker, Tusk, Draghi, et al. 2015; Juncker, Tusk and Draghi 2015; Van Rompuy 2012), European policymakers are well aware that these issues are far from settled.

The most recent report of June 2015 from the presidents of the European Commission, the European Council, the Eurogroup, the European Central Bank and the European Parliament calls for the creation of "a euro area-wide fiscal stabilisation function" and a "euro area treasury" (Juncker, Tusk, Draghi, et al. 2015 : 14, 18). A high-level group on own resources, established in February 2014, chaired by the former Italian prime minister Mario Monti and tasked with reviewing the system of funding the European Union (EU) budget, may lay the ground for future reforms. These issues appear to have received a boost after Emmanuel Macron won the French presidential election in May 2017.

These proposals are hardly new. The Werner Report (1970 : 10–11, 17), the first detailed plan on monetary union, already discussed short-term budgetary policy and recognized the need of increasing fiscal capacity. The policy falls under the broad term of 'fiscal union' and may consist in the centralization at the EU level of some taxation and spending that are sensitive to the economic cycle. A fiscal union would be designed, at least in theory, both to address business cycle fluctuations that are asynchronous across Eurozone countries and to counterbalance pro-cyclical country level fiscal policies.

This article draws from political economy theories of tax-and-transfer public insurance schemes, as well as from theories based on ideology, diffuse support, identity and trust, to test expectations about public attitudes toward a fiscal union. We specifically investigate the support for the policy, the willingness to pay for it and the attitudes toward some design features, that is, the relative involvement of national and supranational institutions. We rely on a survey question and two conjoint analyses carried out in May 2014 and 2015 and embedded in the second and third online panel waves of the Italian National Election Survey. Below we explain why Italy represents an interesting test base for this exercise.

Our surprising conclusion is that there is some ground to be optimistic about the political feasibility of a fiscal union, at least as far as public acceptability is concerned. As expected, high income right-wing individuals with a weak European identity and negative assessment of EU membership are more likely to oppose such a measure. However, opposition of high income respondents, relative to low income participants, is attenuated when made more aware of both the insurance and redistributive implications of the policy. These participants are actually willing to pay for a fiscal union, as long as tax rates are low. They oppose higher taxation, but significantly less than lower income groups.

This willingness to contribute by the core constituency which supports and benefits from European integration and the single currency speaks in favor of the political feasibility of a fiscal union. High income respondents are willing to accept a fiscal union in order to keep the euro, whereas lower income participants are much readier to ditch the currency if the monetary union fails to deliver good economic performance. Low trust however, especially in the Greek government, undermines the willingness to contribute.

In the next section we present the theories and expectations. We then subject them to a first empirical test using a survey question about support for the policy. We then introduce two conjoint analysis experiments. In the first one, the fiscal union is one of the measures of the economic policy programs respondents are invited to choose. The second experiment deals directly with the features of a fiscal union scheme. We then again subject our expectations to empirical corroboration. We conclude fleshing out the key trade-offs underpinning the political feasibility of a fiscal union.

Attitudes toward a fiscal union in the Eurozone

We formulate expectations with regard to: support for, willingness to contribute to, and preference for the involvement of supranational institutions in a fiscal union (the measure requires both EU and national institutions for implementation). Due to space constraints, we will only touch upon how spending may shape attitudes.

Economic self-interest: Redistributive and insurance perspectives

We consider four sets of explanations. They are based on economic self-interest, ideology, diffuse support/identity and trust. The work of Meltzer and Richard (1981) on the size of government is probably the simplest and most commonly used model for deriving attitudes toward a tax-and-transfer system like a fiscal union. In a set up where individuals contribute to such a system with a tax on their income and the tax revenue is equally divided among tax payers, above-average income earners are net contributors and prefer lower taxation and spending; whereas below-average income earners, being net beneficiaries, prefer higher taxation and spending.

The model offers two straightforward expectations. First, for a given benefit, *individuals should prefer to contribute less rather than more to a fiscal union, regardless of their income (H1a).*[1] Second, ceteris paribus, *high income earners should be less supportive of and less willing to contribute* (that is, prefer a lower tax rate) *to a fiscal union than low income earners (H1b).* The negative relation between income and preferences for redistribution has been corroborated in several recent works (e.g. Corneo and Grüner, 2002; Alesina and La Ferrara, 2005; but cf. Bechtel, Hainmueller and Margalit, 2014, 2017 in case of international redistribution). For our purposes, it could be argued that opposition from high income earners would soften if these individuals were to believe that Italy would always benefit from a fiscal union. Country-level effects cannot clearly be addressed within the scope of this article, but there are two possible objections to this argument. First, the relation between income and preferences for inter-regional redistribution does not seem to be conditioned by regional income (Balcells, Fernández-Albertos and Kuo, 2015). Second, whether Italy would systematically benefit is debatable since the Italian government has been a net contributor to the Eurozone bailout programs and the Italian media has made sure to alert the public about this credit position (see below the section on trust). Large cross-country surveys report Italians to be less keen than Dutch and Germans to help financially countries in severe economic difficulties (European Commission, 2012b: 57; Schmitt *et al.*, 2016).

An important alternative to the Meltzer and Richard's model sees the fiscal union as public insurance against the risk of asymmetric shocks (Barr, 1992; Luque, Morelli and Tavares, 2014). From this perspective, assuming that insurance is a normal good, *support for and willingness to contribute a fiscal union should increase with income (H2)*. Daniele and Geys (2015), for instance, employ an insurance argument to explain the higher support for financial assistance to states among high income individuals.[2] Four factors militate against these implications. First, since high income earners save a larger proportion of their income, they may prefer private insurance (or saving) to public insurance. Second, high income earners may display lower relative risk aversion. Third, risk may not be constant across income levels. Fourth, benefit targeting matters, given that public insurance in advanced welfare states is normally offered on terms that are more favourable to low income earners.[3]

Finally, country-level factors may also be relevant for the insurance perspective. After all, a fiscal union offers a public insurance against country-wide shocks resulting from negative interdependence, as in the recent crisis. So attitudes toward this policy could be shaped by both the income and the risk profile of the country of residence. Arguably, Italy is a particularly useful test case to evaluate attitudes toward a fiscal union because the Italian economy has been seriously affected by the crisis but it has been a net contributor to the bailout measures. From an insurance perspective, individuals in lower income member states, if facing higher country-wide risks, and individuals in higher income states, if facing lower risks, may be more willing to contribute - the former because of the higher country risk, the latter because of the higher country income.

Political ideology and party cues

Individuals may also form their judgment on the basis of their political ideology and may take cues about a fiscal union from the stance that ideologically proximate parties take on similar policies. These heuristics represent useful informational shortcuts which people may employ to judge a measure that is unlikely to be on their mind. According to the partisan model of economic policy (Hibbs, 1977), left-wing parties support more government intervention and fiscal activism than right-wing parties because of the benefits accruing to their key constituencies of low-income earners and unemployed. The greater predisposition for this type of measures could offer cues to individuals on the left to be more supportive of a fiscal union. After all, the policy entails an increase in fiscal capacity of the Eurozone to address inequalities in economic performance. Similarly, individuals on the right may ground their views on conservatism and on the opposition that right-wing parties often display toward the expansion of domestic transfer programs. Indeed, right-wing individuals oppose more strongly economic governance and financial assistance to states (Kuhn and Stoeckel, 2014; Daniele and Geys, 2015) and prefer tougher bailout conditionality (Bechtel, Hainmueller and Margalit, 2017).

Reinforcing this expectation are the cues that citizens infer from the more pro-EU stance of Italian left-wing parties (Conti and Memoli 2014; Conti and Verzichelli 2012) and the stronger internationalist orientation of left-wing compared to right-wing individuals (Noël and Thérien 2008). In sum, *left-wing individuals should be more supportive of, more willing to contribute to and prefer greater supranational involvement in a fiscal union (H3)*.

On the other hand, general dissatisfaction with mainstream politics may weaken support from extreme left voters. Indeed, Bechtel, Hainmueller and Margalit (2014) report greater opposition to bailouts among German extreme left individuals, due to their opposition to the austerity measures attached to bailouts. However, recalcitrance to a measure designed to support the economically disadvantaged is less likely. More surprisingly, Daniele and Geys (2015) find that extreme right voters across European countries are *more* supportive of Eurobonds than centrists. However, there is no evidence of a U-shaped relation between political ideology and attitudes toward economic governance (Kuhn and Stoeckel, 2014).

Attitudes toward the European Union and European identity

This brings us to the next set of explanations. Attitudes toward EU policies have both a left-right and a European component – the latter grounded on evaluative considerations (diffuse support) or social identity (Gabel and Anderson, 2002). Individuals who assess the EU positively and/or display a stronger European identity support faster integration (Sánchez-Cuenca, 2000), more policy integration (McLaren, 2007) and economic governance (Kuhn and Stoeckel, 2014). These are also strong correlates of support for the euro, which is clearly related to a fiscal union (e.g. Banducci, Karp and Loedel, 2003, 2009; Hobolt and Wratil, 2015). In sum, *individuals with a positive evaluation of the EU and stronger European identity should be more supportive of, more willing to contribute to and prefer greater supranational involvement in a fiscal union (H4).*Since Italian public opinion about the EU has become far more contested over the past years (Conti and Memoli 2015; Quaglia 2011), these factors may significantly shape preferences.

Trust and trustworthiness

Lastly, trust in political institutions has long been recognized as an important foundation to good democratic performance. Trust is an encapsulated interest which is founded on interdependence. We trust those whom we believe to have strong reasons to act in our interest and we place our trust correctly when the trusted person has a strong incentive to maintain a relationship with us (Hardin 2004 : 151–172). Trustworthiness of political institutions indicates diffuse support and it has a supranational and an intergovernmental dimension. Trust in the EU correlates with a desire for faster integration (Sánchez-Cuenca, 2000), more policy integration (McLaren, 2007), and favorable opinions about economic governance (Kuhn and Stoeckel, 2014), fiscal oversight and financial assistance to states (Daniele and Geys, 2015). On the other hand, perceptions of EU corruption weaken support for Eurobonds, fiscal oversight and financial assistance (Daniele and Geys, 2015). In sum, *individuals with higher trust in the EU should be more supportive of, more willing to contribute to and prefer greater supranational involvement in a fiscal union (H5)*.[4]

A fiscal union is also about trustworthiness of *other* countries' institutions. The sovereign debt crisis was precipitated in late 2009 by the admission of the newly appointed Greek government that its authorities had again massively underreported the public deficit. In the following years, four countries needed assistance for refinancing their debts from other Eurozone countries, the European Central Bank and the International Monetary Fund. Between 2010 and 2014, successive Greek governments adopted several measures to counter its crisis and negotiated two bailout packages totaling €246 billion. In January 2015, the left-wing party Syriza won early elections in Greece, campaigning on an anti-austerity ticket. The swearing-in as prime minister of its leader, Alexis Tsipras, was greeted in Italy with news on the front page of all major newspapers about the €43 billion the Italian government was exposed towards Greece.[5] In the first half of 2015, negotiations on the payment terms of the second bailout package made frequent headlines. A deal was reached in July after Tsipras took a dramatic, but eventually unsuccessfully, decision to hold a popular referendum in order to improve the terms of the bailout. In the heat of the negotiations, the Italian finance minister Pier Carlo Padoan stated that "the main obstacle to moving forward is lack of trust".[6] These dramatic events indicate that assessments of trustworthiness of national political authorities may shape attitudes toward a fiscal union suggesting that *individuals with lower trust in the Greek government should be less supportive of, less willing to contribute to and prefer greater supranational involvement in a fiscal union (H6)*. Bechtel, Hainmueller and Margalit (2017) find that German public opposition to bailouts hardens if Greece is the recipient country.

Public support for a fiscal union

These expectations are first tested with a survey question which was included in the third wave of the population-based internet panel of the Italian National Election Survey (Vezzoni, 2014). The survey had 3,118 respondents and was fielded in May 2015 when negotiations on the second Greek bailout package made frequent headlines. By then, the Italian public has been exposed for quite some time to the fiscal tribulations of the Eurozone.

Participants are introduced to the concept of a fiscal union and they are asked for their support on a four-point scale from ‘strongly against’ to ‘strongly for’. They are then further probed, pointing out its insurance purpose and possible distributive implications, and asked whether they would confirm their opinion. After probing, the share of respondents supporting the measure drops from 71 to 61 percent (see the online Supplemental Material (SM) for the question structure, wording and descriptive statistics).

Correlates of public support

To account for economic self-interest, we use an indicator variable for employment status (inactive, unemployed, low and high income occupation) and a five-point self-assessment of family income. We also include a dummy variable if a respondent resides in a net contributing region. Political ideology is measured on a self-reported left-right scale ranging from 1 (left) to 11 (right). We use three variables for measuring the attitudes toward the EU. In the first one, respondents assess whether EU membership is good, bad or neither. In the second, they report on a four-point scale how European they feel. As an alternative, the last measure asks subjects to answer, on a five-point scale, whether they feel more Italian or European. This variant assumes mutually exclusivity between the two identities. These measures capture the manifold combinations of meanings linked to national and European identity (Segatti and Westle 2016). Finally, we include seven variables measuring trustworthiness of political institutions, trust in fellow Europeans, as well as interpersonal trust, and standard socio-demographic control variables. The SM includes additional information concerning the operationalization of these variables.

Analysis

Selected results are reported in Table 1 (see Table S3 in the SM for the full model). High income respondents oppose a fiscal union significantly more than both inactive and low income participants (H1b/H2, models 1a-b).[7] After pointing out the implications of a fiscal union, the difference between high and low income subjects disappears and, at least in model 2a, they both oppose the scheme more than inactive subjects. These effects are small. They hover around 0.11 and 0.19 points of the four-point scale (standard deviations of the response variables range between 0.91 and 0.96). Family income has no effect.

[Table 1]

Political ideology (H3) and attitudes toward the European Union (H4) have larger effects on support than economic self-interest. As expected, left-wing participants are between 0.17 and 0.27 points more supportive than respondents at the other end of the ideological spectrum. Negative and positive assessment about EU membership separates participants by between 0.56 and 0.67 points; and a strong sense of European identity, either in absolute terms or relative to the national identity, has a similar large effect of between 0.31 and 0.59 points on support.

Trust in the EU (H5), as well as most of the other trust covariates, does not correlate with support for a fiscal union but, notably, trustworthiness of the Greek government (H6) comes into play after respondents are made aware of the implications of a fiscal union. In model 2a, support drops by 0.20 points among respondents with no trust, compared to those with high trust, in the Greek government.

In sum, we have found support for most of the theories we discussed. At least initially, redistributive considerations appear to prevail over insurance ones. However, among the respondents who switched their opinion after probing, high income earners were the most likely to move from opposition to support, while inactive and unemployed subjects were the least likely (see Table S2). We now examine our expectations in finer details with the use of two conjoint analyses.

Two conjoint analyses on economic policy and fiscal union

Conjoint analysis is an experimental method that allows isolating the aspects that influence a respondent's choice over an issue that is characterized by multiple features. It has been employed only very recently in political science (e.g. Hainmueller and Hopkins 2015), but it is particularly useful in our context because a fiscal union is one component of the Eurozone mix of economic policies and because support is likely to depend on the specific features of the scheme (see Bechtel, Hainmueller and Margalit, 2017 on contingent support for bailouts).

We have designed two conjoint experiments. In the first one, respondents are asked, after an explanation of the exercise, to choose between pairs of economic policy programs, which consist of both policy measures and economic objectives, such as the unemployment rate (see Table S6). Expansion of EU fiscal capacity is one of the policy measures. A program can propose to keep the provision of social services and taxation as a national prerogative or to develop EU-wide welfare state provisions, either adding or replacing national policies. This experiment was fielded in June 2014, right after the European Parliament elections when attention about these issues was high.

Programs include other two measures that are worth discussing briefly. The first captures the attitudes toward the common currency, offering the possibility of keeping or ditching the euro. The second proposes to keep, tighten or loosen the EU rules overseeing national fiscal policies. The single currency and the fiscal rules are peripheral to our investigation but they are obviously related to the discussion over a fiscal union. Leaving the monetary union or loosening fiscal oversight would make a fiscal union redundant. Moreover, these issues were center stage in the electoral campaign for the European Parliament.

The 3,026 participants come from the second wave of the population-based internet panel of the Italian National Election Survey, which included pre- and post-European Parliament election surveys. The experiment was included in the latter.

The second conjoint analysis deals directly with features of a fiscal union scheme. It was fielded in May 2015 and positioned after the survey question discussed in the previous section. Participants were therefore aware of the purpose of a fiscal union; 2,656 individuals participated in both conjoint analyses.

In the fiscal union conjoint analysis, each scheme is characterized by six attributes and each attribute takes between two and five values (see Table S7). The first two features are the income tax rate and the nature of taxation, that is, whether the tax should be in addition to or replacing the current tax burden. The next two deal with the destination of the expenditure and whether it should add or replace current expenditure. The last two items include the institutions that should be responsible for spending and auditing.

The core of these experiments consists of respondents choosing between pairs of economic policy programs and fiscal union schemes. Each respondent evaluates two comparisons, each displayed on a new screen. Table S7 illustrates examples of choice tasks. In each task, participants are first asked to choose between two programs/schemes and then, as a robustness check, they are asked to rate them on a scale ranging from 'strongly against' to 'strongly for'. We employed the randomized variant of conjoint analysis recently proposed by Hainmueller, Hopkins and Yamamoto (2014) that does not require assumptions about choice probabilities. Attribute values are randomized across economic programs and fiscal union schemes. The orders of the attributes, as they appear in Tables S6-7, are randomized across respondents in order to minimize recency and primacy effects, without being cognitively too burdensome.

Most preferred economic policies and fiscal union schemes: A brief overview

We can determine the most preferred policies and schemes by assessing how each attribute value influences the probability that a given economic policy program or fiscal union scheme is chosen. Except for H1a, these average marginal component effects (AMCEs, see Hainmueller, Hopkins and Yamamoto, 2014) are not tests of our expectations. We discuss them only briefly (see the SM for a detailed analysis, AMCEs are reported in Figure S5, diagnostic tests in Figures S6-7).

Keeping the euro and low unemployment have the largest positive effects on the likelihood of choosing an economic policy program. Differently said, a program that foresees no improvement over the current 13 per cent unemployment rate is as much penalized as one that advocates ditching the euro. These findings reveal the strong attachment to the single currency, but also its fragility if the Eurozone were unable to deliver an acceptable economic performance. We will return to this result below. Interestingly, programs which do not expand EU fiscal capacity are preferred over those which do, especially if the supranational measure adds to national policies. Respondents also reward less intrusive oversight over national budgets. These effects are however small.

The most preferred fiscal union scheme has an alternate tax rate of 1 per thousand (the lowest). Tax rates and type have the largest effects. In line with H1a, schemes with higher additive tax rates are less likely to be selected. Alternate spending is also preferred, targeted on health, unemployment benefits or education. The European Commission and the European Court of Auditors are respectively the preferred spending and auditing institutions.

This initial analysis indicates that respondents are unwilling to pay for a fiscal union scheme and economic self-interest appears to play a prominent role. Next, we investigate if we find support for our expectations.

Respondent characteristics, economic policies and the properties of a fiscal union

We examine here the interactions between respondents' characteristics, such as income and ideology, and attributes of the two conjoint analyses. In addition to discussing the main results, we also comment briefly on attitudes toward the euro, budgetary oversight and unemployment since these issues are related to the fiscal union. The full set of regressions is available in Tables S11-19. Tables S20-21 include models with all the correlates to show that the results hold in expectation.

Employment status and economic self-interest

Figure 1 displays the estimated marginal effects derived from a model with interactions between employment status and selected attributes of economic policy programs (left panel) and of fiscal union schemes (right panel) (the full list of marginal effects is in Figure S8). We begin with the main attribute of interest at the top of the left panel. In line with H1b, subjects in higher income occupations differ from other groups in their opposition to a fiscal union if the scheme replaces national programs (but not in case of an additive scheme). The conditional AMCE for the "alternate EU tax-spend" attribute in the high income subsample is significantly larger than the AMCE in the low income (F test $p > 0.036$) and unemployed subsamples (F test $p > 0.067$).

[Figure 1]

Note also that the fight against unemployment is clearly a top priority for respondents in low income occupations,[8] reflecting higher perceived job insecurity and lower employability, at least compared to higher income occupations. This income group is also a stronger advocate of less intrusive budgetary oversight[9] and, together with unemployed subjects, a weaker supporter of the euro[10] than inactive and high income participants. These results are consistent with studies on attitudes towards the EU in general, and fiscal oversight and the euro in particular (e.g. Gabel, 1998, 2000; Banducci, Karp and Loedel, 2003; Daniele and Geys, 2015). We will go back to these findings below.

The right hand panel of Figure 1 offers further illuminating insights. In line with H1a, the effect of the tax rate is negative and monotonic for most income groups, except for high income respondents at low tax rates. Here, the coefficients of the 3 per thousand and 5 per thousand rates are positive, although they do not differ significantly from zero. In other words, these individuals are indifferent between schemes proposing a 1, 3 or 5 per thousand tax rate. And they penalize a fiscal union with 10 per thousand rate significantly less than other participants.[11] In line with the insurance perspective (H2), *high income participants display greater willingness to pay*. Let us clarify this finding. The analyses based on the survey question and the first conjoint experiment show that high income respondents oppose a fiscal union more than other groups. However their contribution, as long as it is low, is *not* a discriminating factor on which they base their choice between different schemes.

Left-right ideology

Figure 2 displays selected marginal effects derived from models with interactions between self-reported left-right ideology and features of economic policy programs (top row) and fiscal union schemes (middle and bottom rows). The top left panel shows that ideology does not separate respondents in their attitudes toward alternate EU taxation and spending (H3). The same applies in case of an additive program.[12] There is also limited evidence that right-wing participants are less willing to contribute. They are only more likely to reject schemes with the highest tax rate (F-test *p*-value > 0.022) and additional spending (left panel, middle row).

[Figure 2]

More in line with our expectation, the other panels in Figure 2 illustrate the stronger internationalist orientation of left-wing individuals. A fiscal scheme that is centered on national, rather than supranational, institutions is penalized by left-wing participants, compared to right-wing subjects (but these respondents only weakly prefer less budgetary oversight, cf. Kuhn and Stoeckel, 2014).[13]

Attitudes toward the European Union and European identity

Figure 3 displays selected marginal effects of models interacting assessments about EU membership and attributes of economic policy programs (left panel) and fiscal union schemes (right panel, the full list of marginal effects is in Figure S10). There is limited evidence in favor of H4. Good or bad evaluations do not interact significantly with features concerning EU fiscal capacity (and budgetary oversight as well, those providing a neutral assessment seem to differ most). In stark contrast, which resonates well with the literature, evaluation of EU membership is instead the largest correlate of support for the euro.[14] We will assess attitudes toward the fiscal union within this broader policy context below.

[Figure 3]

Also contrary to H4, positive and negative evaluators do not display a markedly dissimilar willingness to contribute (see Figure 3 right-hand panel). Only additional spending is more strongly opposed by respondents that are critical of membership.[15] More in line with the expectation, those that have positive views are particularly opposed to schemes that are centered on national institutions.[16]

The expectation is somewhat more corroborated if we replace evaluations of EU membership with measures of European identity. Respondents that perceive EU membership weakening their cultural identity sanction more severely any expansion of EU fiscal capacity. Individuals who feel more Italian *than* European tend to be less willing to contribute (see the discussion of Figure S11 in the SM).

Trustworthiness

We conclude assessing the impact of trustworthiness of political authorities. Figure 4 displays selected marginal effects derived from models with interactions between assessments of trustworthiness, employed in Table 1, and attributes of fiscal union schemes.[17] Lower trustworthiness in the EU dampens the willingness to contribute to a fiscal union, but only when the highest tax rate is compared with the lowest one (H5, upper left panel of Figure 4). Trustworthiness has no impact for smaller differences in tax rates. Lower trustworthiness also reduces support for additional spending (F-test p-value > 0.010) and for the Commission as spending institution (alternatively, higher trust leads to prefer the Commission over national governments, see upper right panel of Figure 4).

[Figure 4]

Evidence in favor of H6 is stronger. Low trustworthiness of the Greek government dampens the willingness to contribute across the full range of tax rates. Respondents who assign low trustworthiness are significantly more likely to reject a scheme than more trustful respondents, even when a 3 per thousand tax rate is compared to a 1 per thousand rate. Low trust also leads to prefer the Commission to the national court as auditing institution (F-test p-value > 0.030).

Economic performance, support for the euro and for a fiscal union

Conjoint analysis permits us to examine how respondents trade off different objectives and measures. Hence, in this last section, we analyze the support for a fiscal union within the broader economic policy mix and especially with regard to the euro and unemployment – the attributes with the largest effects on the probability of choosing a program. In particular, we investigate the key trade-offs underpinning the adoption of a fiscal union.

Indeed, the debate about this policy originates from the consideration that, at least by the standards of monetary unions in developed economies, the policy mix of the Eurozone is inadequate. While constraining national public spending, it has no credible fiscal mechanism to facilitate macroeconomic adjustment within member countries. This inadequacy, which results from well-known political dynamics (Schimmelfennig, 2015; e.g. Jones, Kelemen and Meunier, 2016), has the predictable consequence of increased divergence when facing asymmetric economic shocks. European policymakers readily admit this (Juncker, Tusk, Draghi, et al. 2015 : 4), but reforming a policy requires trade-offs.

We focus here on the key relation between economic performance and the euro-fiscal union policy mix. Public support for the single currency is centrepiece here and it has remained high during the crisis, despite the piecemeal reforms. This aggregate trend however hides important changes in the structure of support, both across and within countries. At the individual level, utilitarian considerations have become even more important than affective ones (Hobolt and Wratil 2015). At the country level, higher unemployment has sapped support for the currency and trust in the European Central Bank (Roth, Jonung and Nowak-Lehmann D., 2016). After 2010, average support is lower than in the period since its launch in all original members, except for Finland, Germany, Greece and the Netherlands.

Aside from identity considerations, there is broad agreement – and the economic policy conjoint experiment confirms it – that individuals with high income and high human capital are the core constituency supporting and benefiting from European integration and the single currency (e.g. Banducci et al. 2003; Gabel 1998; Gabel 2000; Hakhverdian et al. 2013; Hobolt and Wratil 2015). But how much is the euro really worth?

Figure 5 displays the differences in the estimated probability that a program that advocates ditching the euro is chosen over one that wants to keep the currency. Estimates come from the first conjoint analysis. Positive values mean that the "ditch-the-euro" program is preferred. For the top three cases, this program also delivers lower unemployment. For the bottom two cases, the "keep-the-euro" alternative includes a fiscal union.

[Figure 5]

Unemployed and respondents in low income occupations are readily willing to leave the Eurozone for lower unemployment. For instance, low income respondents are 3.8 percentage points *more* likely to prefer a program that delivers 3 per cent unemployment rate, but ditches the euro, over one that keeps the single currency and the current 13 per cent rate. On the other hand, there is no unemployment level that would convince higher income respondents to leave the Eurozone. Moreover, these participants are 3.5 percentage points *more* likely to prefer keeping the euro with an alternate fiscal union over ditching the common currency. Even an additive scheme does not tip the balance in favour of dropping the euro. Given the pro-European inclinations of high income subjects, these are lower bound estimates and, needless to say, a fiscal union which prevents short-term unemployment to become structural would be even more welcome.

These results neatly complement those from the fiscal union conjoint experiment. Recall that high income respondents not only do not oppose additional taxation more than other income groups, but they are also indifferent among low tax rates and penalize higher rates less severely than other groups. High income participants are therefore more willing to pay for the fiscal union insurance. This is notable because the experiment was fielded during the Greek bailout negotiations when redistributive considerations were probably more publicly visible than insurance ones.

Conclusion

This is not to say that the policy would not be controversial. This article has employed a survey and two conjoint analyses to test expectations, drawn from several theoretical perspectives, about public attitudes toward a fiscal union. We have paid particular attention to the support, the willingness to contribute and the institutional design.

High income right-wing participants with weak European identity and negative assessment of EU membership are more likely oppose a fiscal union. Except for income and identity, these traits are less relevant in the economic policy conjoint experiment. Trust in the EU instead does not correlate with support. Notably, after insurance and redistributive implications are emphasized, low trust in the Greek government becomes a relevant correlate, while income loses significance. These attitudinal changes resulting from informational cues should be subject to future research.

Moving on to policy design, respondents overall prefer the lowest alternate tax rate. Factors such as ideology, diffuse support, identity, trust in the EU, mostly do not correlate with the willingness to contribute, although right-wing individuals with a negative assessment and low trust in the EU oppose additional spending. Only trustworthiness of the Greek government plays a significant role. A notable result is the greater willingness of respondents in higher income occupations, as long as the tax rate is low. This evidence lends support to the insurance perspective of fiscal union. Finally, left-wing respondents with strong European identity, positive assessment of and trust in the EU, but not in the Greek government, prefer greater supranational involvement in policy implementation.

There is no doubt that the barriers for the adoption of a fiscal union are significant. Several Northern European governments, which are large contributors to the bailouts, are very reluctant, but public opposition on these issues appear to be highly contingent on the specific policy features (Bechtel, Hainmueller and Margalit, 2017). Admittedly, official proposals have a hollow ring because they often refer to economic convergence as a key prerequisite, conveniently ignoring that the lack itself of fiscal stabilization may be a cause of divergence. Nevertheless, the issue will resurface when the next recession hits and recalcitrant governments have demonstrated in the past a willingness to take unwelcome steps to save the currency.

In sum, our contribution reaches a perhaps surprisingly optimist conclusion: a fiscal union may be politically feasible. High income individuals, likely net contributors of the policy but also supporters and beneficiaries of the single currency, display greater willingness to contribute. Our findings may be conditioned by country-level variables that are omitted in our single country study, but both the redistributive and insurance perspectives do not suggest obvious reasons why these results would not apply to other higher income countries that have made similar per-capita contributions to the recent bailout programmes. One would need to argue that redistribution is more strongly opposed or that insurance is not a normal good in these countries. Further research will tell.

Supplemental data for this article can be accessed at [publisher to add doi at proof]

Supporting data and materials for this article can be accessed on the Taylor & Francis website, doi: [publisher to add the doi at proof] and requested from Itanes at www.itanes.org/en/data/

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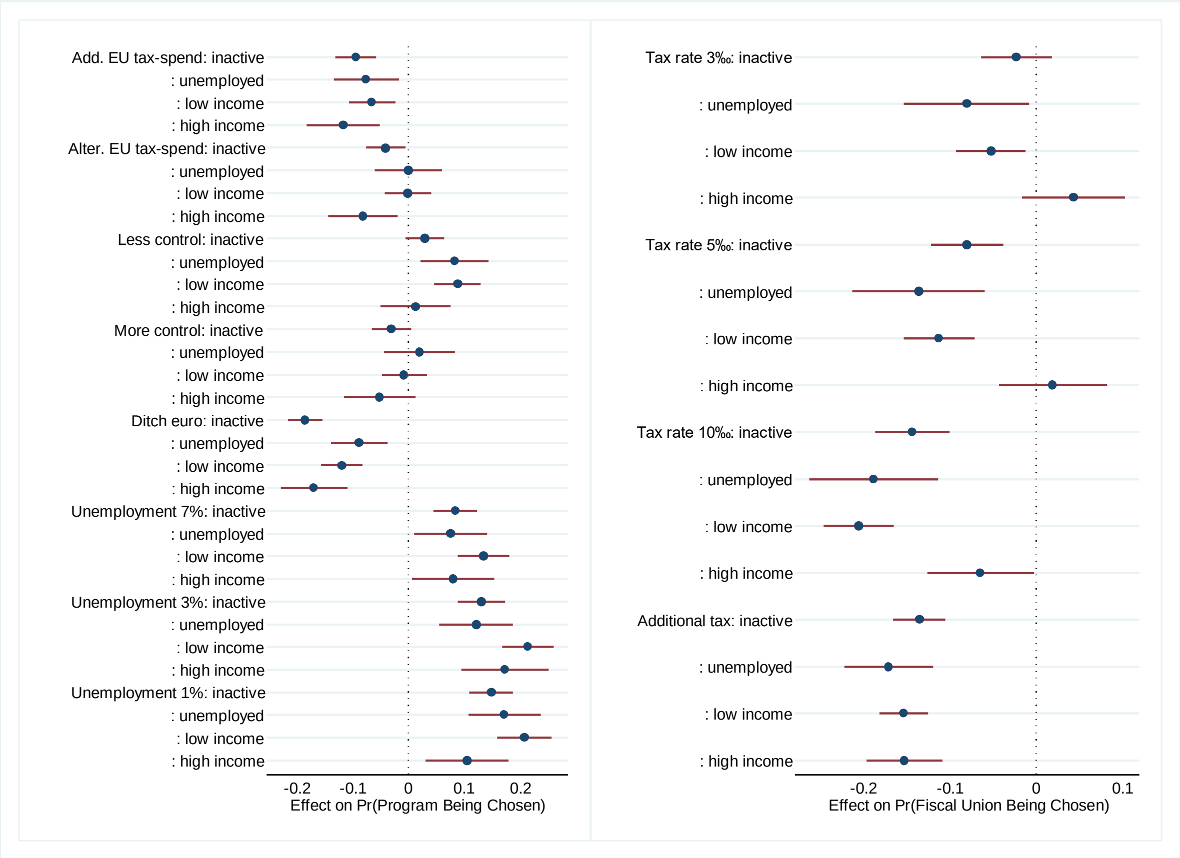
Table 1. Selected predictors of support for a fiscal union

	Not probed (1a)	Not probed (1b)	Probed (2a)	Probed (2b)
Inactive	0.0650	0.0384	0.114*	0.0801
	(0.0472)	(0.0483)	(0.0498)	(0.0513)
Unemployed	0.0107	-0.0739	0.0120	-0.0407
	(0.0778)	(0.0802)	(0.0815)	(0.0849)
High Income Occupation	-0.114*	-0.156**	-0.0155	-0.0538
	(0.0531)	(0.0535)	(0.0576)	(0.0591)
Left-Right Ideology	-0.0202**	-0.0166*	-0.0266**	-0.0253**
	(0.00721)	(0.00726)	(0.00738)	(0.00763)
EU Membership: Bad	-0.284**	-0.286**	-0.311**	-0.318**
	(0.0646)	(0.0645)	(0.0643)	(0.0653)
EU Membership: Good	0.313**	0.383**	0.250**	0.294**
	(0.0489)	(0.0493)	(0.0530)	(0.0532)
European Identity	0.181**		0.197**	
	(0.0298)		(0.0318)	
Italian vs. European Identity		0.103**		0.145**
		(0.0228)		(0.0252)
Trustworthiness: EU	0.0204	0.0306	-0.00130	-0.00170
	(0.0316)	(0.0317)	(0.0351)	(0.0350)
Trustworthiness: Italian Government	0.00774	0.0187	0.0379	0.0474
	(0.0265)	(0.0272)	(0.0281)	(0.0289)
Trustworthiness: Greek	0.0298	0.0238	0.0680*	0.0534

Government				
	(0.0304)	(0.0312)	(0.0321)	(0.0328)
Trustworthiness: German Government	0.0270	0.0346	0.00452	0.0142
	(0.0303)	(0.0309)	(0.0329)	(0.0339)
N	1,845	1,757	1,845	1,757
R-squared	0.270	0.261	0.246	0.229

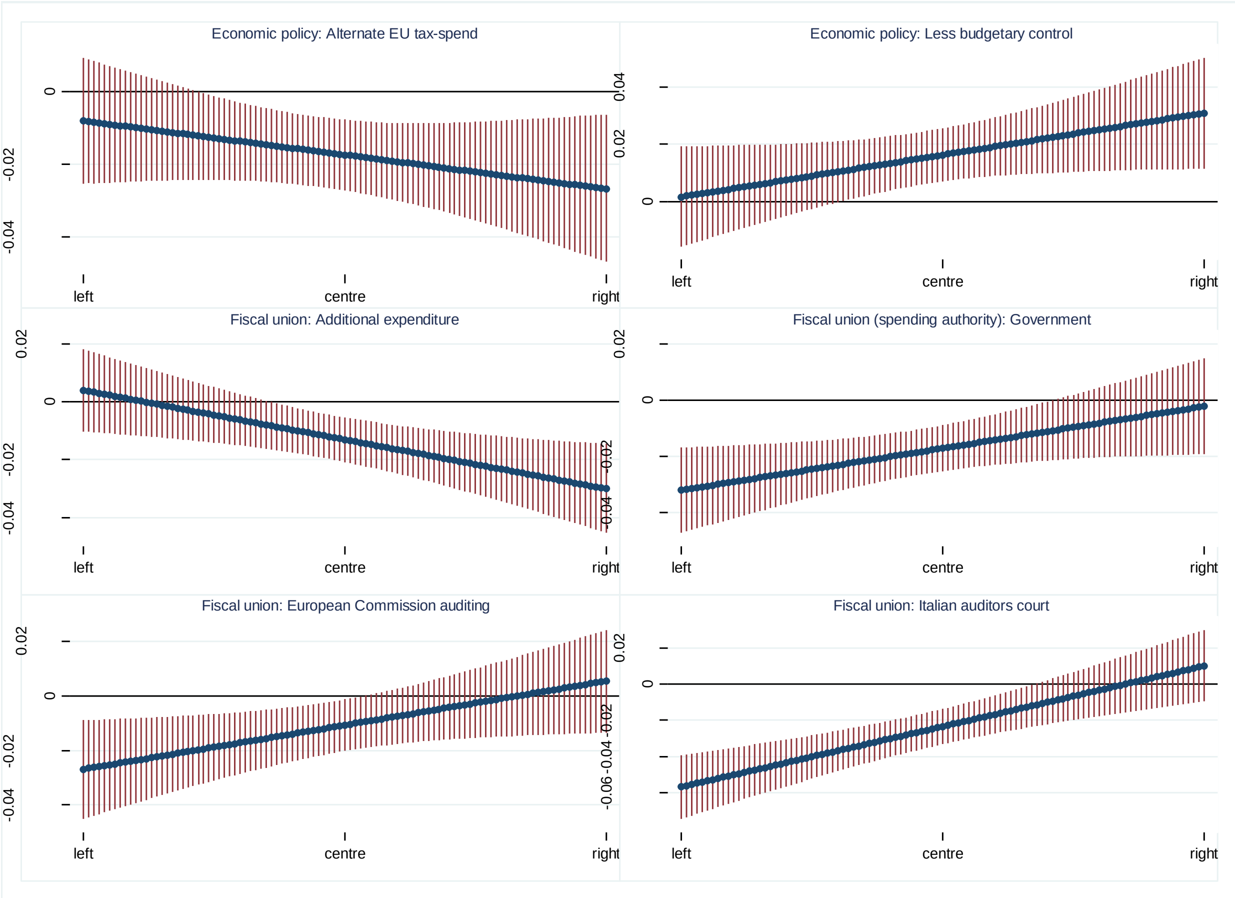
Notes: See the full model and robustness analysis in Tables S3-S4. OLS coefficients with robust standard errors in parentheses. **p < 0.01, *p< 0.05. Reference categories: Low Income Occupation; EU Membership: Neither. Models 1a and 1b: original attitudes on fiscal union, models 2a and 2b: attitudes after pointing out insurance and distributive implications.

Figure 1. Effects of selected program and scheme attributes on the probability of being selected, by employment status



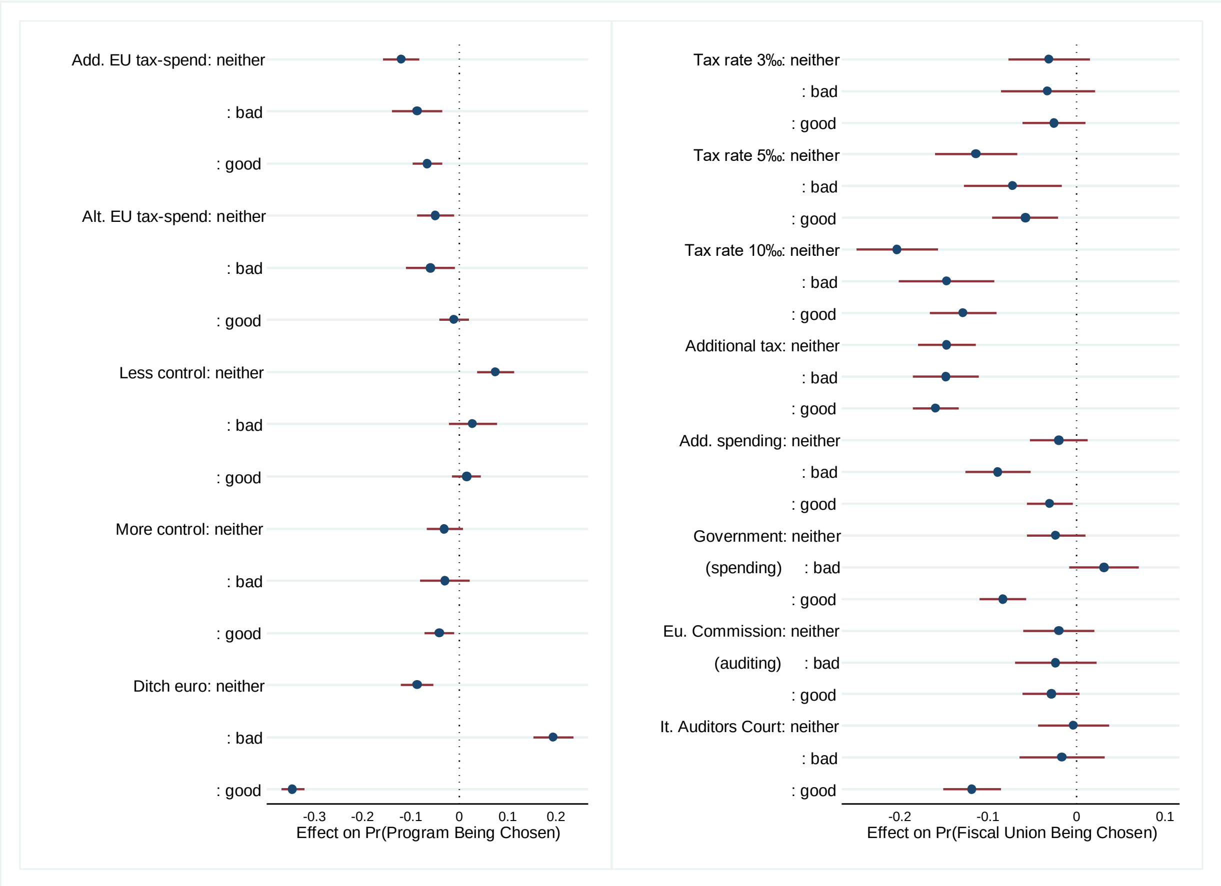
Note: Reference categories (economic policy): no EU taxation and spending, same budgetary control, euro as national currency, 13 per cent unemployment rate; (fiscal union): alternate tax rate of 1 per thousand, alternate spending, European Commission as spending institution, European Court of Auditors as auditing institution.

Figure 2. Effects of selected attributes on the probability of an economic program or a fiscal scheme being selected, by ideology



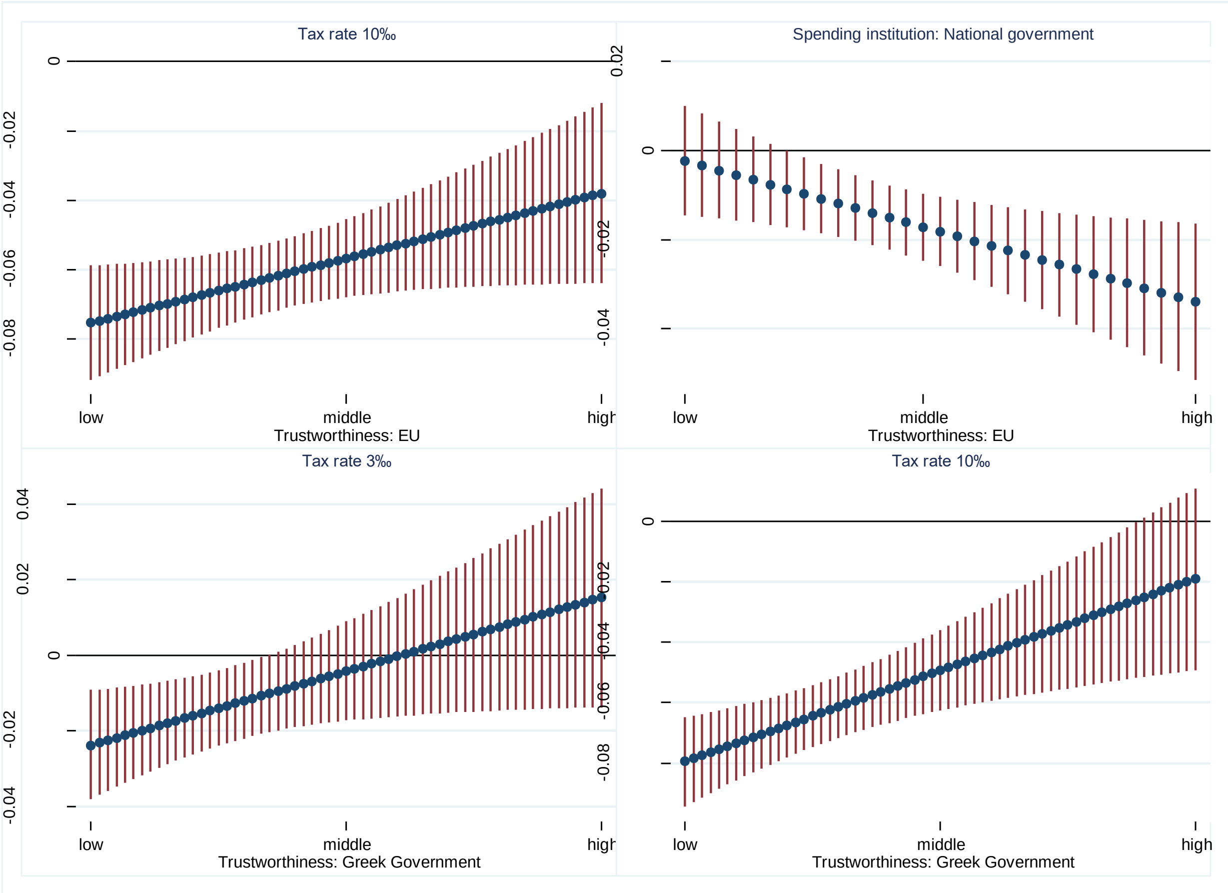
Notes: See Figure 1 for reference categories. Clockwise from top left panel F-test *p*-values greater than: 0.259; 0.072; 0.035; 0.000; 0.043 and 0.009. The Commission is also preferred to the national court of auditors by left-wing subjects (F-test *p*-value > 0.033).

Figure 3. Effects of selected program and scheme attributes on the probability of being selected, by assessment of EU membership



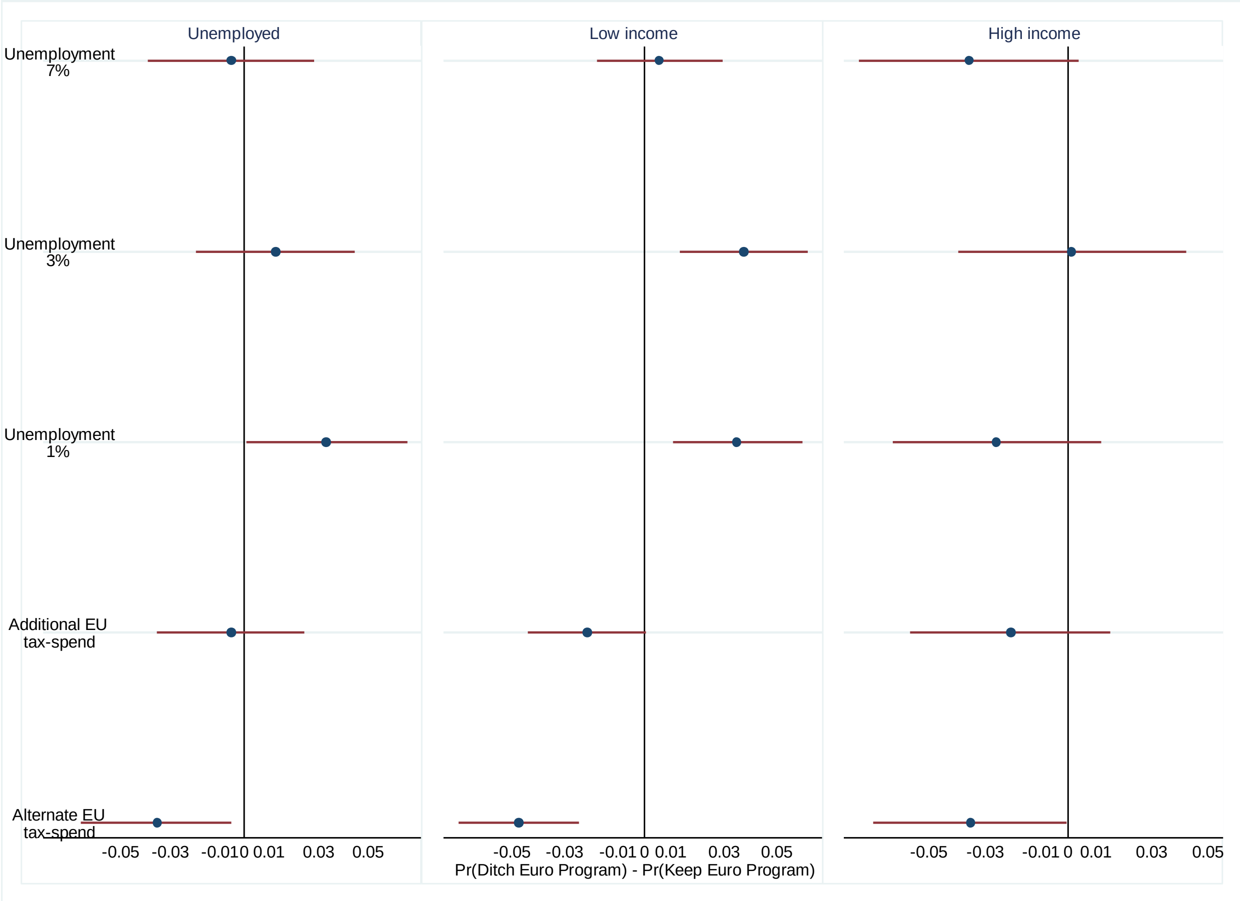
Note: See Figure 1 for reference categories.

Figure 4. Effects of selected fiscal scheme attributes on the probability of being selected, by trustworthiness



Notes: See Figure 1 for reference categories. Clockwise from top left panel F-test *p*-values greater than: 0.046; 0.015; 0.002; 0.040.

Figure 5. Differences in the probability of a "Ditch-the-euro" program being preferred



Note: Other program attributes are kept at their current values

Notes

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[1] The model ignores benefit targeting but, for a given tax rate, individuals may support spending in areas where they benefit the most. For instance, the unemployed may prefer spending on unemployment benefits over alternative destinations.

[2] But they are not more supportive of Eurobonds. Stock owners instead display similar opinions (see also Bechtel, Hainmueller and Margalit, 2014).

[3] Moene and Wallerstein (2001, 2003) show how higher earnings decrease demand for purely redistributive policies, increase demand for income-replacement policies and are unrelated to demand for universalistic policies (e.g. health). Their model accounts for both redistribution and insurance by adding an unemployment benefit to Meltzer-Richard formulation of individual utility.

[4] The direction may be opposite in case of trustworthiness of own *national* institutions since higher trust correlates with support for slower integration (Sánchez-Cuenca, 2000) and less policy integration (McLaren, 2007).

[5] "Grecia: Italia Terzo Creditore Con 40 Miliardi Di Prestiti." *La Repubblica*. 25-01-2015. ."Debito, Ecco Quanti Soldi Deve La Grecia all'Italia." *Il Giornale*. 26-01-2015. "Quanto Costa La Grecia Al Contribuente Italiano." *Il Sole 24 Ore*. 28-01-2015.

[6] "Trust is the main obstacle to progress on Greece." *EUObserver*, 12-07-2015.

[7] The coefficients of high income respondents are -0.18 (se=0.055, p<.01) in model 1a and -0.19 (se=0.056, p<.01) in model 1b if 'inactive' participants is the reference category.

[8] They are 8.3 percentage points (se=3.20) and 9.3 percentage points (se=4.10) more likely to choose an economic program proposing 3 per cent unemployment rate than, respectively, inactive and unemployed participants. They are 10.3 percentage points (se=4.54) more likely to select an unemployment rate objective of 1 per cent than participants in higher income occupations.

[9] Low income respondents are 5.9 percentage points (se=2.76) and 7.5 percentage points (se=3.83) more likely to prefer less oversight than inactive and high income participants.

[10] The conditional AMCEs for the "ditch euro" attribute in the unemployed and low income subsamples differ significantly from the AMCEs in the inactive subsample ($p > 0.002$ and $p > 0.009$, respectively), and in the unemployed subsample from the high income subsample ($p > 0.043$).

[11] The conditional AMCEs for this attribute in this subsample differ significantly from the AMCEs in the inactive ($p > 0.038$), unemployed ($p > 0.012$) and low income ($p > 0.001$) subsamples. Attitudes toward additionality of taxation do not differ.

[12] F-test $p > 0.257$, see Figure S9. Ideology affects mostly attitudes about *national* taxation and spending.

[13] They also penalize ditching the euro less severely than left-wing participants – a finding that resonates with the peculiarities of Italian politics (Conti and Memoli 2014; Conti and Verzichelli 2012).

[14] Those who assess positively EU membership are 54 percentage points (se=2.46) more likely to reject a program ditching the euro than respondents evaluating membership negatively.

[15] Respondents criticizing membership are, respectively, 5.8 and 6.8 percentage points (se=2.28 and 2.50) more likely to oppose additional spending than positive and neutral subjects.

[16] Positive evaluators are, respectively, 6 and 11.4 percentage points (se= 2.17 and 2.42) more likely to reject national governments as spending institutions than neutral and negative respondents. They are also 11.5 and 10.16 (se=2.63 and 2.95) percentage points more likely to reject the national over the European Court of Auditors than neutral and negative respondents (10.6 and 9.6 percentage points (se=2.57 and 2.94) when comparing the national court with the European Commission).

[17] Participants of the economic policy conjoint experiment were not asked questions about trustworthiness.

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