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Public Support for Institutionalised Solidarity: Europeans' Reaction to the Establishment of Eurobonds

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Abstract

Public Support for Institutionalised Solidarity: Europeans' Reaction to the Establishment of Eurobonds

Gianmarco Daniele and Benny Geys[*]

As part of a collective answer to the threat posed by the Great Recession to several Member States' public finances, the European Commission's November 2011 Green Paper discussed the introduction of 'Stability Bonds' (or Eurobonds) that would partially or completely replace the national bonds of the Euro Area's Member States. Having triggered fierce debates among policy-makers across and within European countries, this article investigates European citizens' opinions about Eurobonds, and the step towards further European fiscal integration they represent. Using a novel dataset derived from the Eurobarometer surveys, we show that, at the individual level, political ideology, distrust towards EU institutions and altruism appear more relevant than self-interest in shaping preferences for/against Eurobonds. However, at the country level, opinion towards Eurobonds strongly reflects the expected costs/benefits from Eurobonds' introduction for ones country. Finally, a notable intra-generational divide exists across young citizens of PIIGS and non-PIIGS countries, reflecting the diverse expected future costs and benefits of Eurobonds across both regions.

Keywords: Public opinion, Eurobonds, European integration, Eurobarometer

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1.   Introduction

Following the 'widening' of the European Union (EU) through several successive accession waves, recent political discussions about the European integration project revolve more around a 'deepening' of the Union. This is seen in advances of the EU into foreign policy with the establishment of the European External Action Service (see Murdoch, 2012, and references therein) and German Chancellor Merkel's recent call for a closer 'fiscal union' at the CDU Party Congress in November 2011. Following the global financial crisis that started in 2008 – meanwhile sometimes referred to as the Great Recession – and the substantial fiscal turbulence this generated in various EU Member States, the European Commission also embraced the necessity of a collective European answer to avoid the default of some Member States. Hence, in November 2011, it launched a Green Paper containing a detailed discussion regarding three proposals to design so-called 'Stability Bonds' (henceforth referred to by their colloquial name: 'Eurobonds'), which would partially or completely replace national bonds under varying degrees of joint and/or national-level guarantees.[1] Eurobonds were thereby to be subordinated to "a substantially reinforced fiscal surveillance and policy coordination as an essential counterpart, so as to avoid moral hazard" of Member States (European Commission, 2011, p. 4).

The Green Paper re-invigorated fierce debates both within and across European countries. These discussions not only concerned the incentives (or lack thereof) for sound fiscal policies inherent in Eurobond issues, but also related to the substantial and significant step towards European (fiscal) integration explicitly introduced in the Green Paper's proposals (see above). While much of the current debate takes place among political elites and academics, much less is known about European citizens' support for, or opposition to, public debt sharing and further fiscal integration at the European level. Nonetheless, as shown by Hooghe (2003), elite and public opinions towards European integration need not always bear close resemblance in terms of EU policy priorities (i.e., what policy areas the EU should operate in), nor the level of support such policies generate. Since broad-based public support is an essential element to legitimize the process of integration across EU Member States, the aim of this paper is to enhance our understanding of, and evaluate the driving forces behind, public opinion towards Eurobonds and European fiscal integration.

From a theoretical perspective, we build extensively on the vast foregoing literature explaining individuals' opinions towards the European Union (see, e.g., Gabel and Palmer, 1995; Hooghe, 2003; Lubbers and Scheepers, 2010; and references therein). Some authors have thereby relied on a *utilitarian* perspective to argue that citizens' perceptions towards European integration are shaped by their direct expected costs and benefits from this process. For instance, well-educated and high-income individuals are expected to be more pro-European in such a utilitarian framework since they are better placed to take advantage of the opportunities offered by EU (e.g. Gabel and Palmer, 1995). Other studies rather focus on the effect of *subjective* values such as post-materialism (Inglehart, 1977) and social identification (Hooghe and Marks, 2004). Finally, based on the idea that many citizens simply follow the guidance of their party of reference (Lupia, 1994; Druckman, 2001), several studies have pointed to political partisanship as an important mechanism driving individuals' preferences towards European integration (Hooghe et al., 2004; Gabel and Scheve, 2007). We borrow insights from this literature to derive testable hypotheses with respect to European citizens' opinions towards Eurobonds, which can be seen – and are seen by the European Commission (see above) – as a vehicle of further financial and fiscal integration across EU Member States.

Empirically, we rely on a novel dataset including 26.856 individuals obtained from a recent Eurobarometer survey. Our findings suggest that opinions about Eurobonds vary strongly *across* and *within* countries. First, *at the individual level* we show that subjective values and political positioning have a substantial effect. Specifically, political ideology, individuals' sense of social solidarity and their distrust towards EU institutions strongly and significantly shape support for Eurobonds. Second, *at the country level*, opinions towards Eurobonds are significantly affected by the expected costs/benefits of their introduction for ones country. For instance, in countries with public finance imbalances and higher interest rates on national bonds, Eurobonds are more likely to be seen as desirable. Finally, we illustrate that opinions towards Eurobonds among young Europeans differ strongly – and in line with theoretical predictions – across countries. Particularly, we observe that young residents of PIIGS countries are less supportive of Eurobonds than older generations, whereas the opposite tendency arises in non-PIIGS countries. We show that young citizens' opinions towards the fiscal oversight and austerity measures explicitly related to the Eurobonds proposals of the European Commission's Green Paper can explain this intra-generational divide – as it reflects the diversing expected future costs and benefits of Eurobonds across both regions.

2.   *Theoretical Background and Hypotheses*

Based on the previous literature analysing public support for EU integration, we derive a set of hypotheses to explain variation *within* and *between* countries in support for Eurobonds and further European fiscal integration. The predictions are divided in two groups: *i)* self-interest (Utilitarian Theory) and *ii)* subjective values and political ideology.

2.1.   Utilitarian Theory

Utilitarian theory considers citizens' preferences as being shaped by the expected costs/benefits of the policy to be realized. It thus predicts that (groups of) individuals adversely affected by a specific policy will disapprove of it, and vice versa. For instance, workers hurt by international competition are expected to oppose free market policies (Mayda and Rodrik, 2005), while low-skilled workers may support anti-immigration policies (Scheve and Slaughter, 2001) and welfare transfer recipients may like redistributive policies more than net-payers (Alesina and La Ferrara, 2005). With respect to our specific setting, we consider several mechanisms through which individuals' personal interests may be touched by Eurobonds.

According to the different proposals outlined by the European Commission, Eurobonds could partially or completely replace national bonds while being characterised by varying degrees of joint and/or national-level guarantees (see footnote 1 and European Commission, 2011, for details). In all cases, however, they would be meant to address the instability of the European financial markets. As such, they would have a direct effect on owners of financial assets (particularly national bonds), who are therefore likely to consider Eurobonds as an important instrument to secure their investments. It is less relevant whether they view Eurobonds as a source of stability for financial markets and/or as a tool to protect the Euro Area. In both cases, the effect would be to buttress the security of their investments, which is likely to induce support for the introduction of Eurobonds. Note also that owners of financial assets are likely to be wealthier individuals with higher incomes. Hence, a slight generalisation of the above argument would suggest that individuals with high income levels would be more likely to support Eurobonds. Bechtel et al. (2012) found mixed evidence for these hypotheses

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

H1a. Owners of financial assets are more in favour of Eurobonds

H1b. High-income individuals are more in favour of Eurobonds

People's evaluation of the benefits provided by Eurobonds is likely to be strongly driven by their perception of the need for such bonds in the current economic and fiscal environment. This, in turn, depends critically on their expectations about the likely future development of the European (and global) economy. When people are optimistic about the economic situation and expect an end to the crisis in the short term, they might not perceive any benefit to having Eurobonds. In such a situation, Member States would indeed be able to deal with their public finance imbalances once economic growth restores – removing the need to introduce Eurobonds and tighten European fiscal integration. Still, optimism (or pessimism) about the economic situation might not only affect one's perception about the expected benefits of Eurobonds, but also about the costs associated with such bonds in terms of strict fiscal oversight by the European Union. As mentioned above, the European Commission's Green Paper explicitly views Eurobonds as part of a wider strategy tied to stronger policy coordination and "increased surveillance and intrusiveness in national fiscal policies" (European Commission, 2011, p. 21) – and, hence, as a step towards a closer European fiscal union. All such potential measures listed in the document – for instance, further reinforcement of the Stability and Growth Pact, implementation of "common provisions for monitoring and assessing draft budgetary plans" or requiring "EU approval of budgets" (European Commission, 2011, pp. 21-22) – carry costs in terms of reduced national fiscal autonomy.[2] When individuals have a more optimistic outlook about the end of the economic crisis, their expectations regarding such costs will be lower, which discourages scepticism towards Eurobonds. The relative importance of these two arguments is an empirical question to be addressed below.

H2. Does optimism about the economic crisis increase/decrease support for Eurobonds?

Expectations about the costs and benefits of Eurobonds are likely to differ across generations. This follows from the observation that young generations are generally found to be less supportive of borrowing measures that transfer the costs of fiscal policies into the future (e.g. Fullerton and Dixon, 2010; Bechtel et al., 2012). Whereas policy-makers may be particularly attracted to such policies as they avoid imposing a cost in the short term, young generations are likely to internalise the full cost of such operations (as they will be asked one day to pay off the debt). In similar spirit, young generations may be more sensitive to the intergenerational redistribution inherent in the fiscal aspect of Eurobonds. Hence, we expect young individuals to be relatively less in favour of Eurobonds.

H3. Young Europeans are less in favour of Eurobonds

Regardless the final structure Eurobonds might take upon implementation (if such implementation occurs), one of the crucial aspects will be the rating of such bonds by international rating agencies. Assuming that this rating is most likely to reflect some weighted

average of the ratings of Member States' national bonds, there will obviously be winners and losers. Countries that currently face high interest rates on public debt due to relatively poor credit ratings will benefit from the relatively better rating of Eurobonds, and be able to withdraw money from the international markets cheaper through Eurobonds than through national bonds. The reverse holds for countries with good credit ratings, and low interest rates on their national debt. From a utilitarian perspective, this implies that policy-makers in high-interest countries (e.g. PIIGS; Portugal, Italy, Ireland, Greece and Spain) are more likely to approve of Eurobonds as this will create an immediate decrease of their borrowing costs, whereas the reverse expectation holds for countries that already pay low interest rates. Consequently, though at the risk of some simplification, we might picture policy-makers' likelihood to approve Eurobonds as an increasing function of the interest rates on their national debt. Similarly, policy-makers' support for Eurobonds would be closely linked to their country's solvability risks as reflected in their public debts and deficits. Whether citizens share the views of their policy-makers is an empirical question. Clearly, however, since such expectations do not concern individuals as components of a specific social-economic category, but rather as citizens of a specific country, this is to be viewed as a country-level hypothesis.[3]

H4. Citizens of PIIGS and countries with public finance imbalances (in terms of public debts and deficits) are more in favour of Eurobonds

Similarly, various studies have previously highlighted the role of country's welfare-state typology in shaping EU support (Marks 2004; 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 some form of 'mean-reversion'. Conversely, European integration is expected to be favourably looked upon in countries with relatively less developed welfare states, since citizens expect this to entail social improvements (Marks 2004; Ray, 2004). Given the close link between Eurobonds and further European fiscal integration, the same argument may be particularly prevalent in relation to public support for Eurobonds. That is, as Eurobonds underlie an important step towards a stronger fiscal coordination and a reduction of national-level fiscal autonomy, citizens in advanced welfare states might be more hesitant about them.

H5. Citizens in more advanced welfare states are less in favour of Eurobonds

2.2.   Subjective Values and Political Ideology

While often providing key insights into people's motivations and actions, utilitarian theory is evidently not the only show in town. In the literature on public support for EU integration, various authors have indeed highlighted the importance of, for instance, cosmopolitanism (Inglehart, 1977; Janssen, 1991), corruption perceptions (Sanchez-Cuenca, 2000) and political ideology (e.g., Budge et al., 1987; Hooghe et al., 2004). In this section, we directly build on this research tradition to develop a number of additional hypothesis regarding Europeans' opinions towards Eurobonds.

Bechtel et al. (2012) recently illustrated that individuals' feelings of altruism are among the strongest predictors of Germans' opinions concerning international bailouts. The explanation for the strength of this effect is likely to lie in the fact that altruists tend to have a strong sense of social solidarity, which can be defined as the sense that "various groups in society have a shared fate and that there is a responsibility to provide possibilities for those with fewer resources" (Rothstein and Uslaner, 2005, p. 42). As the joint nature of debt guarantees

involved in at least some versions of the European Commission's Eurobonds proposals (see footnote 1 above) implicitly relies on a distinct form of solidarity, we might expect feelings of altruism and solidarity to likewise bolster support for Eurobonds.

H6. Altruism and solidarity foster support for Eurobonds

It is generally 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 the gap between individuals' trust in national and EU institutions is a critical determinant of EU support. 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 will shape Eurobonds approval across European citizens. If citizens consider EU institutions as corrupted and ineffective, they will be less likely to endorse a further delegation of power to a European authority.

H7. Corruption perceptions of EU institutions discourage support for Eurobonds

Finally, there is a large literature linking political ideology to individuals' policy preferences (Hibbs, 1977). 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). More recent studies, however, often indicate that political extremism is more important than mere left/right positioning as an indicator for politicians' Euroskepticism (Hooghe et al., 2004). In our setting, we follow Bechtel et al. (2012) in relying on the idea that left-leaning parties tend to be more in favour of an equitable (inter)national redistribution of welfare and "hold stronger internationalist sentiments while voters on the right are more isolationist with respect to international engagement" (Bechtel et al., 2012, p. 10; see also Quinn and Toyoda, 2007). Moreover, since Eurobonds and the closer EU-level fiscal coordination linked to them imply 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. This leads to our final hypothesis.

H8. Left-wing political identification fosters support for Eurobonds

3. *The Data*

3.1. The Dependent Variable

The Eurobarometer surveys are designed to explore the evolution of public opinion across EU Member States on a regular basis. Its September 2011 wave – entitled 'Europeans and the crisis IV' – is of particular relevance to our analysis as it included an extensive set of questions about the global financial crisis and the possible interventions to tackle it. It was presented to 26.856 respondents aged 15 and older between 3 and 18 September 2011. One of the questions explicitly deals with individuals' opinions concerning Eurobonds.

"Because of the size of their public deficit and poor economic growth, several EU Member States are facing a debt crisis. In the course of discussions on how to address this issue, 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.*
5- *Would be necessary in the name of solidarity between Member States.*

Since these five questions tap into different aspects of the Eurobonds debate, we generate a composite measure that catches an individual respondent's overall *dis*approval of Eurobonds by adding that person's responses to questions 3 and 4 to the inverse of his/her responses to questions 1, 2 and 5 (since questions 1, 2 and 5 are phrased in a positive manner, while questions 3 and 4 reflect a negative position). The resulting variable therefore ranges from a highest value of 20 (indicating total disapproval) to a lowest value of 5 (reflecting total approval), and its distribution is plotted in Figure 1: The range of the dependent variable from 5 to 20 is presented on the X-axis, while the share of respondents in our sample reaching any particular score is given on the Y-axis. We thereby differentiate between inhabitants of PIIGS countries (i.e. the dotted line) and those of the remaining EU Member States (the continuous line). Figure 1 clearly illustrates that there is substantial variation in individuals' opinions about Eurobonds within both subsets of countries – which we will exploit in our analysis below. It can also be noted that inhabitants of PIIGS countries on average appear somewhat more supportive of Eurobonds (providing preliminary evidence in line with H4). Finally, the vertical grey line represents the midpoint of the disapproval scale. This clarifies that in *both* groups of countries the mean, mode and median lie to the left of the midpoint – suggesting that a majority of Europeans are in favour of Euro-wide debt-sharing measures.

Figure 1 about here

3.2.   Methodology and empirical model

To assess the empirical validity of the hypotheses set out in section 2, we use a multilevel approach. This has two justifications. First, from a methodological perspective, we are studying the distribution of individual's preferences, where individuals are nested in countries. Hence, the data analysed are hierarchically organized in two levels – individuals (level 1) and countries (level 2) – such that a multi-level approach is most appropriate. Second, our hypotheses concern both effects that play out at 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:

$$Y_{ij} = \beta_{0j} + \beta_1 AGE_{ij} + \beta_2 MALE_{ij} + \beta_3 MARRIED_{ij} + \beta_4 EDU_{ij} + \beta_5 INC_{ij} + \beta_6 OCCUP_{ij} + \beta_7 ASSETS_{ij} + \beta_8 IDEO_{ij} + \beta_9 SOLIDARITY_{ij} + \beta_{10} EU\ CORRUPT_{ij} + \beta_{11} OPTIMIST_{ij}$$

Where Y_{ij} is the index of Eurobond disapproval discussed in section 3.1 for individual *i* in country *j*. Note that the intercept (β_{0j}) has a subscript j, indicating that each country has its own intercept – which we will model in more detail below. Our set of independent variables first of all includes socio-demographic variables that may affect preferences for Eurobonds. AGE_{ij} is an indicator variable equal to 1 for respondents under 30 years, 0 otherwise.[4] $MALE_{ij}$ and $MARRIED_{ij}$ are self-explanatory dummy variables. EDU_{ij} reflects the age at which the

respondent achieved his/her highest degree. 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. $OCCUP_{ij}$ is a vector of seven indicator variables reflecting the respondent's occupational status: i.e. manager, other white collar, student, manual worker, housekeeper, retired and unemployed (with self-employed as the reference category). Finally, $ASSETS_{ij}$ is an indicator variable equal to 1 for respondents owning bonds or shares.

The remaining four individual-level variables tap into respondents' subjective values and political ideology. First, $IDEO_{ij}$ builds on the question: "In political matters people talk of 'the left' and 'the right'. How would you place your views on this scale?". We collapse the original scale from 1 (left) to 10 (right) into five categories defined as left (1-2), center-left (3-4), center (5-6), center-right (7-8) and right (9-10), and include all but the first as separate indicator variables. $SOLIDARITY_{ij}$ equals 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)?". One might argue that this question specifically refers to a context outside the European Union, and thus fails to capture individuals' feelings of solidarity towards other EU countries. However, by not referring to the current European context, we believe this question is more likely to reflect a general underlying sense of solidarity and altruism towards the less well-off, and will not be contaminated by respondents' potential feelings towards fiscally distressed EU countries. EU $CORRUPT_{ij}$ equals 1 for those agreeing to the following statement: "There is corruption within the institutions of the EU". Finally, $OPTIMIST_{ij}$ is a categorical variable that catches expectations about the end of the crisis in a four-point scale, whereby we use the most pessimistic category as our reference point.[5]

The specification of the country-level model is:

$$\beta_{0j} = \gamma_{00} + \gamma_{01}lnGDP_j + \gamma_{02}DEBT_j + \gamma_{03}DEFICIT_j + \gamma_{04}SOCEXP_j + \gamma_{05}UNEMP_j + \gamma_{06}TRUSTEU_j + \gamma_{07}PIIGS_j + u_{0j}$$

Where $lnGDP_j$ equals the natural logarithm of GDP per capita, and where the total national public debt ($DEBT_j$), the deficit ($DEFICIT_j$) and social expenditures ($SOCEXP_j$) are measured as a share of GDP. $UNEMP_j$ is the unemployment rate. Data for all these variables are obtained from Eurostat. We also control for the average support at the national level for the European Union ($TRUSTEU_j$), obtained from the most recent European Value Survey (2008).[6] Finally, PIIGS is an indicator variable for respondents in Portugal, Ireland, Italy, Greece and Spain. Appendix 1 provides summary statistics for all individual- and country-level variables included in the model.

4.   Results

4.1.   Baseline estimation results

We use the statistical software MLwin 2.22 to estimate all parameters in our multilevel model with the maximum-likelihood method (Goldstein, 2003). The analysis is thereby performed in three steps, of which the main results are shown in Table 1. First, we estimate the model including only the intercept (Model 1). This will be treated as a baseline to analyse the increase in variance explained when progressively including more (sets of) independent variables. It also allows estimating the importance of variation at the country level relative to

the individual level via the measure of intraclass correlation (i.e. $icc = \frac{\sigma_{u0}^2}{\sigma_{u0}^2 + \sigma_{ue}^2}$, where σ_{u0}^2 is the variance between countries and σ_{ue}^2 is the variance between individuals). The value of the intraclass correlation coefficient, 14.7%, indicates that there is considerable variation at the country level, which confirms our choice for a multilevel estimation approach. Model 2 includes the group of individual-level determinants, while we also add the group of country-level variables in Model 3. In line with standard practice, all non-dummy independent variables are grand-mean centered, creating a variable with a mean of zero across all the cases.

Table 1 about here

When we introduce individual-level variables in Model 2, the fit of the model substantially improves as the difference between the deviances of Models 1 and 2 is statistically highly significant (p-value<0.001). Starting the discussion of our individual-level findings with the variables addressing the self-interest hypotheses (H1a, H1b, H2 and H3), we find no evidence that owners of shares and bonds are more likely to support Eurobonds (rejecting H1a). We do, however, find that respondents with higher incomes are generally more in favour of Eurobonds. The latter finding is in line with earlier research indicating that high-income people tend to be more in favour of the overall European integration project (Gabel and Palmer, 1995). With respect to H2, we find substantial support for the idea that respondents' optimism about the financial crisis affects their evaluation of the expected costs and benefits of Eurobonds. Compared to the most pessimistic respondents, all other groups are significantly more likely to support Eurobonds. Interestingly, the relation between optimism and support for Eurobonds is non-linear, with the most optimistic respondents (i.e. those believing "*We are already returning to growth*") again becoming somewhat less approving. This probably reflects the fact that Eurobonds are projected as a tool to deal with the crisis, and a belief in the end of the crisis would thus determine a reduced need for their introduction. Finally, we cannot confirm that young respondents (i.e., under 30 years) are less likely to approve Eurobonds. If anything, we find the opposite effect (p<0.01). However, it should be noted in this respect that the *Student*-dummy is negative and statistically significant (p-value<0.001). Since students are likely to be young, this indicates that particularly young people in higher education are more in favour of Eurobonds than young people no longer in education and adults. However, as education may reflect unobserved individual characteristics, one should take care in interpreting the effect of students as only age-related (e.g. Hainmueller and Hiscox 2006). Even so, it does suggest that particularly highly-educated young people – who arguably are likely to be best informed about Eurobonds and their potential effects – are most likely to be in favour of them.

Turning to the remaining individual-level hypotheses (H6, H7 and H8), we first of all find that feelings of solidarity towards the less well-off are not only significantly correlated to Eurobonds' support, but that the size of the coefficient is one of the largest in the model. Although we use a different operationalisation of solidarity, and we analyse a broader sample of respondents (i.e. across Europe rather than Germany), these results are closely in line with Bechtel et al. (2012) and provide strong support for H6. We also confirm that trust in the EU (or lack thereof) has a powerful effect on citizens' preferences for a further delegation of (fiscal) power to the EU (supporting H7). Effectively, citizens' opinions concerning Eurobonds seem to be shaped by the underlying beliefs in the EU's integrity and efficiency. Distrust erodes support for stronger European integration in the form of Eurobonds, and vice versa (see also Sanchez-Cuenca, 2000). Finally, our results confirm that individuals towards

the left of the political spectrum (i.e., leftists and center-leftists) are more likely to be in favour of Eurobonds. Interestingly, the least Eurobonds-enthusiastic are center and center-right voters, which confirms the finding of Bechtel et al (2012, p. 3) that "supporters of centrist parties (…) are significantly less supportive of [international] bailouts". The latter finding seems intuitively reasonable since center and/or center-right parties generally tend to have liberal orientations (in the economic sense). This implies preferences *against* a stronger presence of any public authority in the economy, which is exactly what Eurobonds will imply – in the view of the European Commission – through increased fiscal coordination.

When we add country-level variables to the estimation equation in Model 3, the coefficient estimates and significance levels of the individual-level variables do not change. Even so, the addition of country variables provides another substantial increase in the fit of the model (p-value<0.001), and drastically reduces the unexplained variance at country level (the intraclass correlation drops from 14.7% to 6.8%). Hence, the country-level variables we introduce have substantial explanatory power. They also provide strong support for our country-level hypotheses (H4 and H5). The dummy for PIIGS-countries and the variable measuring the level of public debt both have the expected positive impact on support for Eurobonds (in line with H4). This provides strong support for the Utilitarian hypothesis, since it suggests that the current borrowing costs of ones country are central in shaping not only politicians', but also citizens', opinions towards Eurobonds. Conversely, citizens in countries with a higher level of social expenditures are less likely to approve of Eurobonds (supportive of H5). This may reflect that people in more advanced welfare states worry about a possible reduction in social welfare provisions when more control over national fiscal policies is subordinated to a supranational authority. Overall, both results suggest that citizens appear much more likely to accept Eurobonds when they expect this to have considerable benefits for their country, but are reluctant to support Eurobonds when this is likely to adversely affect their country.

4.2.   Extension: Generational Preferences across Countries

Thus far, we have implicitly assumed that, regardless of the country of residence, similar citizens have similar preferences. In other words, the slopes of the regression lines representing similar individuals are kept constant across countries. In some cases, however, this may be overly restrictive. One important reason why the same socio-demographic groups across countries may feel differently about Eurobonds and increased fiscal coordination at the EU level is that the cost and benefits thereof are (perceived to be) distributed differently depending on ones country of residence. Figure 2 – which represents the share of respondents in PIIGS and non-PIIGS 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) – provides some evidence that this may well hold in our case. Although these perceptions look quite similar for most groups, there are three clear exceptions: i.e. unemployed and young adults are perceived as more strongly affected by respondents in PIIGS countries, whereas single parents (and, to a lesser extent, children) are perceived as being more affected by respondents in non-PIIGS countries.

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 2 implies that the same socio-demographic group may reach a completely different evaluation of Eurobonds across countries. For instance, Figure 2 suggests that young generations in PIIGS countries will be more sensitive to the EU-imposed fiscal austerity measures related to Eurobonds compared to young generations in non-PIIGS countries, as they face the consequences thereof

to a larger extent. This would mean that they will be relatively less in favour of Eurobonds and increased European fiscal integration compared to young generations in non-PIIGS countries. Assuming that older generations do not view Eurobonds differently across countries[7], this leads to the proposition that hypothesis H3 holds more strongly in PIIGS countries relative to non-PIIGS countries. For the same reason, a similar proposition would arise for the unemployed across PIIGS and non-PIIGS countries, while the reverse would be expected for single parents. Unfortunately, however, we do not have information about single parents in our dataset, such that the empirical verification of these propositions is necessarily focused on young and unemployed respondents.

As a first step, we treat the variables *under 30* and *unemployed* as random terms, and test whether their coefficient estimates vary across countries. This suggests that the unemployment variable displays no significant variance across countries, while the variable *under 30* does (p-value=0.03). Unemployed individuals across countries thus appear to feel alike about Eurobonds, but young respondents do not. In order to study the direction of this difference in more detail, we extend our estimation model with a cross-level interaction term between *PIIGS* and the variable *under 30*.[8] Model 4 of Table 1 illustrates that, while leaving our previous findings unaffected, the interaction term is statistically significant at conventional levels (p-value<0.05). Its positive coefficient estimate is also slightly larger (in absolute terms) than the non-interacted coefficient of the variable *under 30*. This indicates the presence of an important intra-generational divide across young citizens of PIIGS and non-PIIGS countries: i.e. young generations in PIIGS countries are relatively *less* in favour of Eurobonds compared to adults, while the reverse holds in non-PIIGS countries. It is interesting to observe that the interaction term *Students*PIIGS* likewise has a significant effect (p-value<0.05), and its positive sign indicates that students in non-PIIGS countries are significantly less likely to support Eurobonds than those in non-PIIGS countries (even thought being a student still increases the probability of Eurobonds support in both subsets).

Although this confirms our theoretical proposition, it should be noted that our line of argument relied strongly on the assumption that the variation in younger individuals' opinions across countries works through their diverging evaluation of the cost of EU-level fiscal austerity and coordination. If true, however, this should become reflected in lower support for fiscal coordination particularly among young individuals in PIIGS countries. This is investigated in more detail in Table 2, where we report the results from the same regression model as that reported in Column 4 of Table 1, but with two different dependent variables: namely, the degree of support for *i)* automatic financial penalties for EU countries with excessive public debts and deficits (Column 1); *ii)* a consultation role for EU institutions in the drafting process of national budgets (Column 2).

The results show that all young individuals, regardless of their place of residence, are more likely than older generations to oppose automatic penalties to Member States with fiscal difficulties (Column 1). In Column 2, however, we find that young citizens in non-PIIGS countries are more likely than older generations to accept EU intervention in the drafting of national budgets, all else equal (p-value<0.001). Interestingly, the reverse finding holds in

PIIGS countries, since, once again, the interaction term *Under30*PIIGS* has the opposing sign to the non-interacted variable (*Under30*) and boasts a substantially larger effect size (in absolute terms). Both results taken together confirm that the higher disapproval of Eurobonds by younger citizens in PIIGS countries (observed in Table 1) is driven at least in part by their higher apprehension towards increased European fiscal integration. Hence, the intra-generational divide across young citizens of PIIGS and non-PIIGS countries observed in Table 1 reflects the diverging nature of the future costs and benefits of Eurobonds expected by the younger generations in both regions.[9]

5.   *Conclusions*

Following the fierce debates on Eurobonds – and the step towards further European fiscal integration they represent – among policy-makers and observers across and within European countries, this article investigated how European citizens view these issues. Exploiting a new database derived from a recent Eurobarometer survey, we first of all found that the majority of Europeans lean towards a supportive attitude of such debt-sharing measures. Nevertheless, this average supportive position conceals wide variation in the distribution of such preferences across and within European countries. At the *individual level*, this diversity is best explained by political ideology, distrust towards EU institutions and individuals' altruism. At the *country level*, the expected benefits from the Eurobonds' introduction for ones country has a significant defining impact on opinions. Support is higher in PIIGS countries, as well as countries with public finance imbalances and higher interest rates on national bonds.

Finally, our analyses uncovered a substantial intra-generational divide across young citizens of PIIGS and non-PIIGS countries. The latter are indeed much more hesitant than the former with regard to the unification of public debts and further measures of European fiscal integration. This is particularly the case for low-educated (or non-student) young individuals in PIIGS countries. The divergence of young Europeans' opinions appears driven in large part by the asymmetric impact of the expected costs of EU-imposed fiscal austerity measures across countries. Particularly the fact that young individuals in PIIGS countries are perceived as more severely affected by the European crisis and ensuing austerity measures (relative to other EU countries), leads young individuals in these countries to more strongly oppose (relative to older generations) all aspects of further European fiscal integration, including Eurobonds.

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Figure 1: Distribution of preferences for Eurobonds (N = 20208)
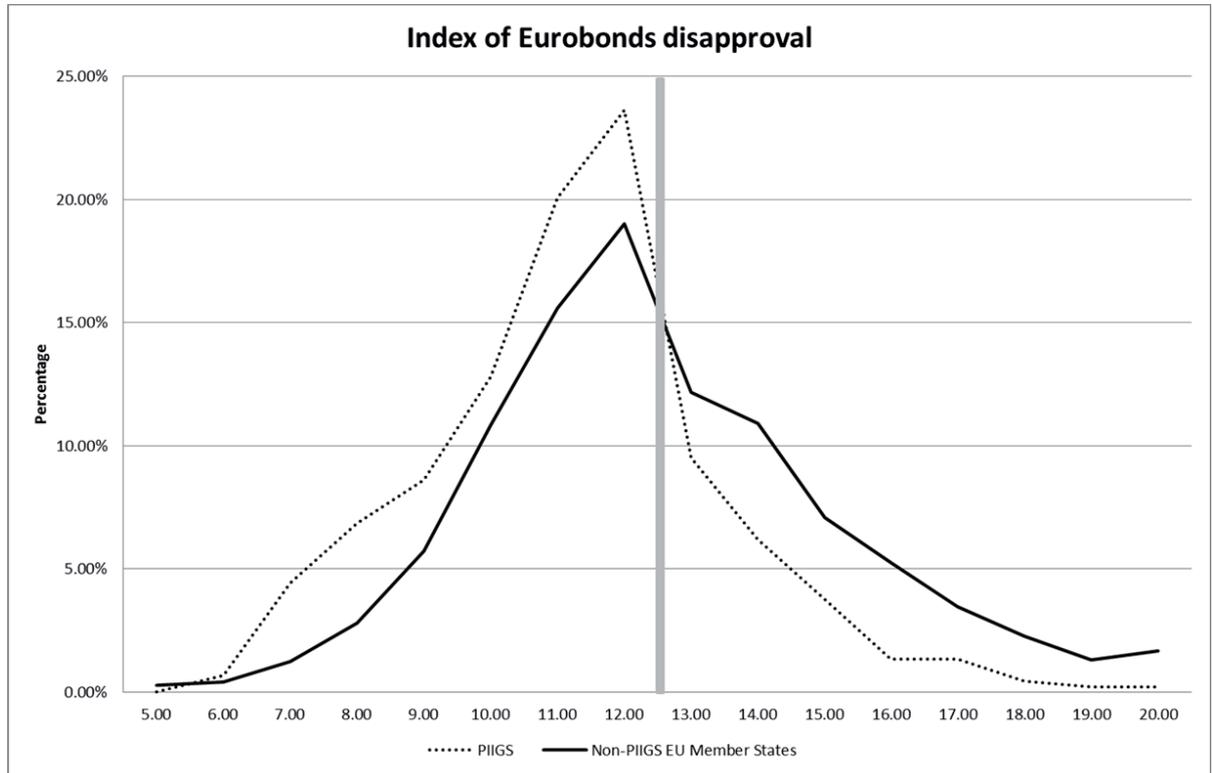
Note: Disapproval for Eurobonds with value 5 reflecting highest support and 20 lowest support. PIIGS stands for Portugal, Ireland, Italy, Greece and Spain. Vertical grey bar is the midpoint of the disapproval scale.

Figure 2: People most affected by public-sector austerity measures
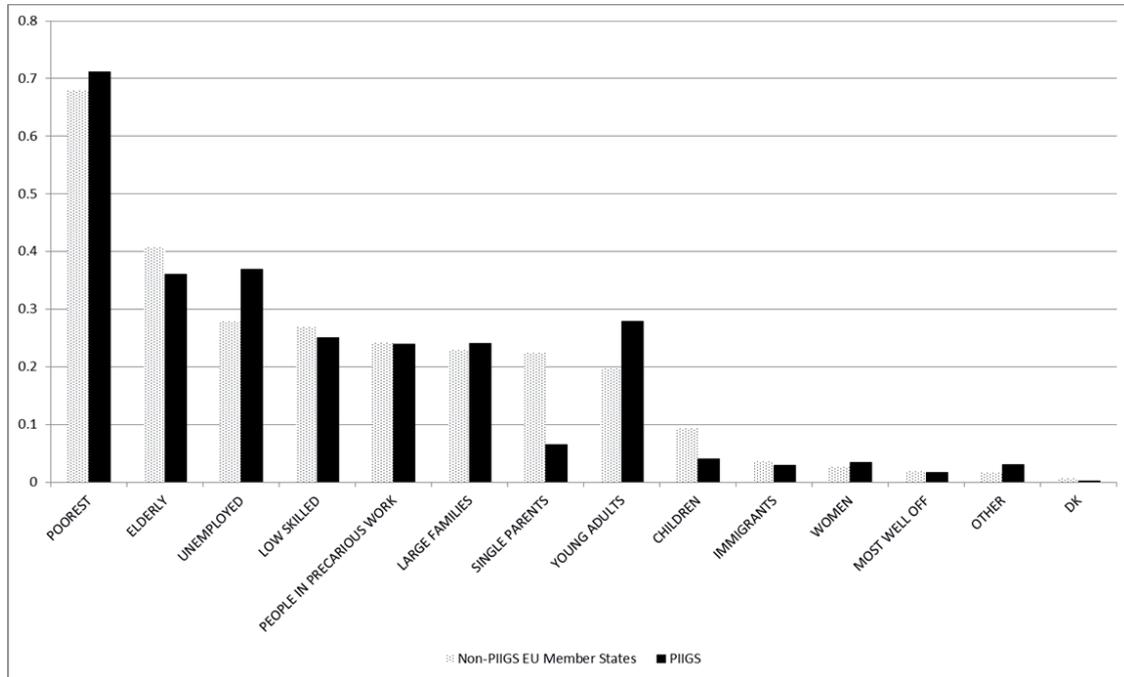
Note:*"Who do you think have been affected most by public spending cuts and other austerity measures in (our country)?".*
Respondents are allowed to provide maximally three answers. N=22288. Eurobarometer 76.2 (November 2011).

Table 1: Baseline estimation results

Variables	Model 1 β	Model 1 S.E.		Model 2 β	Model 2 S.E.		Model 3 β	Model 3 S.E.		Model 4 β	Model 4 S.E.	
Fixed Part: Individual Level												
Constant	12.657	0.183	***	12.909	0.229	***	13.141	0.198	***	13.16	0.198	***
Age: under 30 (Reference category: over 30)				-0.141	0.059	**	-0.141	0.059	**	-0.196	0.066	***
Male				-0.016	0.039		-0.016	0.039		-0.016	0.039	
Married				-0.116	0.042	**	-0.115	0.042	**	-0.11	0.042	**
Education				-0.009	0.002	***	-0.009	0.002	***	-0.009	0.002	***
Income				-0.023	0.012	*	-0.023	0.012	*	-0.023	0.012	*
Managers (Reference Category: Self-Employed)				-0.114	0.089		-0.117	0.089		-0.127	0.09	
Other white collars				-0.099	0.088		-0.101	0.088		-0.106	0.088	
Manual workers				-0.057	0.082		-0.06	0.082		-0.066	0.082	
House person				-0.156	0.106		-0.156	0.106		-0.148	0.106	
Unemployed				-0.102	0.098		-0.104	0.098		-0.11	0.098	
Retired				0.043	0.079		0.04	0.079		0.027	0.079	
Students				-0.624	0.119	***	-0.628	0.119	***	-0.697	0.126	***
Shares or bonds				0.04	0.06		0.032	0.06		0.03	0.06	
Center Left (Reference Category: Left)				0.065	0.08		0.066	0.08		0.068	0.08	
Center				0.243	0.075	**	0.244	0.075	**	0.248	0.075	**
Center-Right				0.396	0.082	***	0.397	0.082	***	0.401	0.082	***
Right				0.11	0.1		0.111	0.1		0.114	0.1	
Cosmopolitanism-Altruism				-0.72	0.04	***	-0.723	0.04	***	-0.724	0.04	***
Corruption in EU: Yes				0.353	0.044	***	0.355	0.044	***	0.352	0.044	***
We are already returning to growth (Reference Category: Crisis will last many years)				-0.43	0.076	***	-0.43	0.076	***	-0.424	0.076	***
A return to growth will start in the coming months				-0.595	0.067	***	-0.595	0.067	***	-0.594	0.067	***
A return to growth will start in the coming years				-0.365	0.043	***	-0.366	0.043	***	-0.367	0.043	***
Fixed part: Country Level												
Log_GDP per capita							-0.119	0.506		-0.122	0.506	
PublicDebt % on GDP							-0.015	0.007	*	-0.015	0.007	*
Deficit							0.002	0.03		0.002	0.03	
Social Expenditure % on GDP							0.082	0.045	*	0.082	0.045	*
Unemployment %							0.013	0.04		0.013	0.04	
Trust in European Union							-1.046	1.284		-1.03	1.284	
PIIGS							-1.101	0.516	*	-1.188	0.517	*
Under30PIIGS										0.276	0.14	*
StudentsPIIGS										0.389	0.222	*
Random Terms												
Level: country	0.955	0.254	***	1.07	0.294	***	0.449	0.125	***	0.45	0.125	***
Level: individuals	6.832	0.072	***	6.874	0.069	***	6.874	0.069	***	6.869	0.069	***
Students				0.77	0.38	*	0.082	0.039	*	0.55	0.33	
Under30				0.84	0.6		0.091	0.062		0.41	0.48	
Unemployed				0	0		0	0		0	0	
-2*loglikelihood:	97222.224			94729.335			94706.23			94692.54		
Units: country	27			27			27			27		
Units: individuals	20208			19851			19851			19851		

*Note: Dependent variable: Eurobonds' disapproval, max disapproval (20), min disapproval (5). Table includes unstandardised coefficient estimate and their standard errors. * reflects significance at p < .05 ** at p < .01 and *** at p < .001.*

Table 2: Support for specific measures of European fiscal integration

Variables	Automatic application of escalating financial penalties for EU Member States which fail to comply with jointly defined rules on debt and public deficit		Including a preliminary consultation between European institutions and national political institutions in the drafting process of national budgets	
	β	S.E.	β	S.E.
Fixed Part: Individual Level				
Costant	2.116	0.049 ***	2.15	0.048 ***
Age: under 30 (Reference category: over 30)	0.041	0.02 *	-0.059	0.019 ***
Male	-0.028	0.011 **	-0.027	0.011 **
Married	-0.025	0.012 *	-0.002	0.012
Education	0	0.001	-0.002	0.001 *
Income	-0.011	0.003 ***	-0.008	0.003 **
Managers (Reference Category: Self-Employed)	-0.017	0.027	0.017	0.026
Other white collars	-0.012	0.026	0.03	0.025
Manual workers	-0.031	0.024	0.021	0.023
House person	-0.043	0.031	0.012	0.03
Unemployed	0.004	0.029	0.028	0.028
Retired	-0.019	0.023	-0.001	0.023
Students	-0.002	0.038	-0.066	0.037 *
Shares or bonds	-0.088	0.018 ***	-0.057	0.017 ***
Center Left (Reference Category: Left)	-0.027	0.024	-0.053	0.023 *
Center	-0.07	0.022 ***	-0.026	0.021
Center-Right	-0.115	0.024 ***	-0.033	0.023
Right	-0.101	0.03 ***	-0.025	0.029
Cosmopolitanism-Altruism	-0.08	0.012 ***	-0.12	0.012
Corruption in EU: Yes	-0.012	0.013	0.049	0.012 ***
We are already returning to growth (Reference Category: Crisis will last many years)	-0.02	0.022	-0.105	0.022 ***
A return to growth will start in the coming months	-0.003	0.02	-0.072	0.019 ***
A return to growth will start in the coming years	-0.01	0.013	-0.051	0.012 ***
Fixed part: Country Level				
Log_GDP per capita	0.006	0.115	0.053	0.114
PublicDebt % on GDP	0.001	0.001	-0.002	0.001 *
Deficit	0.011	0.007	0.009	0.007
Social Expenditure % on GDP	-0.015	0.01	0.003	0.01
Unemployment %	0	0.009	0.004	0.009
PIIGS	0.064	0.117	0.003	0.116
Trust in European Union	-0.523	0.29 *	-0.836	0.288 **
Under30.PIIGS	-0.051	0.041	0.104	0.039 **
Students.PIIGS	-0.084	0.064	-0.14	0.062 *
Random Terms				
Level: country	0.023	0.006 ***	0.022	0.006 ***
Level: individuals	0.687	0.006 ***	0.634	0.006 ***
-2*loglikelihood:	56599.084		53528.811	
Units: country	27		27	
Units: individuals	22951		22432	

*Note: The dependent variables are coded in: Totally Agree (1), Tend to Agree (2), Tend to Disagree (3), Totally Disagree (4). Table includes unstandardised coefficient estimate and their standard errors. * reflects significance at p < .05 ** at p < .01 and *** at p < .001.*

Appendix 1

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Deviation
Under 30	26856	0.00	1.00	.2004	0.4003
Over30	26856	0.00	1.00	.7996	.4003
Male	26856	0.00	1.00	0.4592	.4983
Married	26389	0.00	1.00	0.6326	0.4821
Education	24235	7.00	74.00	18.9580	4.8559
Income level in the society - self placement	26063	1.00	10.00	5.3421	1.6228
Manager	26856	.00	1.00	0.1020	0.3027
Other White Collar	26856	0.00	1.00	.1079	0.3103
Manual Worker	26856	0.00	1.00	.1975	0.3981
House Person	26856	0.00	1.00	0.0722	.2589
Unemployed	26856	0.00	1.00	0.0829	.2758
Retired	26856	0.00	1.00	0.2917	0.4545
Student	26856	0.00	1.00	0.0767	0.2662
Self Employed	26856	0.00	1.00	0.0690	0.2535
Ownership of Shares or Bonds	26856	0.00	1.00	0.1241	0.32971
Cosmopolitanism - Altruism	26856	0.00	1.00	.4434	.49680
EU Institutions Corruption: Yes	26856	0.00	1.00	.7178	.45006
Optimism About the End of the Crisis	25801	1.00	4.00	3.1834	.89834
Left-Right Scale Self Placement	21345	1.00	5.00	2.9380	1.05192
Log GDP per Capita (2010)	26856	4.67	6.50	5.3852	.36274
Public Debt % on GDP (2010)	26856	6.70	145.00	62.0838	31.53440
Deficit (2010)	26856	.30	-31.20	-6.4932	5.75790
Unemployment (2010)	26856	3.70	18.00	8.6402	3.92582
Social Expenditure % on GDP (2010)	26856	16.85	33.44	25.4895	5.48715
Trust in European Union	26856	0.20	0.70	0.5219	0.13495
PIIGS	26856	0.00	1.00	.1898	.39214

ENDNOTES

1   Specifically, the "three broad approaches are: 1) the full substitution of Stability Bond issuance for national issuance, with joint and several guarantees; 2) the partial substitution of Stability Bond issuance for national issuance, with joint and several guarantees; 3) the partial substitution of Stability Bond issuance for national issuance, with several but not joint guarantees" (European Commission, 2011, p. 12; see the complete document for further details).

2   It should be noted that most Europeans are unlikely to know the exact content of the Green Paper. Yet, it seems reasonable to assume that the public debate about Eurobonds made it clear that their creation underlies the promise of more extensive fiscal surveillance and coordination at the European level – and the implications this may have for countries' autonomy in terms of their public finances.

3   Such country-level hypotheses are quite common in the literature analysing public support for European integration. Previous studies for instance show the importance of macroeconomic variables such as inflation or intra-EU trade to explain attitudes towards the EU (Eichenberg and Dalton, 1993). Similarly, citizens in countries that are net-recipients of European cohesion policies have been found to favour European integration more than those in net-contributor countries (Brinegar et al., 2004).

4   We experimented with three alternatives – i.e. age as a continuous variable, in three age groups (<30; 30-50 and >50) and in five age groups (<30; 30-40; 40-50; 50-60 and >60). These all indicated that there is 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 dummy variable (details of alternatives upon request).

5   Specifically, respondents can choose between: We are already returning to growth (1); A return to growth will start in the coming months (2); A return to growth will start in the coming years (3); The crisis is going to last for many years (4).

6   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.

7   Figure 2 suggests that older generations are perceived as more strongly affected by a marginally larger share of respondents in non-PIIGS compared to PIIGS countries. This makes our assumption of no difference probably a conservative standpoint, as any difference would bias our results against the hypothesis derived here.

8   Since most students in our sample are under 30, we also include the interaction term Students*PIIGS to avoid biased inferences on the interaction of PIIGS with young individuals.

9   The interaction Students*PIIGS is again significant, but with the same sign as the baseline student effect. This suggests that it is particularly low-educated (or non-student) young individuals in PIIGS countries that are apprehensive towards further involvement of the European Union into the national budgets.

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